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Nexteer Automotive Group Limited

耐世特汽車系統集團有限公司

(Incorporated under the laws of the Cayman Islands with limited liability)

(Stock Code: 1316)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2024

The Board of Directors (the **Board**) of Nexteer Automotive Group Limited (the **Company**) announces the unaudited interim condensed consolidated results of the Company and its subsidiaries (collectively **we, us, our**, or the **Group**) for the six months ended June 30, 2024, together with the comparative figures for the previous period as follows:

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended June 30, 2024

		For the six months ended	
		June 30,	
	Notes	2024	2023
		US\$'000	US\$'000
		(Unaudited)	(Unaudited)
Revenue	2	2,098,927	2,101,830
Cost of sales	3	(1,888,000)	(1,910,999)
Gross profit		210,927	190,831
Engineering and product development costs	3	(88,628)	(68,006)
Selling and distribution expenses	3	(10,790)	(10,150)
Administrative expenses	3	(71,622)	(67,157)
Other gains, net	4	1,424	1,300
Operating profit		41,311	46,818
Finance income	5	3,131	2,325
Finance costs	5	(5,309)	(3,206)
		(2,178)	(881)
Share of results of joint ventures, net		1,657	(138)
Profit before income tax		40,790	45,799
Income tax expense	6	(17,729)	(8,397)
Profit for the period		23,061	37,402
Profit for the period attributable to:			
Equity holders of the Company		15,695	33,993
Non-controlling interests		7,366	3,409
		23,061	37,402
Earnings per share for profit for the period			
attributable to equity holders of the Company			
for the period (expressed in US\$ per share)			
– Basic and diluted	7	0.006	0.014

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2024

	For the six months ended	
	June 30,	
	2024	2023
	<i>US\$'000</i>	<i>US\$'000</i>
	(Unaudited)	(Unaudited)
Profit for the period	<u>23,061</u>	<u>37,402</u>
Other comprehensive loss		
<i>Item that may be reclassified subsequently to profit or loss</i>		
Exchange differences	<u>(25,256)</u>	<u>(10,086)</u>
Total comprehensive (loss) income for the period	<u>(2,195)</u>	<u>27,316</u>
Total comprehensive (loss) income for the period attributable to:		
Equity holders of the Company	(8,330)	25,718
Non-controlling interests	<u>6,135</u>	<u>1,598</u>
	<u>(2,195)</u>	<u>27,316</u>

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at June 30, 2024

		As at June 30, 2024	As at December 31, 2023
	<i>Notes</i>	<i>US\$'000</i> (Unaudited)	<i>US\$'000</i> (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		986,650	1,000,227
Right-of-use assets		54,534	51,351
Intangible assets		689,473	732,560
Deferred income tax assets		37,610	27,053
Investments in joint ventures		20,097	18,440
Income taxes receivable		4,133	4,133
Other receivables and prepayments		21,670	23,160
		1,814,167	1,856,924
Current assets			
Inventories		310,827	299,074
Trade receivables	9	800,270	750,496
Notes receivable	10	26,936	52,550
Income taxes receivable		12,705	14,435
Other receivables and prepayments		114,302	119,360
Restricted bank deposits		187	13
Cash and cash equivalents		279,836	311,741
		1,545,063	1,547,669
Total assets		3,359,230	3,404,593

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET *(continued)*

As at June 30, 2024

	<i>Note</i>	As at June 30, 2024 US\$'000 (Unaudited)	As at December 31, 2023 US\$'000 (Audited)
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		32,377	32,377
Other reserves		(42,730)	(18,874)
Retained earnings		1,958,479	1,950,313
		<u>1,948,126</u>	<u>1,963,816</u>
Non-controlling interests		46,873	47,025
		<u>1,994,999</u>	<u>2,010,841</u>
LIABILITIES			
Non-current liabilities			
Lease liabilities		34,005	37,097
Borrowings		–	34,988
Retirement benefits and compensations		25,834	25,706
Deferred income tax liabilities		4,892	8,583
Provisions		55,509	66,196
Deferred revenue		96,892	110,229
Other payables and accruals		40,918	21,923
		<u>258,050</u>	<u>304,722</u>
Current liabilities			
Trade payables	<i>11</i>	810,295	833,401
Other payables and accruals		163,432	158,123
Current income tax liabilities		15,422	17,916
Retirement benefits and compensations		2,597	2,877
Provisions		28,091	21,159
Deferred revenue		26,417	27,244
Borrowings		47,901	14,122
Lease liabilities		12,026	14,188
		<u>1,106,181</u>	<u>1,089,030</u>
Total liabilities		1,364,231	1,393,752
Total equity and liabilities		3,359,230	3,404,593

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended June 30, 2024

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, Uglund House, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company. The Company, together with its subsidiaries (collectively referred to as the **Group**), are principally engaged in the design and manufacture of steering and driveline systems, Advanced Driver Assistance Systems (**ADAS**) and Automated Driving (**AD**) and components for automobile manufacturers and other automotive-related companies. The Group's primary operations are in the United States of America (**USA** or **US**), Mexico, the People's Republic of China (**China**), Poland, India, Morocco and Brazil and are structured to supply its customers globally. The principal markets for the Group's products are North America, Europe, South America, China and India.

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

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

The functional currency of the Company is US dollar (**US\$**). 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 14, 2024.

This Condensed Financial Information has not been audited.

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 D2 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, 2023, 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.

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, 2023, as described in those annual financial statements.

(a) Amendments to standards adopted by the Group

The Group has adopted the following amendments which are relevant to the Group and mandatory for the accounting period beginning on January 1, 2024.

Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1	Non-current Liabilities with Covenants

The adoption of these amendments did not have a significant effect on the Group's Condensed Financial Information.

2. REVENUE AND SEGMENT INFORMATION

2.1 Revenue from contracts with customers

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

Performance Obligations

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

Products	Nature, timing of satisfaction of performance obligations, and payment terms
Production Parts	<p>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.</p> <p>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.</p> <p>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.</p>
Tooling	<p>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.</p> <p>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.</p>
Engineering Design and Development/ Prototypes	<p>The Group recognises non-production related engineering design and development revenue/prototypes, which is normally related to research and development (R&D), performance improvement and business pursuit.</p> <p>The Group recognises revenue for non-production related engineering design and development/prototypes revenue over time using the input method as it satisfies its performance obligations.</p>

Contract balances

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

	Contract assets⁽ⁱ⁾ <i>US\$'000</i>	Contract liabilities, Current⁽ⁱⁱ⁾ <i>US\$'000</i>	Contract liabilities, Non-Current⁽ⁱⁱ⁾ <i>US\$'000</i>
Balances as at June 30, 2024 (Unaudited)	46,154	26,417	96,892
Balances as at December 31, 2023 (Audited)	48,655	27,244	110,229

- (i) Contract assets are recorded within current other receivables and prepayments. As at January 1, 2023, contract assets amount to US\$47,718,000.
- (ii) Contract liabilities are recorded within deferred revenue. As at January 1, 2023, contract liabilities amount to US\$128,853,000.

2.2 Segment information

The Group's segment information is presented on the basis of internal reports that are regularly reviewed by the Group's 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 primarily represents parent company activities of the Company and activities of its non-operating direct and indirect subsidiaries, as well as elimination entries between segments.

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

The key performance indicator that the Group monitors to manage segment operations is operating income before interest, taxes, depreciation and amortisation, impairment of intangible assets, reversals of impairments on intangible assets, customer recovery income related to impairments and share of results of joint ventures, net (**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, 2024					
(Unaudited)					
Total revenue	1,151,635	616,680	368,276	(9,244)	2,127,347
Inter-segment revenue	<u>(32,652)</u>	<u>(22,102)</u>	<u>(1,928)</u>	<u>28,262</u>	<u>(28,420)</u>
Revenue from external customers	1,118,983	594,578	366,348	19,018	2,098,927
Adjusted EBITDA	<u>87,329</u>	<u>104,737</u>	<u>7,422</u>	<u>(2,193)</u>	<u>197,295</u>
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	<u>(38,945)</u>	<u>(13,328)</u>	<u>(1,050)</u>	<u>31,211</u>	<u>(22,112)</u>
Revenue from external customers	1,194,519	543,983	361,149	2,179	2,101,830
Adjusted EBITDA	<u>97,540</u>	<u>81,500</u>	<u>18,405</u>	<u>(11,311)</u>	<u>186,134</u>

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

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, 2024					
(Unaudited)					
Total assets	1,653,780	1,260,540	712,966	(268,056)	3,359,230
Total liabilities	<u>876,627</u>	<u>581,117</u>	<u>276,823</u>	<u>(370,336)</u>	<u>1,364,231</u>
As at December 31, 2023					
(Audited)					
Total assets	1,639,081	1,241,409	734,003	(209,900)	3,404,593
Total liabilities	<u>837,413</u>	<u>610,185</u>	<u>272,104</u>	<u>(325,950)</u>	<u>1,393,752</u>

Adjusted EBITDA includes a non-cash component for revenue recognised from deferred revenue. For the six months ended June 30, 2024, the North America segment, Asia Pacific segment and EMEASA segment recognised US\$19,987,000 (six months ended June 30, 2023: US\$16,982,000), US\$5,526,000 (six months ended June 30, 2023: US\$1,569,000) and US\$2,144,000 (six months ended June 30, 2023: US\$2,514,000), 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,	
	2024	2023
	<i>US\$'000</i>	<i>US\$'000</i>
	(Unaudited)	(Unaudited)
Adjusted EBITDA from reportable segments	197,295	186,134
Depreciation and amortisation	(142,285)	(146,229)
Impairments on intangible assets	(37,699)	(2,371)
Reversals of impairments on intangible assets	–	4,100
Customer recovery income related to impairments	24,000	5,184
Finance income	3,131	2,325
Finance costs	(5,309)	(3,206)
Share of results of joint ventures, net	1,657	(138)
	40,790	45,799
Profit before income tax	40,790	45,799

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, 2024 and 2023 is as follows:

	For the six months ended	
	June 30,	
	2024	2023
	<i>US\$'000</i>	<i>US\$'000</i>
	(Unaudited)	(Unaudited)
North America:		
US	664,380	709,033
Mexico	454,603	485,486
Asia Pacific:		
China	524,420	464,570
Rest of Asia Pacific	70,158	79,413
EMEASA:		
Poland	220,917	201,586
Rest of EMEASA	145,431	159,563
Other	19,018	2,179
	2,098,927	2,101,830

The geographic distribution of non-current assets, excluding deferred income tax assets, as at June 30, 2024 and December 31, 2023 is as follows:

	As at June 30, 2024 <i>US\$'000</i> (Unaudited)	As at December 31, 2023 <i>US\$'000</i> (Audited)
North America:		
US	448,099	490,981
Mexico	464,841	471,072
Asia Pacific:		
China	404,297	410,099
Rest of Asia Pacific	35,833	33,771
EMEASA:		
Poland	327,039	327,498
Rest of EMEASA	83,971	87,403
Others	12,477	9,047
	<u>1,776,557</u>	<u>1,829,871</u>

Disaggregation of revenue

	North America <i>US\$'000</i>	Asia Pacific <i>US\$'000</i>	EMEASA <i>US\$'000</i>	Others <i>US\$'000</i>	Total <i>US\$'000</i>
For the six months ended					
June 30, 2024 (Unaudited)					
Electric Power Steering (EPS)	697,541	394,522	293,506	18,986	1,404,555
Steering Columns and Intermediate Shafts (CIS)	163,910	28,412	29,652	25	221,999
Hydraulic Power Steering (HPS)	89,306	516	307	–	90,129
Driveline Systems (DL)	168,226	171,128	42,883	7	382,244
	<u>1,118,983</u>	<u>594,578</u>	<u>366,348</u>	<u>19,018</u>	<u>2,098,927</u>
	North America <i>US\$'000</i>	Asia Pacific <i>US\$'000</i>	EMEASA <i>US\$'000</i>	Others <i>US\$'000</i>	Total <i>US\$'000</i>
For the six months ended					
June 30, 2023 (Unaudited)					
EPS	753,224	380,352	306,904	2,173	1,442,653
CIS	167,126	16,709	4,272	6	188,113
HPS	83,294	1,542	746	–	85,582
DL	190,875	145,380	49,227	–	385,482
	<u>1,194,519</u>	<u>543,983</u>	<u>361,149</u>	<u>2,179</u>	<u>2,101,830</u>

Revenue by type

	For the six months ended	
	June 30,	
	2024	2023
	<i>US\$'000</i>	<i>US\$'000</i>
	(Unaudited)	(Unaudited)
Production parts	2,066,804	2,082,835
Tooling	9,834	12,551
Engineering design and development/prototypes	22,289	6,444
	<hr/>	<hr/>
	2,098,927	2,101,830
	<hr/>	<hr/>

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,	
	2024	2023
	<i>US\$'000</i>	<i>US\$'000</i>
	(Unaudited)	(Unaudited)
GM	754,995	721,887
Customer A	408,694	517,418
Customer B	342,660	340,123
	<hr/>	<hr/>
	1,506,349	1,579,428
	<hr/>	<hr/>

3. EXPENSE BY NATURE

	For the six months ended	
	June 30,	
	2024	2023
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Inventories used, including finished goods and work-in-progress	1,339,211	1,391,251
Employee labour and benefit costs	322,679	288,777
Temporary labour costs	49,496	59,971
Supplies and tools	98,016	101,633
Depreciation on property, plant and equipment	72,866	67,673
Depreciation on right-of-use assets	9,233	7,887
Amortisation on intangible assets	60,186	70,669
Impairment charges on		
– trade receivables	4,439	55
– intangible assets	37,699	2,371
Reversals of impairment on intangible assets	–	(4,100)
Customer recovery income related to impairments	(24,000)	(5,184)
Write-down on inventories	103	1,438
Warranty expenses	20,226	4,816
Auditors' remuneration		
– audit and non-audit services	379	190
Others	68,507	68,865
	<u>2,059,040</u>	<u>2,056,312</u>
Total cost of sales, engineering and product development costs, selling and distribution, and administrative expenses		

4. OTHER GAINS, NET

	For the six months ended	
	June 30,	
	2024	2023
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Foreign exchange losses, net	(253)	(376)
Loss on disposal of property, plant and equipment	(1,497)	(432)
Others	3,174	2,108
	<u>1,424</u>	<u>1,300</u>

5. FINANCE INCOME/FINANCE COSTS

	For the six months ended	
	June 30,	
	2024	2023
	<i>US\$'000</i>	<i>US\$'000</i>
	(Unaudited)	(Unaudited)
Finance income		
Interest on bank deposits	<u>3,131</u>	<u>2,325</u>
Finance costs		
Interest on bank borrowings	3,246	2,384
Interest on leases	1,309	1,486
Other finance costs	<u>4,150</u>	<u>2,131</u>
	8,705	6,001
Less: amount capitalised in qualifying assets	<u>(3,396)</u>	<u>(2,795)</u>
	<u>5,309</u>	<u>3,206</u>
	<u>(2,178)</u>	<u>(881)</u>

6. INCOME TAX EXPENSE

For the six months ended June 30, 2024, the Group recorded income tax expense in the Condensed Financial Information of US\$17,729,000 (six months ended June 30, 2023: US\$8,397,000).

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, 2024 and 2023. 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\$10,983,000 for the six months ended June 30, 2023.

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

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

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

7. EARNINGS PER SHARE

a. Basic

Basic earnings per share is calculated by dividing the profit 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,	
	2024	2023
	(Unaudited)	(Unaudited)
Profit for the period attributable to equity holders of the Company (<i>US\$'000</i>)	15,695	33,993
Weighted average number of ordinary shares in issue (<i>thousands</i>)	2,509,824	2,509,824
Basic earnings per share (<i>in US\$</i>)	0.006	0.014

b. Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company's dilutive potential ordinary shares comprise shares issued under the share option scheme (the **Share Option Scheme**) as at June 30, 2024. 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, 2024) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares within the denominator for calculating diluted earnings per share. For the six months ended June 30, 2024 and 2023, the details are in the table below. The computation of diluted earnings per share for the six months ended June 30, 2024 and 2023 does not assume the exercise of the share options because the adjusted exercise prices of those share options were higher than the average market prices per share.

	For the six months ended June 30,	
	2024	2023
	(Unaudited)	(Unaudited)
Profit for the period attributable to equity holders of the Company, used to determine diluted earnings per share (<i>US\$'000</i>)	15,695	33,993
Weighted average number of ordinary shares in issue (<i>thousands</i>)	2,509,824	2,509,824
Adjustment for share options (<i>thousands</i>)	–	–
Weighted average number of ordinary shares in issue for calculating diluted earnings per share (<i>thousands</i>)	2,509,824	2,509,824
Diluted earnings per share (<i>in US\$</i>)	0.006	0.014

8. DIVIDEND

On June 19, 2024, the Board declared a dividend of approximately US\$7,529,000 relating to the Group's year ended December 31, 2023 earnings payable on July 9, 2024. The Company declared a dividend of US\$11,796,000 during the six months ended June 30, 2023 relating to the Group's year ended December 31, 2022 earnings. The Board does not recommend the payment of any interim dividend for the six months ended June 30, 2024 (six months ended June 30, 2023: US\$nil).

9. TRADE RECEIVABLES

	As at June 30, 2024 US\$'000 (Unaudited)	As at December 31, 2023 US\$'000 (Audited)
Trade receivables, gross	806,454	752,240
Less: provision for impairment	(6,184)	(1,744)
	<u>800,270</u>	<u>750,496</u>

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, 2024 US\$'000 (Unaudited)	As at December 31, 2023 US\$'000 (Audited)
0 to 30 days	468,348	367,893
31 to 60 days	244,457	298,029
61 to 90 days	34,888	65,953
Over 90 days	58,761	20,365
	<u>806,454</u>	<u>752,240</u>

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

Trade receivables of US\$4,439,000 (December 31, 2023: US\$nil) and US\$1,745,000 (December 31, 2023: US\$1,744,000) were credit impaired and non-credit impaired, respectively, as at June 30, 2024 on which provisions were made.

The carrying amounts of trade receivables pledged as collateral were US\$438,669,000 as at June 30, 2024 (December 31, 2023: US\$386,790,000).

10. NOTES RECEIVABLE

Certain customers in China pay for goods and services through the use of notes receivable. As at June 30, 2024, notes receivable outstanding was in the amount of US\$26,936,000 (December 31, 2023: US\$52,550,000). The notes receivable are measured at FVOCI.

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

	As at June 30, 2024 US\$'000 (Unaudited)	As at December 31, 2023 US\$'000 (Audited)
0 to 30 days	8,243	28,108
31 to 60 days	6,495	6,176
61 to 90 days	4,452	6,126
Over 90 days	7,746	12,140
	<u>26,936</u>	<u>52,550</u>

11. TRADE PAYABLES

	As at June 30, 2024 US\$'000 (Unaudited)	As at December 31, 2023 US\$'000 (Audited)
Trade payables	756,550	776,013
Notes payable	53,745	57,388
	<u>810,295</u>	<u>833,401</u>

Certain vendors in China are paid for goods and services through the use of notes payable, which are included in trade payables. As at June 30, 2024, notes payable outstanding was in the amount of US\$53,745,000 (December 31, 2023: US\$57,388,000).

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

	As at June 30, 2024 US\$'000 (Unaudited)	As at December 31, 2023 US\$'000 (Audited)
0 to 30 days	370,755	460,109
31 to 60 days	241,568	215,503
61 to 90 days	113,129	93,620
91 to 120 days	35,084	18,738
Over 120 days	49,759	45,431
	<u>810,295</u>	<u>833,401</u>

FINANCIAL REVIEW

Financial Summary

The Group achieved revenue of US\$2.1 billion in the first six months of 2024, which is flat compared with the same period in 2023. Adjusting for unfavorable foreign currency translation and a decrease in commodity recovery, revenue grew by 1%, or 120 basis points over market. Continued strong growth in Asia Pacific led the way with revenue growing above market by 12% driven by growth with China OEMs.

Adjusted EBITDA for the first six months of 2024 was US\$197.3 million, an increase of US\$11.2 million or 6.0% compared to the same period in 2023. The improved profitability is driven mainly due to improved efficiencies and tempering cost, partially offset by unfavorable foreign currency exchange.

The Group's cash balance of US\$279.8 million at June 30, 2024 represented a decrease of US\$31.9 million when compared with US\$311.7 million as at December 31, 2023. For the six months ended June 30, 2024, the Group's net cash generated from operating activities was US\$152.4 million, a decrease of US\$78.8 million compared with US\$231.2 million for the same period of 2023. The decrease in cash flows from operations was driven by a US\$38.3 million income tax refund received in 2023 and unfavourable net working capital. Cash from operating activities less cash used in investing activities was a use of US\$2.3 million which compared unfavourably to a source of US\$59.9 million in the same period of 2023. Cash used in financing activities during the six months ended June 30, 2024 was US\$19.7 million, an increase of US\$5.8 million, when compared with a use of cash of US\$13.9 million during the six months ended June 30, 2023. The main driver of the Group's unfavourability in cash used in financing activities was a dividend of US\$6.3 million paid to our non-controlling interests.

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 S&P Global Mobility (July 2024), global OEM light vehicle production for the six months ended June 30, 2024 was weaker than the six months ended June 30, 2023, decreasing by 0.2%, with increases in Asia Pacific being more than offset by reductions in EMEASA. The following table highlights the percentage increases in OEM light vehicle production for the six months ended June 30, 2024 compared with the same period in 2023 for key markets served by the Group:

	First Half 2024
North America	1.8%
China	5.7%
India	7.4%
Europe	(4.1%)
South America	(9.4%)

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 were 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 2024 compared with the same period a year ago.

During the first six months of 2024, the Group successfully launched 38 new customer programmes – 13 programmes in North America, 2 programme in EMEASA and 23 programmes in Asia Pacific. Of the 38 programme launches, 32 represented new or conquest business for the Group and 6 represented incumbent business. 18 programme launches represented customer 100% EV programmes.

Revenue

The Group's revenue for the six months ended June 30, 2024 was US\$2,098.9 million, a decrease of US\$2.9 million or 0.1%, compared with US\$2,101.8 million for the six months ended June 30, 2023. Despite a slight reduction in global OEM light vehicle production, significant new and conquest programme launches over the past few years helped provide a net increase of volume in the first half of 2024 when compared with 2023. The favourable volume during the period, was more than offset by unfavourable foreign currency translation, which further impacted the Group's revenue by approximately US\$20.9 million, as a result of the strengthening of the US dollar against the RMB during the first half of 2024 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 2024 in comparison to the first half of 2023, provided a further reduction of revenue in the amount of US\$3.1 million. Adjusting for unfavourable foreign currency translation and the decline in commodity pricing, the Group's revenue increased by 1.0% during first half of 2024 compared with the same period a year ago, outpacing the revenue decrease in OEM production for the comparative period by 120 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, 2024		For the six months ended June 30, 2023	
	US\$'000 (Unaudited)	%	US\$'000 (Unaudited)	%
North America	1,118,983	53.3	1,194,519	56.8
Asia Pacific	594,578	28.3	543,983	25.9
EMEASA	366,348	17.5	361,149	17.2
Other	19,018	0.9	2,179	0.1
Total	2,098,927	100.0	2,101,830	100.0

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

- North America segment – Revenue decreased by US\$75.5 million, or 6.3%, for the six months ended June 30, 2024 compared with the same period in 2023. The most significant factor contributing to the revenue decrease was due to Nexteer customer programs' underperformance in the market and certain customer programs ending in 2023. Despite an increase in North America OEM light vehicle production for the first half of 2024 by 1.8% compared with the same period in 2023, the North America segment experienced a revenue reduction of 6.3%. The segment was also impacted by customer price reductions related to raw material commodity inflation price decreases, amounting to US\$0.3 million in the first half of 2024 compared to the same period in 2023.
- Asia Pacific segment – Revenue increased by US\$50.6 million, or 9.3%, for the six months ended June 30, 2024 compared with the same period in 2023. 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 1.1% including China higher by 5.7% for the first half of 2024 compared with the same period in 2023. Unfavourable foreign currency translation tempered the revenue growth in the region in the amount of US\$21.0 million as the US dollar strengthened against the RMB during the first half of 2024 compared with the same period in 2023. Adjusting for unfavourable foreign currency translation and the decline in commodity pricing, the segment's revenue increased by 13.2% during first half of 2024 compared with the same period a year ago, outpacing the regional revenue increase in OEM production for the comparative period by 1,210 basis points.

- EMEASA segment – Revenue increased by US\$5.2 million, or 1.4%, for the six months ended June 30, 2024 compared with the same period in 2023, despite a decrease in Europe and South America OEM light vehicle production of 4.1% and 9.4%, respectively, during the first half of 2024 compared with the same period in 2023. The Brazil flood impacted our operations causing revenue loss of US\$10.0 million in the first half of 2024, which was more than offset by increased revenue due to program launches in Europe. Favorable foreign currency translation slightly impacted revenue in the region in the amount of US\$0.1 million as the US dollar weakened against the Euro during the first half of 2024 compared with the same period in 2023. Adjusting for favourable foreign currency translation and the decline in commodity pricing, the segment’s revenue increased by 2.1% during the first half of 2024 compared with the same period a year ago, outpacing the regional revenue decrease in OEM production for the comparative period by 690 basis points.
- Other – Revenue increased by US\$16.8 million, for the six months ended June 30, 2024 compared with the same period in 2023. Other revenue is related to non-production engineering design and development/prototype services.

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, 2024		For the six months ended June 30, 2023	
	US\$'000 (Unaudited)	%	US\$'000 (Unaudited)	%
EPS	1,404,555	66.9	1,442,653	68.6
CIS	221,999	10.6	188,113	9.0
HPS	90,129	4.3	85,582	4.1
DL	382,244	18.2	385,482	18.3
Total	<u>2,098,927</u>	<u>100.0</u>	<u>2,101,830</u>	<u>100.0</u>

The Group experienced a decrease in EPS revenue of US\$38.1 million, or 2.6%, for the six months ended June 30, 2024 compared with the same period in 2023, driven mainly by the customer specific demand declines in North America. CIS revenue increased by US\$33.9 million, or 18.0%, for the six months ended June 30, 2024 compared with the same period a year ago, with the most significant increase experienced in the EMEASA segment. HPS revenue increased by US\$4.5 million, or 5.3%, for the six months ended June 30, 2024 compared with the same period of 2023. DL revenue decreased by US\$3.2 million, or 0.8%, for the six months ended June 30, 2024 compared with the same period last year.

Net Profit Attributable to Equity Holders

The Group's net profit attributable to equity holders of the Company for the six months ended June 30, 2024 was US\$15.7 million or 0.7% of total revenue, a decrease of US\$18.3 million, compared to a profit for the six months ended June 30, 2023 of US\$34.0 million, or 1.6% of total revenue. The decrease was principally attributable to the following factors:

- EBITDA improvement of US\$11.2 million.
- Product development Intangible asset impairments totalling US\$37.7 million related to programme cancellations on specific customer programs, partially offset by customer reimbursement of US\$24.0 million.
- An increase of US\$9.3 million to income tax expense during the first half of 2024 compared to a year ago which primarily resulted from the Group's determination during the first half of 2023 that our Brazil net operating losses were more likely than not to be realised, resulting in a one-time benefit of US\$11.0 million.
- Increased profit at our driveline non-wholly owned subsidiary increasing our non-controlling interests share of profitability by US\$4.0 million.

Cost of Sales

The Group's cost of sales for the six months ended June 30, 2024 was US\$1,888.0 million, a decrease of US\$23.0 million, or 1.2%, from US\$1,911.0 million for the six months ended June 30, 2023.

Raw material costs represent a significant portion of the Group's total cost of sales and for the six months ended June 30, 2024 totaled US\$1,328.6 million, or 63.3% of revenue, compared with US\$1,382.8 million, or 65.8% of revenue, for the same period last year, reflecting a decrease of US\$54.2 million, or 3.9%. The decrease in raw material costs for the period when compared with the same period a year ago, is mainly attributable to cost savings initiatives.

Depreciation and amortisation, including amortisation of capitalised product development costs, charged to cost of sales for the six months ended June 30, 2024 was US\$131.5 million, a decrease of US\$3.4 million, or 2.5% from US\$134.9 million for the six months ended June 30, 2023.

Amortisation of capitalised product development costs recorded as cost of sales amounted to US\$60.1 million for the six months ended June 30, 2024, or 2.9% of revenue, a decrease of US\$10.5 million, or 14.9%, as compared with US\$70.6 million, or 3.4% of revenue for the six months ended June 30, 2023. We expect amortisation to continue to increase in future years with the launch of new customer programmes that are currently in development.

As a percent of revenue, cost of sales decreased to 90.0% for the first half of 2024 compared with 90.9% for the same period a year ago.

Gross Profit

The Group's gross profit for the six months ended June 30, 2024 was US\$210.9 million, an increase of US\$20.1 million, or 10.5%, when compared with US\$190.8 million for the six months ended June 30, 2023. Gross profit margin for the six months ended June 30, 2024 was 10.0% compared with 9.1% for the six months ended June 30, 2023. The increase in gross profit was primarily attributable to the reduction in raw material costs.

Engineering and Product Development Costs

For the six months ended June 30, 2024, the Group's engineering and product development costs charged to the income statement were US\$88.6 million, representing 4.2% of revenue, an increase of US\$20.6 million, or 30.3%, as compared to US\$68.0 million, or 3.2% of revenue for the six months ended June 30, 2023. During the six months ended June 30, 2024, the Group recorded product development intangible asset impairments of US\$7.3 million related to programme cancellations on specific customer programmes, with US\$5.7 million recorded in the North America segment and US\$1.6 million recorded in the Asia Pacific segment.

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\$1.5 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.

Capitalised interest related to engineering development costs totaled US\$3.4 million for the six months ended June 30, 2024 and US\$2.8 million for the six months ended June 30, 2023. Depreciation and amortisation charged to engineering and product development costs for the six months ended June 30, 2024 was US\$6.9 million, a decrease of US\$0.1 million, or 1.4%, from US\$7.0 million for the six months ended June 30, 2023.

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, 2024, the Group incurred an aggregate investment in engineering and product development costs of US\$135.4 million, a decrease of US\$12.5 million, or 8.5%, compared with US\$147.9 million for the six months ended June 30, 2023.

Selling, Distribution and General and Administrative Expenses

The Group's selling, distribution and general and administrative expenses for the six months ended June 30, 2024 were US\$82.4 million, representing 3.9% of revenue, an increase of US\$5.1 million, or 6.6%, as compared to US\$77.3 million, or 3.7% of revenue for the six months ended June 30, 2023. Depreciation and amortisation charged to administrative expenses for the six months ended June 30, 2024 was US\$3.9 million, a decrease of US\$0.4 million, or 9.3% from US\$4.3 million for the six months ended June 30, 2023.

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, 2024 was a gain of US\$1.4 million, an increase of US\$0.1 million compared to a gain of US\$1.3 million for the six months ended June 30, 2023. All attributes of other gains/losses were mainly consistent year over 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, 2024 were US\$2.2 million, compared to net finance costs of US\$0.9 million for the six months ended June 30, 2023. The increase in finance costs was primarily due to fluctuation in short term borrowings for the six months ended June 30, 2024, when compared to same period of 2023.

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 CNX Motion, LLC (**CNXMotion**). For the six months ended June 30, 2024, the Group's share of profit (loss) in joint ventures amounted to US\$1.7 million, (US\$nil) and (US\$nil) related to Chongqing Nexteer, Dongfeng Nexteer, and CNXMotion, respectively (six months ended June 30, 2023: US\$1.9 million, (US\$0.2 million), and (US\$1.8 million)). Chongqing Nexteer's profitability increased during the six months ended June 30, 2024 compared with the same period in 2023 as a result of increased customer demand. During the year ended December 31, 2023, in separate agreements, Nexteer agreed with its joint venture partners of Dongfeng Nexteer and CNXMotion to dissolve both entities and dissolution of both entities were completed during the year ended December 31, 2023.

Income Tax Expense

The Group's income tax expense was US\$17.7 million for the six months ended June 30, 2024, representing 43.5% of the Group's profit before tax, an increase of US\$9.3 million from US\$8.4 million, or 18.3% of profit before income tax, for the six months ended June 30, 2023.

During the six months ended June 30, 2024 and June 30, 2023, 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\$16.3 million and US\$22.4 million for the six months ended June 30, 2024 and June 30, 2023, 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 million for the six months ended June 30, 2023.

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

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

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

Provisions

As at June 30, 2024, the Group has provisions for litigation, environmental liabilities, warranties and decommissioning of US\$83.6 million, a decrease of US\$3.8 million as compared to US\$87.4 million as at December 31, 2023. The decrease in provisions was principally due to the reduction in the litigation provision that was partially paid and partially settled during the six months ended June 30, 2024.

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, 2024 US\$'000 (Unaudited)	For the six months ended June 30, 2023 US\$'000 (Unaudited)
Cash generated from (used in):		
Operating activities	152,387	231,191
Investing activities	(154,648)	(171,316)
Financing activities	(19,703)	(13,857)
	<hr/>	<hr/>
Net (decrease) increase in cash and cash equivalents	(21,964)	46,018
	<hr/>	<hr/>

Cash Flows Generated from Operating Activities

For the six months ended June 30, 2024, the Group's net cash generated from operating activities was US\$152.4 million, a decrease of US\$78.8 million compared with US\$231.2 million for the six months ended June 30, 2023. The decrease in cash flows from operations was driven by a US\$38.3 million income tax refund received in 2023 and unfavourable net working capital.

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, 2024 US\$'000 (Unaudited)	For the six months ended June 30, 2023 US\$'000 (Unaudited)
Purchase of property, plant and equipment	(91,185)	(98,669)
Addition of intangible assets	(54,094)	(78,184)
Addition of right-of-use assets	(8,826)	–
Others	(543)	5,537
	<hr/>	<hr/>
Net cash used in investing activities	<u>(154,648)</u>	<u>(171,316)</u>

Cash Flows Used in Financing Activities

For the six months ended June 30, 2024, the Group's net cash used in financing activities was US\$19.7 million, an increase of US\$5.8 million when compared with a use of cash of US\$13.9 million during the six months ended June 30, 2023. The main driver of the Group's unfavourability in cash used in financing activities was a dividend of US\$6.3 million paid to our non-controlling interests.

Indebtedness

As at June 30, 2024, the Group's total borrowings was US\$47.9 million, a decrease of US\$1.2 million from US\$49.1 million as at December 31, 2023. 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, 2024	As at December 31, 2023
	<i>US\$'000</i>	<i>US\$'000</i>
	(Unaudited)	(Audited)
Current borrowings	47,901	14,122
Non-current borrowings	–	34,988
	<hr/>	<hr/>
Total borrowings	47,901	49,110
	<hr/>	<hr/>

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

	As at June 30, 2024	As at December 31, 2023
	<i>US\$'000</i>	<i>US\$'000</i>
	(Unaudited)	(Audited)
Within 1 year	47,901	14,122
Between 1 and 2 years	–	34,988
	<hr/>	<hr/>
Total borrowings	47,901	49,110
	<hr/>	<hr/>

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, 2024, the Group had approximately US\$812.3 million total assets pledged as collateral, an increase of US\$21.8 million as compared with US\$790.5 million as at December 31, 2023. 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, 2023 to June 30, 2024.

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, 2024 was 2.4%, consistent with December 31, 2023.

OTHER INFORMATION

Future Prospects

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

Employees Remuneration Policy

As at June 30, 2024, 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, 2024, the Group had approximately 1,500 personnel engaged on a contract basis.

CORPORATE GOVERNANCE PRACTICES

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

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

Except as expressly described below, in the opinion of the directors (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, 2024.

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

Chairman and Chief Executive Officer

Pursuant to code provision C.2.1 in Part 2 of Appendix C1 to the Listing Rules, the roles of chairman and the chief executive should be 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 C1 to the Listing Rules. The Board considers that the appointment of Mr. LEI as both chairman and chief executive can provide the Group with consistent leadership going forward and allow more effective implementation of the overall strategy of the Group. Furthermore, this structure does not compromise the balance of power and authority, as major decisions are made in consultation with the Board. The current senior management team of the Group also possesses rich knowledge and experience in different professional fields to assist Mr. LEI to make decisions about the businesses and operations of the Group.

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

COMPLIANCE WITH CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the **Model Code**) as set out in Appendix C3 to the Listing Rules as the Company's code of conduct regarding securities transactions by the Directors of the Company. Having made specific enquiry of all Directors, all Directors have confirmed that they complied with the required standards set out in the Model Code for the six months ended June 30, 2024.

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.

INTERIM DIVIDEND

The Board does not recommend any interim dividend for the six months ended June 30, 2024.

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, 2024. 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 (including sale of treasury shares) of the Company by the Company or any of its subsidiaries during the six months ended June 30, 2024.

SUBSEQUENT EVENT

There is no material subsequent event undertaken by the Group after June 30, 2024 and up to the date of this announcement.

FORWARD-LOOKING STATEMENTS

Any forward-looking statements and opinions contained within this announcement are based on current plans, estimates and projections, and therefore involve risks and uncertainties. Actual results may differ materially from expectations discussed in such forward-looking statements and opinions. The Company, the Directors and the employees of the Company assume (a) no obligation to correct or update the forward-looking statements or opinions contained in this announcement; and (b) no liability in the event that any of the forward-looking statements or opinions do not materialise or turn out to be incorrect.

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

Hong Kong, August 14, 2024

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