MINTH GROUP LIMITED
敏 實 集 團 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 425)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

FINANCIAL HIGHLIGHTS

- Revenue increased by approximately 24.3% to approximately RMB17,306.4 million (2021: approximately RMB13,919.3 million).
- Gross profit increased by approximately 17.2% to approximately RMB4,784.2 million (2021: approximately RMB4,083.8 million).
- Profit attributable to owners of the Company increased by approximately 0.3% to approximately RMB1,500.6 million (2021: approximately RMB1,496.5 million).
- Basic earnings per share increased to approximately RMB1.304 (2021: approximately RMB1.299).
- Proposed final dividend amounted to HK$0.578 per share (2021: HK$0.630).
- Capital expenditure increased by approximately 8.1% to approximately RMB3,414.3 million (2021: approximately RMB3,159.7 million).
- Consolidated net asset value increased by approximately 6.9% to approximately RMB17,698.1 million (2021: approximately RMB16,555.7 million).

The board (the "Board") of directors (the "Directors") of Minth Group Limited (the "Company") is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2022 (the "Review Year"), together with the comparative figures for the year ended 31 December 2021 reviewed by the Audit Committee of the Company (the "Audit Committee") as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

		2022	2021
	NOTES	***RMB'000***	*RMB'000*
Revenue	3	**17,306,393**	13,919,269
Cost of sales		**(12,522,240)**	(9,835,495)
Gross profit		**4,784,153**	4,083,774
Investment income		**286,410**	284,999
Other income		**315,084**	225,014
Impairment losses under expected credit loss model, net of reversal		**(27,444)**	(2,538)
Other gains and losses	4	**6,278**	418,187
Distribution and selling expenses		**(868,369)**	(744,431)
Administrative expenses		**(1,291,938)**	(1,237,393)
Research expenditure		**(1,172,394)**	(940,700)
Interest expenses		**(263,187)**	(263,308)
Share of results of joint ventures		**30,573**	19,204
Share of results of associates		**(20,097)**	3,004
Profit before tax		**1,779,069**	1,845,812
Income tax expense	5	**(248,708)**	(266,364)
Profit for the year	6	**1,530,361**	1,579,448

	NOTE	2022 RMB'000	2021 RMB'000
Other comprehensive income:			
Item that will not be reclassified to profit or loss:			
Gain on remeasurement of defined benefit obligation		**1,431**	5,721
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**13,347**	(33,471)
Fair value gain on debt instruments measured at fair value through other comprehensive income		**242**	244
Other comprehensive income (expense) for the year, net of income tax		**15,020**	(27,506)
Total comprehensive income for the year		**1,545,381**	1,551,942
Profit for the year attributable to:			
Owners of the Company		**1,500,584**	1,496,507
Non-controlling interests		**29,777**	82,941
		1,530,361	1,579,448
Total comprehensive income for the year attributable to:			
Owners of the Company		**1,485,721**	1,478,099
Non-controlling interests		**59,660**	73,843
		1,545,381	1,551,942
Earnings per share	8		
Basic		**RMB1.304**	RMB1.299
Diluted		**RMB1.304**	RMB1.292

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2022

	NOTES	2022 RMB'000	2021 RMB'000
Non-current assets			
Property, plant and equipment		**13,435,289**	11,623,394
Right-of-use assets		**1,082,852**	1,043,440
Goodwill		**98,030**	98,030
Other intangible assets		**112,848**	74,589
Interests in joint ventures		**237,967**	195,015
Interests in associates		**155,913**	122,601
Deferred tax assets		**270,079**	203,673
Prepayment for acquisition of property, plant and equipment		**848,103**	338,270
Derivative financial assets		**6,053**	34,093
Contract assets	11	**867,992**	754,655
Contract costs		**133,687**	164,177
Financial assets at fair value through profit or loss		**28,269**	–
Plan assets		**2,212**	2,065
		17,279,294	14,654,002
Current assets			
Inventories	9	**3,633,134**	2,960,843
Trade and other receivables	10	**6,540,618**	5,129,652
Contract assets	11	**294,145**	249,795
Derivative financial assets		**87,241**	2,144
Debt instruments at fair value through other comprehensive income		**163,712**	110,839
Pledged bank deposits		**1,055,003**	1,045,610
Bank balances and cash		**4,220,651**	5,491,959
		15,994,504	14,990,842

	NOTES	2022 RMB'000	2021 RMB'000
Current liabilities			
Trade and other payables	12	**5,765,470**	4,250,385
Tax liabilities		**156,684**	133,779
Borrowings		**7,192,399**	4,888,450
Lease liabilities		**19,087**	19,691
Contract liabilities		**176,622**	83,206
Derivative financial liabilities		**3,638**	1,933
		13,313,900	9,377,444
Net current assets		**2,680,604**	5,613,398
Total assets less current liabilities		**19,959,898**	20,267,400
Capital and reserves			
Share capital		**116,255**	116,219
Share premium and reserves		**16,801,496**	15,906,753
Equity attributable to owners of the Company		**16,917,751**	16,022,972
Non-controlling interests		**780,368**	532,684
Total equity		**17,698,119**	16,555,656
Non-current liabilities			
Deferred tax liabilities		**181,581**	158,804
Borrowings		**1,005,797**	2,255,140
Lease liabilities		**80,878**	99,802
Retirement benefit obligation		**2,749**	5,358
Derivative financial liabilities		**–**	7,391
Deferred income		**27,058**	204,924
Other long-term liabilities	13	**963,716**	980,325
		2,261,779	3,711,744
		19,959,898	20,267,400

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

1. GENERAL INFORMATION AND BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Company was incorporated under the Companies Law of the Cayman Islands on 22 June 2005 and registered as an exempted company with limited liability. Its registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 1 December 2005. The Company acts as an investment holding company with its subsidiaries engaged in the design, development, manufacture, processing and sales of automobile body parts and moulds.

In the opinion of the Directors, the immediate and ultimate holding company of the Company is Minth Holdings Limited, a limited company incorporated in the British Virgin Islands on 7 January 2005, which was formerly known as Linkfair Investments Limited.

The consolidated financial statements are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

2. APPLICATION OF AMENDMENTS TO HKFRSs

Amendments to HKFRSs that are mandatorily effective for the current year.

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2022 for the preparation of the consolidated financial statements:

Amendment to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment − Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts − Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effect

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	*Insurance Contracts*[1]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*[3]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)*[3]
Amendments to HKAS 1	*Non-current Liabilities with Covenants*[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to HKAS 8	*Definition of Accounting Estimates*[1]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after a date to be determined.
3 Effective for annual periods beginning on or after 1 January 2024.

3. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

No operating segments have been aggregated in arriving at the reportable segments of the Group.

The following is an analysis of the Group's revenue and results by reportable and operating segments.

FOR THE YEAR ENDED 31 DECEMBER 2022

	Aluminium *RMB'000*	**Plastic** *RMB'000*	**Battery-housing** *RMB'000*	**Metal &Trim** *RMB'000*	**Others** *RMB'000*	**Elimination** *RMB'000*	**Consolidated** *RMB'000*
Revenue	**3,789,397**	**4,783,016**	**2,044,062**	**5,313,525**	**2,337,821**	**(961,428)**	**17,306,393**
Segment profit	**1,286,698**	**1,156,950**	**384,122**	**1,395,151**	**514,836**	**46,396**	**4,784,153**
Investment income							**286,410**
Other unallocated income, gains and losses							**293,918**
Unallocated expenses							**(3,332,701)**
Interest expenses							**(263,187)**
Share of results of joint ventures							**30,573**
Share of results of associates							**(20,097)**
Profit before tax							**1,779,069**
Income tax expense							**(248,708)**
Profit for the year							**1,530,361**

FOR THE YEAR ENDED 31 DECEMBER 2021

	Aluminium *RMB'000*	Plastic *RMB'000*	Battery-housing *RMB'000*	Metal &Trim *RMB'000*	Others *RMB'000*	Elimination *RMB'000*	Consolidated *RMB'000*
Revenue	3,307,304	4,181,399	269,552	4,972,532	1,887,950	(699,468)	13,919,269
Segment profit	1,124,306	1,044,511	28,876	1,381,691	411,617	92,773	4,083,774
Investment income							284,999
Other unallocated income, gains and losses							640,663
Unallocated expenses							(2,922,524)
Interest expenses							(263,308)
Share of results of joint ventures							19,204
Share of results of associates							3,004
Profit before tax							1,845,812
Income tax expense							(266,364)
Profit for the year							1,579,448

4. OTHER GAINS AND LOSSES

	2022	2021
	RMB'000	*RMB'000*
Net foreign exchange gains (losses)	**34,111**	(52,576)
Gains on fair value changes of derivative financial instruments	**67,276**	52,343
Gains on fair value changes of other financial assets at fair value through profit or loss	**7,783**	53,788
Impairment loss for property, plant and equipment	**(58,863)**	(3,318)
Impairment loss for inventories	**(11,291)**	–
Gain on land relocation (Note i)	**–**	258,066
Losses on disposal of property, plant and equipment and other intangible assets	**(26,386)**	(44,117)
Gains on disposal of subsidiaries (Note ii)	**–**	212,799
Gain on disposal of an associate	**–**	682
Provision of unpaid tax surcharges	**–**	(17,632)
Extra staff costs arising from COVID-19 Pandemic	**–**	(34,836)
Others	**(6,352)**	(7,012)
Total	**6,278**	418,187

Notes:

(i) During the prior year, the Group entered into a land and buildings confiscation agreement with local government in Ningbo, the People's Republic of China (the "PRC") in relation to a parcel of land and buildings held by the wholly-owned subsidiary of the Group namely Ningbo Shintai Machines Co., Ltd.* (寧波信泰機械有限公司) with a consideration of RMB440,198,000 in aggregate which was composed of the compensation on both assets transferred and resettlement costs during the transition period. Upon completion of the relocation in 2021, gain on land relocation amounting to RMB 258,066,000 was recognized after offsetting corresponding costs relevant to such relocation, while consideration of RMB71,194,000 was classified as deferred income in prior year since the conditions as stipulated in the agreements had not been fulfilled. However, all related conditions have been satisfied in the current year, and a gain of RMB71,194,000 has been recognised as a reduction of corresponding cost incurred during the current year.

(ii) On 30 December 2020, Minth Investments Co., Ltd., a wholly-owned subsidiary of the Company enters into an agreement with Huzhou Huanqiao Construction and Development Co., Ltd. ("Huanqiao Construction"), an independent third party, pursuant to which, Minth Investments Co., Ltd. agreed to dispose the entire equity interest in Huzhou Minchi Automotive Co., Ltd. ("Huzhou Minchi") together with the entire equity interest of Huzhou Enchi Automotive Co., Ltd. ("Huzhou Enchi") held by Huzhou Minchi at a cash consideration of RMB400,000,000, which would settled by stages according to the schedule as stated in the agreement. The disposal was completed in March 2021 and disposal gain amounting to RMB212,103,000 was recognised.

* *The English name is for identification purposes only.*

5. INCOME TAX EXPENSE

	2022	2021
	RMB'000	*RMB'000*
Current tax:		
PRC Enterprise Income Tax	**221,507**	247,320
Other jurisdictions	**75,351**	43,857
	296,858	291,177
Over provision in prior years:		
PRC Enterprise Income Tax	**(4,143)**	(28,982)
Deferred tax:		
Current year (credit) charge	**(44,007)**	4,169
	248,708	266,364

6. PROFIT FOR THE YEAR

	2022	2021
	RMB'000	*RMB'000*
Profit for the year has been arrived at after charging:		
Directors' remuneration	**5,820**	8,477
Other staff's salaries and allowances	**3,234,103**	2,932,169
Other staff's related welfares and benefits	**250,892**	237,928
Other staff's retirement benefits scheme contributions	**185,242**	155,201
Other staff's share-based payments	**46,348**	74,217
Total staff costs	**3,722,405**	3,407,992
Depreciation of property, plant and equipment	**1,038,397**	846,652
Depreciation of right-of-use assets	**45,612**	46,379
Amortisation of other intangible assets	**37,154**	29,042
Amortisation of contract costs	**30,890**	26,798
Total depreciation and amortisation	**1,152,053**	948,871

7. DIVIDENDS

	2022	2021
	RMB'000	*RMB'000*
Dividends recognised as distribution during the year:		
2021 Final – HK$0.630 (2020 final dividend – HK$0.572) per share	**621,768**	554,110

At the annual general meeting held on 31 May 2022, a final dividend of HK$0.630 (2021: HK$0.572) per share totalling HK$731,957,000 (equivalent to RMB621,768,000) (2021: HK$663,406,000 (equivalent to RMB554,110,000)) in respect of the year ended 31 December 2021 was approved by the shareholders and subsequently paid to the shareholders of the Company.

A final dividend of HK$0.578 per share totalling HK$671,951,000 (equivalent to RMB600,233,000) for the year ended 31 December 2022 has been proposed by the Directors and is subject to approval by the shareholders in the annual general meeting to be held on 31 May 2023.

8. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	2022	2021
	RMB'000	*RMB'000*
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	**1,500,584**	1,496,507

	2022	2021
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share (Note)	**1,151,000**	1,151,646
Effect of dilutive potential ordinary shares:		
Options	**–**	6,259
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,151,000**	1,157,905

Note: The weighted average number of ordinary shares for the purpose of basic earnings per share has been adjusted by the number of ordinary shares purchased by the trustee for the 2020 Share Award Scheme.

9. INVENTORIES

	2022 *RMB'000*	2021 *RMB'000*
Raw materials	**1,522,772**	1,255,663
Work in progress	**613,270**	618,369
Finished goods	**1,497,092**	1,086,811
	3,633,134	2,960,843

10. TRADE AND OTHER RECEIVABLES

	2022 *RMB'000*	2021 *RMB'000*
Trade receivables		
– associates	**9,338**	11,194
– joint ventures	**34,883**	23,292
– non-controlling shareholders of subsidiaries	**6**	–
– other related parties*	**1,494**	1,366
– third parties	**4,627,445**	3,182,607
Less: Allowance for credit losses	**(30,325)**	(13,688)
	4,642,841	3,204,771
Bills receivables	**2,043**	51,197
Other receivables	**97,198**	95,081
Less: Allowance for credit losses	**(1,476)**	(1,476)
	95,722	93,605
	4,740,606	3,349,573
Prepayments to suppliers	**943,812**	882,000
Utility and rental prepayments	**45,326**	37,728
Prepaid value-added tax recoverable and refundable	**354,818**	334,454
Consideration receivable for disposal of subsidiaries	**154,670**	304,670
Interest receivable	**301,386**	201,327
Deferred issue costs	**–**	19,900
Total trade and other receivables	**6,540,618**	5,129,652

* The companies are those in which Mr. Chin Jong Hwa ("Mr. Chin") and his family have control.

The Group normally grants a credit period of 60 days to 90 days (2021: 60 days to 90 days) to customers effective from the invoice date. The following is an aged analysis of trade receivables net of allowance for credit losses presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates:

	2022	2021
	RMB'000	*RMB'000*
Age		
0 to 90 days	**4,176,796**	2,963,294
91 to 180 days	**341,716**	153,141
181 to 365 days	**84,653**	70,892
1 to 2 years	**34,215**	4,993
Over 2 years	**5,461**	12,451
	4,642,841	3,204,771

11. CONTRACT ASSETS

	2022	2021
	RMB'000	*RMB'000*
Moulds development	**1,169,880**	1,004,450
Less: Allowance for credit losses	**(7,743)**	–
	1,162,137	1,004,450
Analyzed for reporting purpose as:		
Current	**294,145**	249,795
Non-current	**867,992**	754,655
	1,162,137	1,004,450

The contract assets are in relation to the Group's rights to consideration for moulds development work which are fully completed and accepted by the customers but not billed yet. The contract assets are transferred to trade receivables at the time the rights to consideration become unconditional as stipulated in the relevant contracts.

12. TRADE AND OTHER PAYABLES

	2022	2021
	RMB'000	*RMB'000*
Trade payables		
– associates	**12,994**	55,832
– joint ventures	**45,382**	37,455
– non-controlling shareholders of subsidiaries	**120**	1,473
– other related parties*	**8,988**	9,455
– third parties	**3,088,314**	2,191,110
	3,155,798	2,295,325
Bills payables	**385,796**	207,954
Other payables		
– associates	**36**	528
– joint ventures	**1,095**	87
– non-controlling shareholders of subsidiaries	**2,104**	2,259
– other related parties*	**7,147**	5,069
	10,382	7,943
	3,551,976	2,511,222
Payroll and welfare payables	**552,718**	514,616
Consideration payable of acquisition of property, plant and equipment	**655,910**	448,868
Technology support services fees payable	**25,479**	28,344
Freight and utilities payable	**70,253**	85,393
Other tax payable	**111,132**	92,031
Deposits received	**14,926**	13,670
Provision	**57,656**	50,232
Dividend payables	**21,333**	31,999
Others	**704,087**	474,010
Total trade and other payables	**5,765,470**	4,250,385

* The companies are those in which Mr. Chin and his family have control.

The average credit period on purchases of goods is 30 days to 90 days (2021: 30 days to 90 days).

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2022	2021
	RMB'000	*RMB'000*
Age		
0 to 90 days	**2,493,679**	1,981,573
91 to 180 days	**410,930**	169,133
181 to 365 days	**177,441**	98,709
1 to 2 years	**63,743**	33,179
Over 2 years	**10,005**	12,731
	3,155,798	2,295,325

Bills payables held by the Group as at 31 December 2022 will mature within 6 months (2021: within 6 months).

13. OTHER LONG-TERM LIABILITIES

During the year ended 31 December 2019, the Group entered into an agreement with local government funds in the PRC to establish a partnership Jiaxing Minth Equity Investment Partnership Enterprise (Limited Partnership)* (嘉興敏實定向股權投資合夥企業(有限合夥)) ("Jiaxing Partnership") with an operation period of maximum 7 years, whose only investment target is Jiaxing Minhua Automotive Parts Co., Ltd.* (嘉興敏華汽車零部件有限公司) ("Jiaxing Minhua"), a subsidiary of the Group. Pursuant to the agreement, the local government funds would contribute capital amounting to RMB800,000,000 into the Jiaxing Partnership. The local government funds would neither participate in Jiaxing Partnership's nor Jiaxing Minhua's operation and management. The local government funds would require the Group and the Group is obligated to redeem RMB800,000,000 of the capital contributed by the local government funds together with interest calculated based on the market interest rate, no later than the expiry of the operation period of Jiaxing Partnership. The interest could be recognised as a reduction of interest expenses incurred under the terms of the agreement when certain conditions are fulfilled during the operation period of Jiaxing Partnership. During the year ended 31 December 2022, the Group has met certain conditions stipulated in the agreement under which corresponding government subsidies have been recognised as a reduction of interest expenses incurred. The Group treats the capital contribution by the local government funds together with interest payable as a long-term liability and measures corresponding interest payable on its best estimate. As at 31 December 2022, the carrying amount of this long-term liability together with the interest payable is RMB855,900,000 (31 December 2021: RMB877,300,000).

* *The English names are for identification purposes only.*

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

According to the statistics of China Association of Automobile Manufacturers, the production and sales of China's passenger vehicles during the Review Year were approximately 23,836,000 units and approximately 23,563,000 units respectively, representing a year-on-year increase of approximately 11.2% and approximately 9.5% respectively. Despite the impacts of sporadic and recurrent COVID-19 pandemic, chip shortage and persistently high raw material prices, the overall passenger vehicle market in China maintained positive recovery momentum in terms of annual sales, which saw a U-shaped rebound and ended up with a favorable growth, thanks to the purchase tax incentives and surge in sales of new energy vehicles ("NEVs"). As to market segments, according to the statistics of Marklines, the sedan market saw increases of approximately 12.5% and approximately 11.5% respectively in production and sales when compared to the same period in the previous year. SUVs recorded increases in production and sales of approximately 13.5% and approximately 10.8% respectively as compared to the same period in the previous year, while production and sales of MPVs decreased by approximately 11.3% and approximately 11.2% respectively when compared to the same period in the previous year. In terms of performance by product origin, affected by chip shortage and the COVID-19 pandemic, the market share of German and Japanese OEMs in China decreased year-on-year to approximately 19.5% and approximately 17.8% respectively. The market share of American OEMs in China dropped slightly to approximately 9.4%, while European (excluding German brands) and Korean OEMs accounted for approximately 1.6% and approximately 1.7% of market share in China respectively. Chinese OEMs delivered stellar performance in which various OEMs grasped the opportunities of new energy and intelligent connectivity transformation by actively promoting electrification, intelligent upgrade and product mix optimization, constantly enhancing their brand influence. Passenger vehicles of Chinese OEMs reached a market share close to 50%, which is a record high in recent years. On top of that, the overall Chinese automobile market showed a trend of trading up. During the Review Year, the sales of passenger vehicles of premium brands amounted to approximately 3.886 million units, representing a year-on-year growth of approximately 11.1%, which outperformed the overall increase in passenger vehicle sales. During the Review Year, the sales of NEVs continued to surge with full-range models witnessing year-on-year growths, showing a good trend of a balanced development. Its annual sales increased by approximately 93.4% year-on-year to more than 6.8 million units, and the market share rose to 25.6%, revealing that NEVs has gradually entered a period of full-blown market expansion, ushering in a new phase of development and growth.

During the Review Year, due to the impacts of the capricious COVID-19 pandemic, supply chain shortages, deterioration in macroeconomic conditions and geopolitical factors, the automobile industry chain experienced an imbalance between supply and demand, and the market recovery was constrained. According to the statistics of LMC Automotive, the global light vehicle sales declined by approximately 0.6% year-on-year to approximately 80.98 million units in the Review Year, with all major markets recording year-on-year drops except China, Brazil, India, Thailand and Mexico. During the Review Year, among the mature markets, the sales of passenger vehicles in Western Europe declined by approximately 4.1% year-on-year to approximately 10.15 million units; light vehicle sales in the United States (the "US") dropped by approximately 7.8% to approximately 13.9 million units; and light vehicle sales in Japan decreased by approximately 8.3% to approximately 2.563 million units. As to major emerging markets, during the Review Year, the sales of passenger vehicles in Brazil and India increased by approximately 1.5% and approximately 21.2% year-on-year respectively; and the sales of light vehicles in Thailand and Mexico increased by approximately 11.9% and approximately 7.0% year-on-year respectively, while the sales of light vehicles in Russia plunged by 58.8% year-on-year.

COMPANY OVERVIEW

The Group is primarily engaged in two major businesses, namely the research and development ("R&D"), production and sales of auto parts and toolings and moulds. The auto part business of the Group mainly includes metal and trim products, plastic products, aluminium products and battery housing products. The tooling and mould business mainly includes various moulds, gauges and fixtures for the development, processing and production of automobile exterior decorative parts and body structural parts. Headquartered in China, the Group has established worldwide presence through the development of R&D, design, production and sales networks in China, the US, Mexico, Germany, the United Kingdom, Serbia, the Czech Republic, Thailand, Japan, etc., and has commenced the construction of new production bases in France and Poland, with an aim to continuously provide customers with quality services and products.

During the Review Year, the four product business units ("BUs") of the Group, namely plastic products, aluminium products, metal and trim products, and battery housing products, worked with the Group's other functional departments to continually improve operating efficiency, which was achieved through their effective synergy with the innovation and R&D departments, sales, project management and product development teams and production functions at factory level. The Group expedited the nurturing of professional talents reserve with global vision, thus fortifying its core competitiveness in terms of technology, product and talent. Meanwhile, the Group optimised its product planning and production capacity planning in consideration of practical requirements in its global business development. The Group has established a platform to conduct cost assessment for all of its products. Specific products already in mass production were given priority during the optimisation process through benchmarking against products of the same type to minimise waste in all process flow, and proactive balancing and resource deployments were made to the Group's production capacity in its global operations based on the assessment of its business demand so as to improve its adaptability to volatile external circumstances.

During the Review Year, the Group continued to deepen the implementation of Minth Operation Excellence System (敏實卓越運營系統) ("MOS") and formulated a set of universal standards for its global operation excellence management, which facilitated the tools of cost attribution matrix pillar to better complement with the key performance indicators related to its operations, thereby allowing it to broaden income stream and reduce expenses while cutting costs and enhancing efficiency, which in turn would maximise the production and staff efficiency. During the Review Year, in respect of the application and standardisation of MOS tools, the Group continued to implement the transition from the reaction stage to the prevention stage. All BUs have completed the MOS talent layout and established an echelon of teams, which enabled each BU to implement and develop MOS on its own. The Group continued to utilise MOS as the assessment standard for its plant operation management, and identified eight perspectives, namely, management, “environment/quality/safety”, cost, human resources, production excellence, equipment maintenance, logistics and supply chain, as the principal management elements of its plant operations. The Group continued to promote exchanges and appraisals among factories to facilitate the sharing and standardisation of best practices within the Group, thereby creating a more competitive standard product cycle time, so that best practices could be quickly standardised and replicated in its global plants. In the course of MOS implementation, the Group has also been seeking for improvements continuously. During the Review Year, the Group further optimised the primary-stage of product management and added it as an evaluation criterion, and the Group also simplified the work flows to reduce, to a further extent, the risks and costs incurred prior to mass production with less resources input. During the Review Year, in terms of digital transformation, the Group managed to make effective applications in the pillars including workshop organization, logistics and supply chain, equipment management, quality control and management, through which the Group could secure the accuracy of information and significantly reduce the risk of manual intervention, thereby ensuring MOS is capable of implementing a self-sustaining operation excellence system for the entire value chain.

During the Review Year, with enhanced processing and manufacturing technologies and production models, the Group continued to boost the overall competitiveness of traditional products and strive for a thorough penetration of these products at customers’ end. Meanwhile, through frequent exchange and interaction with its customers, the Group remained committed to the provision of systematic solutions to customers’ internal combustion engine vehicle models and NEV models by deepening its understanding of customer demands in relation to product, technology and material innovation. During the Review Year, while ensuring the smooth mass production for several battery-housing projects in its plants in China, Serbia and the Czech Republic, the Group endeavoured to push forward the market expansion for innovative product offerings, such as body and chassis components and intelligent exterior decorative parts, and obtained multiple orders with the aim of assuring continual growth of the Group’s revenue in the future.

During the Review Year, the Group's Digital Transformation Centre achieved the application of personalised, differentiated and customised products and services based on the Group's template, and gradually achieved digital bonus, such as the basic completion of digital operation and management systems for indicator management platform, platform of cost assessment for quotation and digital finance, resulting in a significant improvement in the quality and efficiency of digital services. During the Review Year, the Group introduced digital tools through continuous improvement and in-depth integration with business flow. From the perspectives of data connection, information visibility, lean analysis, efficient end-to-end synergy, data asset application, digital security, etc., the Group proposed and implemented the design and R&D of digital products that cover the entire life cycle of the production of products, fixed assets, and R&D data etc., with the concept of high quality, innovation, convenience, humanization and ecology, laying a solid foundation for enhancing digital management of the entire operation process and improving the efficiency of corporate operations comprehensively. The Group's Digital Transformation Centre continued to cooperate with a team of professional consultants to promote the rapid rollout of the Group's digital platform templates in both domestic and overseas factories, with the aim of realising rapid collaborative handling of orders, multi-dimensional intelligent operation, interconnection and interoperability among various segments, thereby creating a forward-looking operation and management model, and effectively boosting the Group's agile operation. As a typical example of digital transformation and upgrade, the Group's Factory of the Future project has commenced mass production, and the global interactive experience centre, global empowerment centre and global big data centre have been officially put into operation. Equipped with systems or functions such as SAP-MES, warehouse management system, 3D visualization, fully automated logistics system and industrial internet, the Factory of the Future is able to run as an unmanned and lights-out factory. At the same time, the Group has also built an ecological farm in Factory of the Future to construct a brand-new prototype of the Group's industrial ecosystem featuring the beauty of intelligent manufacturing, humanistic care and eco-friendliness, which will be replicated when the operation model of Factory of the Future project is mature, thus heralding the Group towards comprehensive digital transformation and upgrade.

During the Review Year, the Company established a sustainability committee to advise and assist the Board in identification, assessment and management of the sustainability of the Company and its subsidiaries in respect of environmental, social and governance issues. The Group kept deepening its engagement in the management of environment, occupational health and safety ("EHS") based on its EHS system to achieve the goal of green manufacturing with intelligence and sustainable development, and gradually complete the construction of both energy system and carbon emission management system, so as to fulfil its corporate social responsibilities ("CSR") and gradually promote and develop a prominent sustainability management system for the Group.

During the Review Year, the Group has been implementing the strategic goals of achieving carbon peaking by 2030 and carbon neutrality by 2050 (the "3050 dual carbon goals"), and has formulated an industrial layout goal of "low-carbon R&D and circular economy" and the excellent operation direction of "digitalisation, green energy and green supply chain". The Group commenced greenhouse gas emission management based on ISO14064 system to examine and audit the total carbon emissions of the Group and individual carbon emissions of each factory during the previous year, which provided the Group with data support for its carbon neutrality strategy. In February 2023, certain subsidiaries of the Company, namely Ningbo Shintai Machines Co., Ltd.* (寧波信泰機械有限公司) and Qingyuan Minhui Automotive Parts Co., Ltd.* (清遠敏惠汽車零部件有限公司) were awarded the title of "Enterprise of Green Supply Chain Management in 2022" and Shenyang Minneng Automotive Parts Co., Ltd.* (瀋陽敏能汽車零部件有限公司) was awarded the title of "Green Factory in 2022", both of which were awarded by the Ministry of Industry and Information Technology of the PRC.

During the Review Year, the Group initiated ISO50001 energy management training and implementation and set up energy management function, annual performance targets, energy-saving management and technology solutions and daily review system at factory, BU and group levels, to ensure the fulfilment of annual energy management targets of the Group. During the Review Year, ISO50001 audits and certifications for five factories have been completed. The Group paid continuous attention to the responsibility toward various stakeholders, such as workers, consumers, environment and community, and continued to implement online and onsite audit on CSR, NQC-SAQ4.0 self-assessment and CDP online audit.

During the Review Year, the Group continued to enhance its digital EHS management and carbon emission management. With the five modules launched on the Group's digital EHS system, namely the workplace accident management system, construction management system, EHS red line management system, EHS hidden-danger management system and hazardous waste management system, the Group has comprehensively improved its EHS management efficiency, EHS risk prevention capability and emergency handling capability in its global factories. The Group has also launched the carbon emission management system, which is able to measure and verify carbon emission intensity and carbon footprint, as well as to manage energy-saving and low-carbon projects, in a bid to facilitate the Group to achieve its 3050 dual carbon goals.

During the Review Year, the Group continued to strengthen its safety management across all BUs on a uniform basis with a focus on on-site operations. Based on a set of criteria called the "ten major red lines" (forbidden behaviors) and centered around "list management & process control", the Group put forward the EHS management principle of "clear communication, precise implementation and complete evidence chain" to enhance the safety awareness of employees and reinforce the management's awareness of risk identification, which will ensure operational safety at the factory level. By leveraging on the introduced advanced technologies for wastewater, emissions and hazardous waste treatment currently in place, the Group had effectively reduced pollutant discharge and emission, and it continued to increase investment in waste recycling facilities, reduce procurement of raw materials and supplies, lower operating costs with enhanced operation management of the emission treatment facilities, as well as provide real-time monitoring for, and ensure effective operations of the emission treatment facilities. All of these will ensure that the pollutant discharge of the Group is up to standards. The Group has also taken greater heed of the development and management of occupational health by optimising management mechanisms for jobs subject to occupational hazards, improving the working environment for staff and ensuring comprehensive implementation of the occupational health check systems to safeguard the general health and well-being of the employees.

During the Review Year, the Group's EHS team continued to implement a mid-year "ten major red lines" audit and year-end MOS-EHS pillar assessment against each factory in China, Europe and North America, commenced corporate compliance audit from 45 dimensions, passed the supervisory audit of the ISO45001 and ISO14001 System, identified and eliminated on-site key risks, and comprehensively enhanced its management and control capability in key EHS risks, which facilitated the Group to reduce the risks of the occurrence of fire accident and work-related injury and enhanced its EHS performance, so as to ensure safe and healthy operations of the Group eventually. During the Review Year, work-related injury or accident rate per million working hours of the Group was about 1.0 and no material safety, fire, environmental and occupational health incidents were reported.

During the Review Year, the Group further optimised its system of internal control and risk management. The Group has officially issued the "Minth Group Internal Control and Risk Management Policy" and "Guidelines on Internal Control and Risk Management of Minth Group" to promote and supervise the internal control formulation and risk management of each functional department and operation unit, and to gradually extend such risk management system to overseas units. Centering around its development strategy and in combination with management model reforms and digital transformation, the Group has basically completed its audit and risk control model, through which the

Group is able to identify risks and conduct risk prewarning and hence carry out timely control, as well as to update and maintain the authorisation framework on a continuous basis. The Group continued to review and optimise the efficiency and effectiveness of its process control, incorporating its internal control and risk management into daily operation and core value chain, to gradually form a procedure-based internal control and comprehensive risk management system. The Group insisted on ensuring the independence of its internal audit function in terms of both system and organisational structure, while continuing to allocate sufficient resources to support the performance of its duties, in continuous enhancement of the efficiency, effectiveness and standardisation of its internal audit function. Meanwhile, Jiaxing Minhui Automotive Parts Co., Ltd.* (嘉興敏惠汽車零部件有限公司), a subsidiary of the Company, has successfully obtained the certification of ISO37001 anti-bribery management system, winning for the Group recognition from international professional standard in area of integrity governance. On the basis of that, the Group has expanded internal and external reporting channels to continuously improve its anti-corruption system, and strengthened its anti-corruption publicity and education to create an ethical business environment for the Group and its stakeholders, in an effort to protect the legitimate rights and interests of the Company, its shareholders and all stakeholders. In addition, the Group formally issued the "Minth Group Limited Code of Business Conduct and Ethics" to all functional departments and operating units and updated the "Minth Group Policy on Whistleblowing for Ethics and Compliance", which clarifies and regulates the Group's requirements and commitments on business ethics and compliance, and protects and rewards the reporting of various non-compliances and violations of business ethics. Based on the above relevant measures, the Group continued to improve its audit and supervision, internal control and risk management models, thereby improving its capability in risk management and control and reasonably ensuring that potential risk is under control within an acceptable level. These measures have effectively safeguarded and promoted the sustainable and steady development of the Group.

Business and Operation Layout

During the Review Year, the Group's revenue was approximately RMB17,306,393,000, representing an increase of approximately 24.3% as compared with approximately RMB13,919,269,000 in 2021. During the Review Year, the domestic revenue of the Group was approximately RMB9,501,699,000, representing an increase of approximately 15.9% as compared with approximately RMB8,201,506,000 in 2021, which was primarily due to the mass production in battery housing for multiple OEM customers and the growth in the Chinese OEM business. During the Review Year, the overseas revenue of the Group was approximately RMB7,804,694,000, representing an increase of approximately 36.5% as compared with approximately RMB5,717,763,000 in 2021, which was mainly driven by the businesses from customers such as BMW, Mercedes-Benz, Volkswagen and General Motors as well as the mass production of newly launched overseas factories of the Group.

During the Review Year, the Group has made a great leap forward in its new business intake, among which it has made multiple significant breakthroughs in the battery housing business in particular. The Group won an order for battery housings of a major global platform vehicle model of Mercedes-Benz, and became its largest partner in battery housing. The Group secured orders for battery housing of two platform models from Stellantis, consolidating the Group's position as the core supplier of battery housing in Stellantis. The Group continued to increase its battery housing business share in BMW. Besides, as for the Group's NEV start-up customers, the Group also secured orders for battery housing from Lucid, XPeng and Li Auto. Meanwhile, the Group has also made breakthroughs in the business of composite material housing cover and secured orders from GAC Motor and EVE Energy. During the Review Year, the Group kept up with the industry development and reported frequent successes in intelligent products. The Group secured orders for illuminated emblems and illuminated grilles from clients such as Geely, Volkswagen and General Motors, and won an order for smart B pillar cover assembly from a Chinese OEM, making it one of the few suppliers in the world to complete the development of the entire smart pillar assembly independently. The Group successfully secured orders for intelligent tailgates from Nissan and XPeng, achieving the progress of the business from one to many. During the Review Year, the Group continued to increase its market share in body and chassis components. In addition to securing orders for MEB platform of Volkswagen, the Group also tapped into business with Changan Automobile and Chrysler in North America. At the same time, the Group made continuous efforts on innovation with a breakthrough in the electric side door system and secured relevant orders from a Chinese OEM. During the Review Year, the Group also continued to increase its customer coverage and penetration in traditional products. While endeavoring in securing orders of wide range of products from BYD, the

Group was also admitted to the supplier system of NEV start-ups such as Leapmotor, HOZON and JiDU. The Group was awarded the roof rack business by Honda in Japan for the first time, representing a breakthrough of Honda's stronghold in Japanese market. In terms of aluminium trims, the Group secured exclusive orders for aluminium trims of Mercedes-Benz C-class electric vehicles, remaining as Mercedes-Benz's dominant supplier of aluminium trim and roof rack business in North America. The Group won another order from a premium American NEV brand, further increasing the market share of the Group's aluminium trims. In addition, the Group obtained orders for interior decorative parts from Beijing Hyundai for the first time during the Review Year. The Group's diversified product portfolio and expanding customer coverage will strongly support the long-term sustainable growth of the Group's performance.

During the Review Year, the Group continued to make visionary plans for the production layout of its major plants, expanding and optimising production capacity at major plants worldwide based on local conditions to better meet the requirements of global customers in terms of product development and mass production, as well as to help the Group further enhance its overall operational efficiency. Meanwhile, given the global political, economic, and environmental factors, customer demand, and internal development of the Group, amongst others, the Group continued to enhance its "GLOCAL" (global + local) operation and management strategy. This is achieved by ensuring all of the best practices and competitive advantages in individual countries the Group operates in are implemented. Also, by building "major hubs" in regions around the world and extending satellite factories around the hubs, the Group is able to achieve the parallel development of synergy in global production capacity and independent regional operations. As at 31 December 2022, with mass production of the Group's new production lines at various locations globally, the Group continued to improve existing products and expand production capacity. In particular, as for the European region, the Group's several battery-housing projects in the plants located in Serbia and the Czech Republic successfully kicked off for mass production, ramped up and met customers' requirements, during which the Group has dispatched a number of experienced staff to Serbia and the Czech Republic to provide technical support. During the Review Year, the Group signed a memorandum of understanding with Renault with the intention to set up a joint venture in France, which will supply battery housings for multiple electric vehicle models of Renault. Meanwhile, the Group has commenced the construction of infrastructure for the battery housing plant in Poland. In North America, the Group secured various orders for battery housings during the Review Year, and planned to set up an operational organisation structure of battery housing there to replicate the successful experience of the Serbian battery housing plant in terms of construction and mass production. During the Review Year, the Group optimised its supply chain planning for the US plant to enhance profitability and expanded the production capacity of the aluminium product plant in Mexico to meet the growing demand in order delivery. Furthermore, to ensure the full integration of the Group's dispatched employees with overseas local employees, the Group has taken various measures to enhance communication between employees with different nationalities. Foreign executives are encouraged to have more frequent and direct exchanges with the Group's management on the operation and management of overseas factories and the risks and opportunities of the Group's development at regular meetings of the Group's operations. With its increasingly global presence, the Group is able to meet the demands for proximal supplies from its worldwide customers and further reinforce and consolidate the global competitiveness of its core products.

During the Review Year, the Group entered into agreements with Zhejiang Sanhua Intelligent Controls Co., Ltd. and Magna International Inc. respectively to form joint venture companies in order to better pursue its business expansion and provide better services for customers. Please refer to the announcements dated 6 April 2022 and 8 September 2022 of the Company for details.

During the Review Year, the global automobile industry was confronted with multiple challenges due to impacts brought by the Russia-Ukraine war and international geopolitical developments, amongst other factors. Meanwhile, the global pandemic continued to disrupt normal operation of the automobile industry. Coupled with the short-term lockdown policy implemented as a result of the pandemic outbreak in many parts of China, the supply chain had been hard dampened. In response to the impact of the Russia-Ukraine war, the Group has set up a contingency team comprising logistics, sales, supply chain planning, production management and delivery teams to hold regular meetings for information exchange about unusual information from time to time and to monitor the extent of the impact on customers in a timely manner so as to allow for flexible adjustment of production plans and to ensure operational efficiency. In response to the impact of the pandemic during the Review Year, the Group has remained vigilant at all times and conducted the implementation work in accordance with the pandemic prevention and control response plan and emergency plan, in order to achieve the normal delivery of products while ensuring compliance, health and safety. China's lockdown policy against the pandemic was largely loosened at the end of 2022. Although it had a certain impact on the supply chain and production schedule over short term, the Group responded proactively by taking temporary measures to maintain production and successfully completed its delivery tasks. Meanwhile, the Group also implemented control measures by streamlining its processes and enhancing efficiency. The Group had developed a blueprint for the full life cycle management of its assets and planned to adopt digital means to automatically identify idle production capacity and assets, thereby providing effective support for investment and production capacity management. The Group's rapid and effective responses had ensured timely delivery, premium quality products and effective cost control and were highly recognised by its customers.

Research and Development

R&D and innovation are important pillars to corporate development and the Group attaches great importance to R&D planning. Given the four disruptive trends in the global automotive industry, namely the electrification and intelligence trends which have already been given great impetus to, and the gradually rising trends of internet connectivity and shared mobility, the Group had swiftly and effectively responded to a series of ground-breaking innovations in the automotive and related industry to lay down the fundamental strategy of innovation-driven development, optimised the structure of R&D organisations, strengthened the self-initiated R&D and innovative research capability in respect of basic materials, products and technology, and continued to increase its investments in R&D. Through in-depth exchange with customers such as traditional OEMs, NEV start-ups and battery makers, the Group strived to firmly grasp the differences in product and technology requirements of various customers and the development trend; and through proactive self-innovation and cooperation with world-leading enterprises, to promote technical breakthrough of processing technology. The Group prospectively improved the R&D capability and management efficiency as a whole to further solidify its presence in core components for NEVs and promoted the integration of intelligent products and exterior decorative parts, thus consolidating its position as a core strategic partner to OEM customers.

The Group will continue to engage in innovative research and development and deployment, devote itself to the business development of products including battery housings, body and chassis components and intelligent exterior products, and contribute to the evolution of the automotive industry such as low carbon and intelligence. The Group has made tremendous progress in these fields, which lays a solid foundation for the Group's future sustainable development. For battery housings and body and chassis parts, the Group has been cultivating the battery housing business and honing its competitive advantage to become a system solution provider. The Group, with its full-range vertical integration capabilities, has become a preferred partner for premium global automotive OEMs. The Group's battery-housing solutions have been recognised by numerous customers. During the Review Year, the Group signed a memorandum of understanding with Renault with the intention to set up a joint venture factory in France, which will develop and provide battery housings for multiple electric vehicle models of Renault in the future. During the Review Year, the Group continued to win nomination from premium traditional OEMs and NEV start-ups, further consolidating the Group's leading position as one of the largest battery-housing suppliers in the world. The Group paid close attention to the development trend of battery-housing products and technology and conducted independent R&D to ensure its products and technology cater for market demands, while providing customers with better innovative solutions. The Group continued to carry out R&D and production of diversified battery-housing solutions from different perspectives, such as structure, battery adaptability, application and materials. Meanwhile, based on its battery housing techniques and processing technologies, the Group has been gradually tapping into complementary parts and successfully developed products, such as front and rear crash management systems, subframes and other die casting structural parts, and started to see order inflows, which would help the Group achieve integration of battery housings and chassis structure progressively.

As for intelligent exterior decorative products, the Group focused on the product R&D and expansion of intelligent front and rear modules and intelligent door systems to fully realise intelligent upgrade for exterior decorative products. The Group has carried out visionary R&D and planning for solutions of integrated intelligent front modules, which combine functions such as illumination, heating, wave transparency and automatic cleaning, and multiple industry-leading patents have already been authorised for those products and could be used for level 4 and above autonomous driving. The market penetration rate for several products has been increasing, including millimetre wave compatible radomes, LiDAR compatible radomes, intelligent illuminated grilles, etc. The Group has actively deployed in the field of intelligent door systems, including application scenarios such as intelligent access and automatic opening, with its self-developed solutions such as intelligent pillar cover with face recognition function, electric side door system and ultralight door obtaining technical recognition from several OEMs. During the Review Year, the Group won an order for smart B pillar cover assembly from a Chinese brand, making it one of the few suppliers in the world to complete the development of the entire assembly independently. In addition, the Group also secured a mass production order for electric side door system from a Chinese NEV brand.

Furthermore, the Group also attaches great importance to the technological R&D of new materials and has continuously increased its R&D investment in materials, mastering the technologies of three core materials, namely high-performance aluminium, high-elasticity TPV (Thermoplastic Vulcanizate) and modified plastics, as well as the related surface treatment technologies. In particular, the Group successfully developed the Minal-S632 aluminium alloy with 320Mpa ultra-high yield strength and crushing property which has reached advanced level in the global market. As at 31 December 2022, the Group had over 50 core patents in terms of material formula and processing technology in relation to aluminium alloy, which have been widely applied in the battery housings and body and chassis structural parts of OEMs, such as BMW, Benz, Audi and Volkswagen, demonstrating the Group's comprehensive technological capability in both product and material as a leading market player in the Asia-Pacific region and even the world. Meanwhile, in response to the carbon neutrality target in various markets in the world, the Group developed its proprietary ECO-ALUMIN® S series of environment-friendly aluminium with recycled aluminium as raw material. The percentage of recycled waste used could be up to 80% with a carbon emission of less than 2.5KGCO$_2$e. In the meantime, the Group focused on R&D and innovation of polymer materials and completed the development of Eco OleCom® and Eco LonitBlend® series of environmentally friendly recycled materials, which have been certified by a number of OEMs for material technology and will be gradually applied to mass production orders in the future.

The Group attaches great importance to the protection, application and management of intellectual property rights. It has initiated a comprehensive deployment in patents for innovative products and technologies and has been granted numerous awards such as the "National Intellectual Property Advantage Enterprise" (國家知識產權優勢企業) and the "Zhejiang Province Patent Navigation" (浙江省專利導航). An invention patent was recommended by the 24th China Patent Award of the Science and Technology Department of the Ministry of Industry and Information Technology. Meanwhile, the Group also continued to improve its patent deployment in corporate, core product and technology, in order to enhance its brand influence. During the Review Year, 635 patent applications were newly filed for approval by the Group, among which 12 applications were related to overseas patents. The Group newly obtained 592 patent authorisations and 194 certificates of registration for trademarks.

FINANCIAL REVIEW

Results

During the Review Year, the Group's revenue was approximately RMB17,306,393,000, representing an increase of approximately 24.3% from approximately RMB13,919,269,000 in 2021. During the Review Year, although the global automobile market was affected by factors such as Russia-Ukraine war, pandemic resurgence and chip shortage, the Group's battery-housing business realized a significant year-on-year growth as the global sales of NEVs increased rapidly, coupled with the good performance in the sales of major vehicle models of the Group's overseas customers, the Group managed to achieve considerable revenue growth.

During the Review Year, the profit attributable to owners of the Company was approximately RMB1,500,584,000, representing an increase of approximately 0.3% from approximately RMB1,496,507,000 in 2021. After excluding the effect of the one-off gains arising from the disposal of subsidiaries and receipt of relocation payment for land and buildings, etc. in 2021, the profit attributable to owners of the Company would have increased by approximately 40.9% compared to 2021. This was mainly due to the increase in gross profit compared to 2021 which was mainly attributable to factors such as the revenue growth of the Group during the Review Year, while the Group strictly managing and controlling the growth rate of labor costs and other expenses, which enabled the Group to maintain a better level of profitability in general.

Sales of Products

During the Review Year, the Group continued focusing on the production of products including metal and trim products, plastic products, aluminium products, battery-housing products and toolings and moulds for automobiles, which were mainly supplied to the factories of major global OEMs.

An analysis on revenue by geographical markets based on locations of the customers is as follows:

	2022		2021	
	RMB'000	***%***	*RMB'000*	*%*
Customer category				
Domestic	**9,501,699**	**54.9**	8,201,506	58.9
Overseas	**7,804,694**	**45.1**	5,717,763	41.1
Total	**17,306,393**	**100.0**	13,919,269	100.0

Revenue from Overseas Markets

During the Review Year, the Group's revenue from overseas markets amounted to approximately RMB7,804,694,000, representing an increase of approximately 36.5% from approximately RMB5,717,763,000 in 2021. It accounted for approximately 45.1% of the total revenue of the Group in the Review Year, representing an increase when compared to approximately 41.1% in 2021.

Gross Profit

During the Review Year, the Group's gross profit was approximately RMB4,784,153,000, representing an increase of approximately 17.2% from approximately RMB4,083,774,000 in 2021. The gross profit margin for the Review Year was approximately 27.6%, representing a decrease of approximately 1.7% from approximately 29.3% in 2021. This was mainly due to factors such as changes in product structure (i.e., the growth of battery-housing, body and chassis components and modular product business), and the increasing percentage of revenue from certain overseas companies during their ramp-up period, etc. despite that the Group benefited from improved economies of scale driven by revenue growth during the Review Year, which resulted in the decrease of overall gross profit margin. In this regard, the Group proactively promoted supply chain integration and constantly adopted measures such as lean production and technology upgrade to continuously improve production efficiency and production yield, so as to partially offset the decrease in overall gross profit margin. In particular, the gross profit margin of the battery-housing products has recorded a significant improvement.

Investment Income

During the Review Year, investment income of the Group was approximately RMB286,410,000, representing an increase of approximately RMB1,411,000 from approximately RMB284,999,000 in 2021. It was mainly due to an increase in the interest income of the Group.

Other Income

During the Review Year, the other income of the Group amounted to approximately RMB315,084,000, representing an increase of approximately RMB90,070,000 from approximately RMB225,014,000 in 2021. It was mainly attributable to an increase in government grants related to income and profits from material sales.

Other Gains and Losses

During the Review Year, the Group's other gains and losses amounted to a net gain of approximately RMB6,278,000, representing a decrease of approximately RMB411,909,000 as compared to a net gain of approximately RMB418,187,000 in 2021. It was mainly attributable to the gains on disposal of subsidiaries and receipt of relocation payment for land and buildings, etc. by the Group in 2021 but no such gains during the Review Year.

Distribution and Selling Expenses

During the Review Year, the Group's distribution and selling expenses were approximately RMB868,369,000, representing an increase of approximately RMB123,938,000 from approximately RMB744,431,000 in 2021. It accounted for approximately 5.0% of the Group's revenue, representing a decrease of approximately 0.3% from approximately 5.3% in 2021. It was mainly attributable to the Group's increase in revenue as well as the strict control on distribution and selling expenses, resulting in a decrease in their percentage to the revenue during the Review Year.

Administrative Expenses

During the Review Year, the administrative expenses of the Group amounted to approximately RMB1,291,938,000, representing an increase of approximately RMB54,545,000 from approximately RMB1,237,393,000 in 2021. It accounted for approximately 7.5% of the Group's revenue, representing a decrease of approximately 1.4% from approximately 8.9% in 2021. This was mainly due to the Group's increase in revenue as well as the strict control on relevant expenses such as labour costs and the decrease in option expenses, resulting in a decrease in the administrative expenses as a percentage to the revenue during the Review Year.

Research Expenditure

During the Review Year, the research expenditure of the Group amounted to approximately RMB1,172,394,000, representing an increase of approximately RMB231,694,000 from approximately RMB940,700,000 in 2021. It accounted for approximately 6.8% of the Group's revenue, which was maintained at the same level as compared to 2021. It was mainly because the Group prospectively continued to step up effort in the R&D of innovative products including battery-housing, body and chassis components and intelligent exterior decorative parts during the Review Year due to the increasing customisation demands of OEM customers and consumers with the continuous promotion of the four disruptive trends in the automotive industry, while introducing senior R&D talents and strengthening technological breakthrough with a view to promoting long-term sustainable growth of the Group's performance with innovative R&D.

Share of Results of Joint Ventures

During the Review Year, the Group's share of results of joint ventures was a net profit of approximately RMB30,573,000, representing an increase of approximately RMB11,369,000 from a net profit of approximately RMB19,204,000 in 2021, which was mainly attributable to the improvement in the profitability of one of the joint ventures, Hella Minth (Jiaxing) Automotive Parts Co., Ltd., during the Review Year.

Share of Results of Associates

During the Review Year, the Group's share of results of associates was a net loss of approximately RMB20,097,000, representing a decrease of approximately RMB23,101,000 from a net profit of approximately RMB3,004,000 in 2021, which was mainly due to the increase in loss of one of the associates during the Review Year.

Income Tax Expense

During the Review Year, the Group's income tax expense was approximately RMB248,708,000, representing a decrease of approximately RMB17,656,000 from approximately RMB266,364,000 in 2021.

During the Review Year, the effective tax rate was approximately 14.0%, representing a decrease of approximately 0.4% from approximately 14.4% in 2021.

Profits Attributable to Non-controlling Interests

During the Review Year, the Group's profits attributable to non-controlling interests were approximately RMB29,777,000, representing a decrease of approximately RMB53,164,000 from approximately RMB82,941,000 in 2021. It was mainly attributable to the decrease in net profit of non-wholly owned subsidiaries during the Review Year as compared to 2021.

Liquidity and Financial Resources

As of 31 December 2022, the Group's total amount of bank balances and cash and pledged bank deposits was approximately RMB5,275,654,000, representing a decrease of approximately RMB1,261,915,000 from approximately RMB6,537,569,000 as of 31 December 2021. As of 31 December 2022, the Group's low-cost borrowings in aggregate amounted to approximately RMB8,198,196,000, among which the equivalent of approximately RMB3,751,478,000, approximately RMB2,376,023,000, approximately RMB1,606,032,000, approximately RMB238,187,000, approximately RMB164,543,000, approximately RMB55,233,000, approximately RMB6,700,000 were denominated in Euro

("EUR"), RMB, US Dollar ("USD"), New Taiwan Dollar, Thai Baht, Great Britain Pound, Hong Kong Dollar ("HKD") respectively, representing an increase of approximately RMB1,054,606,000 as compared to approximately RMB7,143,590,000 as of 31 December 2021. It was mainly attributable to borrowings made by the Group considering the consolidated gains from exchange rates, interest rates and capital management.

During the Review Year, the net cash flow from the Group's operating activities was approximately RMB1,855,430,000, representing an increase of approximately RMB533,630,000 from approximately RMB1,321,800,000 in 2021, indicating a sound cash flow condition.

During the Review Year, the Group's trade receivables turnover days were approximately 76 days, which were approximately 4 days shorter than approximately 80 days in 2021. This was mainly due to the increase in the proportion of revenue from the Group's overseas customers who had shorter collection cycles during the Review Year, coupled with the Group's strengthening of collection control during the Review Year, the combining effects of which resulted in shortening of the Group's trade receivables turnover days.

During the Review Year, the Group's trade payables turnover days were approximately 78 days, decreased by approximately 3 days from approximately 81 days in 2021, which was mainly attributable to the increase in battery-housing business which had a shorter payment cycle during the Review Year, resulting in a decrease in the Group's trade payables turnover days.

During the Review Year, the Group's inventory turnover days were approximately 96 days, decreased by approximately 3 days from approximately 99 days in 2021, which was mainly attributable to a decrease in inventory days during the Review Year compared to 2021 as the Group had strengthened its inventory control while steadily advancing project development.

The Group's current ratio was approximately 1.2 as of 31 December 2022, which decreased by approximately 0.4 from approximately 1.6 as of 31 December 2021. As of 31 December 2022, the Group's gearing ratio was approximately 27.5% (31 December 2021: approximately 27.4%), which was a percentage based on interest-bearing borrowings divided by total assets.

Note: The calculation methods for the above indicators are the same as those previously set out in the Company's prospectus dated 22 November 2005.

The Group's capital demands had no particular seasonality features.

The Group believed that during the Review Year, the favourable performance in sales, production and R&D activities, as well as the sound cash reserves provided strong support for sustainable growth in the future.

COMMITMENTS

As at 31 December 2022, the Group had the following commitments:

	RMB'000
Capital commitment	
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:	
Acquisition of property, plant and equipment	576,165

INTEREST RATE AND FOREIGN EXCHANGE RISKS

As at 31 December 2022, the balance of the Group's bank borrowings was approximately RMB8,198,196,000, of which approximately RMB2,621,174,000 was bearing at fixed interest rates, and approximately RMB5,577,022,000 was bearing at floating interest rates. The aforesaid borrowings had no seasonality features. In addition, approximately RMB5,052,897,000 of the borrowings was denominated in currencies other than the functional currencies of the Group's related entities, of which the equivalents of approximately RMB3,751,478,000, approximately RMB1,294,719,000 and approximately RMB6,700,000 were denominated in EUR, USD and HKD respectively.

The Group's cash and cash equivalents are mainly denominated in RMB and USD. Remittance of funds out of the PRC is subject to the foreign exchange control restrictions imposed by the Chinese government.

As at 31 December 2022, the Group's cash and cash equivalents denominated in currencies other than the functional currencies amounted to approximately RMB413,410,000, of which approximately RMB184,657,000 was denominated in USD, approximately RMB178,016,000 was denominated in EUR, approximately RMB31,715,000 was denominated in Japanese Yen, approximately RMB13,086,000 was denominated in Mexico Peso, approximately RMB5,887,000 was denominated in HKD, and the remainder of approximately RMB49,000 was denominated in other foreign currencies.

As a result of the constant expansion of overseas sales and the drastic fluctuations in the currency market, the management of the Group is highly concerned about the foreign exchange risks, and would take the exchange rate expectations of relevant currencies into full consideration when deciding the billing currencies for relevant businesses. The Group controls and mitigates foreign exchange risks by closely monitoring the size of its assets and liabilities denominated in foreign currencies in day-to-day operations and by selecting local currencies as settlement currencies appropriately according to the Group's overseas strategic deployment to reduce the size of businesses denominated in foreign currencies. Meanwhile, the Group also uses forward exchange contracts, currency swaps, options, interest rate swaps and other financial derivative products to further prevent interest rate risks and foreign exchange risks.

CONTINGENT LIABILITIES

As of 31 December 2022, the Group had no contingent liabilities (31 December 2021: Nil).

MORTGAGED ASSETS

As of 31 December 2022, the Group had borrowings of approximately RMB798,971,000 and issued bills payables of approximately RMB290,403,000 due within 6 months, which were pledged by bills receivables with par value of approximately RMB192,478,000 and bank deposits of RMB900,000,000. The borrowings are to be settled in RMB (31 December 2021: the Group had borrowings of RMB322,481,000 and issued bills payables of approximately RMB207,954,000 due within 6 months, which were pledged by bills receivables with par value of approximately RMB114,389,000 and bank deposits of RMB904,000,000. The borrowings are to be settled in RMB).

CAPITAL EXPENDITURE

Capital expenditure includes the acquisition of property, plant and equipment, the increase in construction in progress and the addition of land use rights. During the Review Year, the Group's capital expenditure amounted to approximately RMB3,414,270,000 (2021: approximately RMB3,159,650,000), which was attributable to the Group's further expansion of its R&D on innovative products and relevant technologies such as battery-housing, body and chassis components and intelligent exterior decorative parts, together with its product capacity layout in overseas markets during the Review Year. At the same time, the Group continued to exercise prudent control over capital expenditure in line with its asset-light strategy and exercised stringent control over the investments in fixed assets for its traditional product lines.

PLACING AND SUBSCRIPTION

The Group had no placing and subscription of shares during the Review Year.

MATERIAL ACQUISITIONS AND DISPOSALS

The Group had no material acquisition or disposal of subsidiaries, joint ventures and associates during the Review Year.

EMPLOYEES

As of 31 December 2022, the Group had a total of 21,331 employees, up by 1,573 employees when compared to that as of 30 June 2022. The increase was mainly attributable to the continued development of NEV markets around the globe, the Group's continued efforts to strengthen its innovative R&D team, the gradual mass production and ramping-up of new projects in the Group's overseas factories as well as the steady and progressive implementation of the Group's overseas layout during the Review Year.

During the Review Year, guided by the culture of "love — demanding and caring", the Group continued to focus on enhancing all staff members' understanding of the concept of overall wellness, and strived to thoroughly practice overall wellness from the perspectives of employees and their families (including spouses, children and parents), which included the followings: (1) the Group continued to conduct "Overall Wellness Workshops" in China with a participation of over 1,500 person-times; it also launched the overall wellness activity "Love Tour Plan" for the first time in overseas regions to help overseas employees improve their understanding and practice of overall wellness; at the same time, the Group also conducted one-on-one care activity for employees in its global operations to inspire their self-awareness and growth, with around 2,000 employees participated and benefiting; (2) the Group continued to promote the practice and enhancement of family happiness of its employees, and organised several rounds of "Family Drawing Room" and "Couple's Relationship Camp" sessions, for around 1,000 employees and their spouses. Of which, the "Family Drawing Room" session has covered several operating regions of the Group, including China, North America, Thailand, Serbia and Japan; (3) the Group has continuously enhanced the family happiness of its employees, and has launched a number of projects for employees' children and their parents. More than 1,000 employees' children have participated in different forms of babysitting and childcare projects such as "Youth Summer Camp", "Childcare during Winter and Summer Vacation" and "Nursery Garden". The Group has also launched a series of senior caring projects which provide employees' parents with a platform for knowledge learning, companionship, and ability and happiness enhancement; and (4) with the continuous development of international business, the Group has launched all-round care for dispatched employees, including family care and children education support, employee career development planning, cross-cultural counseling and ability enhancement, etc. Looking ahead to 2023, amidst the global cross-cultural environment, the Group will continue to deepen the promotion of global cultural integration and enhance the potentials of employees worldwide, striving to pursue excellence of global teams and organisations.

Facing a double whammy of global geopolitical situation and the COVID-19 pandemic, the Group has adapted to the changes in the global business environment and industry development. During the Review Year, the Group promoted and implemented reform projects to enhance organisational efficiency within its BUs, finished the construction of the Shared Service Centre in its European operations, and comprehensively deepened the Group's global governance positioning and functions of each function of the headquarters and optimised the global matrix management model, strengthening its global business operation and management capabilities. Meanwhile, the Group has established a process monitoring organization and the Sustainability Committee under the Board with corresponding task forces, strengthening the construction of process-oriented organisation, while continuing to fulfill the Group's commitment in sustainability. The Group further promoted differentiated incentive initiatives for various units and groups to stimulate the effectiveness of units and employees and achieved good results. Looking ahead to 2023, with an aim to fully achieve its strategic goals, the Group will work both internally and externally to enhance organisational agility and the effectiveness of global process-oriented organisation, explore and put into practice innovative organisational models, further enhance the capabilities of regional shared organisations, and continue to blaze the path for the Group's organisational transformation, in order to empower the sustainable development of its global operations.

On the front of talent development, with the progression of the Group's global layout and digital transformation, as well as the continuous R&D and innovation of its products, technologies and processes, the Group focused on the iteration and development of a future, globalization and innovation-oriented talent development system, as well as the continuous upgrading of organisational competence, in order to support the implementation of its business strategies and maintain the sustainable momentum of its operations. During the Review Year, the Group expedited the development of its talent development system and organisational competence, including: (1) revolutionarily iterated the Group's talent development assessment system in terms of its definition, structure and operational mechanism, and established the qualifications of nearly 600 job titles, with new ideas, methodology and system of talent development to facilitate and guide the full cycle of employee capability development and value contribution; (2) optimised the Group's international talent profile based on its overseas operations in coordination with its talent recruitment function to realise the in-depth integration of international talent selection and cultivation, to select the key potential international talents both internally and externally, and to expedite the development of the Group's international talent pool with international talent training and international talent certification, so as to consolidate and strengthen the Group's international talent supply chain; (3) continued to conduct talent development programmes for managers across the Group, helping over 300 core managers to enhance their overall leadership and laying down a solid foundation for improving the capabilities of middle and junior level teams; and (4) elevated the value of employees' team competencies from basic, repetitive tasks to high-value business development and operational changes, which is expected to help achieve an all-round efficiency revolution and achieve a leap in the value of human resources. The Group focused on digital competency training and organised digital skills certification and innovation competitions to create an atmosphere of digital development for all staff, and was committed to upgrading the work of every employee in the Group into a potential engine of change. Looking ahead to 2023, the Group will further deepen its global talent management, upgrade its comprehensive operational talent development model and iterate on its global talent development model, so as to strengthen its strategic talent development and promote talent mobility and sharing to continue to contribute to the achievement of its operational excellence.

SHARE OPTION SCHEME

The Company adopted a conditional share option scheme (the "2012 Share Option Scheme") on 22 May 2012. The 2012 Share Option Scheme aims at granting share options (the "Share Options") to qualified persons who have contributed or will contribute to the Group as a reward or incentive in accordance with the terms of the 2012 Share Option Scheme. The 2012 Share Option Scheme was terminated on 22 May 2022. On the date of the 2022 annual general meeting of the Company, i.e. 31 May 2022, the Company adopted a new share option scheme (the "2022 Share Option Scheme") for a term of 10 years with salient terms similar to those of the 2012 Share Option Scheme (collectively the "Share Option Schemes").

SHARE AWARD SCHEME

On 28 July 2020, the Company adopted a share award scheme (the "Share Award Scheme") to allow share awards at the absolute discretion of the Board. The purposes of the Share Award Scheme are to recognise the contributions by certain eligible participants and to provide them with incentives in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group. Selected participants pursuant to the terms of the Share Award Scheme will be notified the number of shares awarded to them. For details of the said Share Award Scheme, please refer to the announcement of the Company dated 28 July 2020.

FUTURE PROSPECTS AND STRATEGIES

During the Review Year, particularly in the first half of the year, the prolonged COVID-19 pandemic and the disruption to supply chain had significantly dampened the production and sales of automobiles in China. Starting from June, stimulated by such favourable factors as purchase tax incentives and OEM promotions, automobile sales have recovered rapidly and achieved a favorable growth. Although the growth of end-consumer market was sluggish in the fourth quarter of the year under the impacts of COVID-19, the Chinese automobile market achieved relatively stable and positive growth throughout the year, in particular, the sales of NEVs nearly doubled over the previous year and reached a penetration rate of 25.6%, outperforming other countries and regions around the world. During the Review Year, there was a broad spectrum of Chinese automobile brands which have successively launched their new generation of platform vehicles, witnessing remarkable growth in market penetration rate for their electrified, intelligent and high-end automobiles with a dominant leading position in the NEV market in China. Looking ahead to 2023, against the backdrop of boosting domestic demand in the post-pandemic era, ensuring automobile consumption may become the top priority of China. In addition, the penetration rate of NEVs is expected to rise rapidly given the needs of transformation throughout the automobile industry. According to the forecast of China Association of Automobile Manufacturers, the sales of passenger vehicles in China in 2023 are expected to be around 23.8 million units, representing a year-on-year growth of around 1.0%, among which the sales of NEVs is expected to be around 9.0 million units, with a penetration rate of around 38%.

During the Review Year, the global automobile market was in a slump due to the slowdown in global economic growth, the auto production disruption around the world and the reduced demand for automobile consumption arising from the continued pandemic and the Russia-Ukraine war. Worse still, Europe is beset with energy crisis, and various places in the world are confronted with inflation, supply chain disruption and other problems due to the above circumstances. However, following the easing of the global pandemic, the alleviation of energy crisis and the economic control measures starting to take effect, the automobile supply chain saw a gradual restoration and the industry demand is poised for a recovery. According to S&P Global Mobility's forecast, the sales of the global light vehicle market are expected to reach approximately 83.54 million units in 2023, representing a year-on-year increase of approximately 6.1%.

Under the backdrop of tightening policies on carbon emissions, automakers have speeded up their electrification transformation and promoted the product upgrade in electrification and intelligence. During the process of such upgrade, the competition among OEMs may be fiercer than ever. The Group's innovative R&D team, sales team and operational improvement team of each BU have formed a cross-functional team to actively explore the development directions of vehicle models, products and technology, with an aim to become best-positioned for the Group's future business development. Autonomous driving, internet connectivity of vehicles and AI technologies are leading profound structural changes in the automotive industry chain, with consumer's growing demands for customised and intelligent experiences from vehicles. It is expected that automakers and system integration suppliers will be entering closer and more interdependent partnership.

The Group will actively address the challenges brought by the changes in global political and economic situations and closely monitor the changes in the macro-environment of the industry to seize any opportunities arising from the full lifting of COVID-19 restrictions as well as any development opportunities in the global automobile industry, while devising a strategic layout in tandem with global policies on NEV related industries and the automobile industry's trends of light-weight, intelligence and electrification. The Group will continue to refine its R&D capabilities and production technique of, and hence enhance its global competitiveness in, traditional products. In the meantime, the Group will continue to delve into the field of innovation and strive to master world-class production and manufacturing technologies through independent innovation and cooperative R&D, achieving continuous product innovation and building world-leading competence to meet the challenges and opportunities brought by the tremendous changes in the automobile industry.

In terms of operational improvement and transformation, the Group will further optimise the strategic planning of all BUs and continue to enhance its operational capabilities, especially those of its overseas factories, and select model factories in different regions for management replication and cost benchmarking, effectively improving its profitability through the establishment of comprehensive competitive strengths in technology, cost, personnel efficiency and resource utilisation. In the meantime, the Group will continue to improve the global layout of its BUs, enhance its local supply capability and maximise the global replication or sharing of different factories' advantages in technologies, management, cost, resources and talent, thereby enhancing the Group's global competitiveness.

The Group will continue to carry out the replacement and upgrade of its global application system through digital transformation, where a standardised data system with Minth characteristics will be developed to integrate the business process and structure for research, production, supply, sales and services, thereby establishing a global operation and management platform to transform the Group's management from experience-based to information-based decision making, which in turn will support its globally-standardised operation and enduring operation excellence. The Group will also strive to track carbon footprint throughout its products' life cycle by in-depth application of next-generation digital technologies, in a bid to achieve carbon peaking and neutrality in its corporate ecology. The Group is also committed to, through digital transformation, building human-orientated factories characterised with high efficiency, energy conservation, eco-friendliness, operational safety and comfort, as well as establishing technical platforms with highly digitalised functions.

The Group will strive to balance and optimise its investment portfolio and value chain layout in the global market and strike excellence in operation ability, in order to better manage risks and respond to uncertainties of the macro-environment and achieve value positioning in a more flexible manner. In addition to its focus on the development potentials of Chinese market, where it swiftly responded to the changes throughout the development process of the market, the Group also has been vigorously developing new markets on a global basis, while ensuring that it has a relatively independent operating space and achieving mass production in each of its major market regions, thereby realising a dual-presence in global and regional markets, to protect the Group's stable development and reduce potential risks arising from changes in the external environment and geopolitical factors. The Group will enhance cooperation with regional governments to develop in harmony with the communities and actively fulfil its corporate social responsibility. In an era of both opportunities and challenges, the Group will adhere to aggressive but steadfast development strategies and offer more system integration solutions and customised products and services to its clients by upgrading and renovating its traditional products while developing new products. At the same time, with Factory of the Future as the starting point, the Group will comprehensively promote the planning and implementation of its digital transformation, rapidly enhancing its digital capability to strive for the leading position in the global auto parts industry.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

During the Review Year, the grantees of the Company's Share Option Schemes exercised 435,300 Share Options in accordance with the rules and terms of the 2012 Share Option Scheme and 3,602,500 Share Options lapsed as a result of resignations of grantees.

During the Review Year, the trustee of the Share Award Scheme has purchased a total of 3,000,000 shares of the Company on the Stock Exchange with a consideration of approximately HK$57,944,000 pursuant to the rules of the Share Award Scheme and the terms of the trust deed.

Save as disclosed above, there was no purchase, sale or redemption by the Company or any of its subsidiaries of any listed securities of the Company during the Review Year.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE AND THE MODEL CODE

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code (the "Corporate Governance Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). Save as disclosed below, none of the Directors is aware of any information that would reasonably indicate that the Company did not, at any time during the Review Year, comply with the Corporate Governance Code.

As provided for in the code provision A.6.7, independent non-executive Directors and other non-executive Directors should attend the annual general meeting and develop a balanced understanding of the views of shareholders. Dr. Wang Ching, Mr. Wu Tak Lung and Professor Chen Quan Shi, being the independent non-executive Directors, attended the 2022 annual general meeting of the Company through video conference.

As provided in the code provision C.2.1, the roles of the chairman and the chief executive should be separate and should not be performed by the same individual. As announced on 13 June 2022, the Company has been in search for a new chief executive officer ("CEO") following the resignation of the then CEO and, in the meantime, Ms. Wei Ching Lien (the executive Director and the chairperson of the Board) assumed the role of (and remained as at the date of this announcement) CEO. Taking into account Ms. Wei's in-depth understanding of the Group's business and that major decisions are made in consultation with members of the Board and relevant Board committees, the Board considers that the deviation from code provision C.2.1 is appropriate in such circumstances and allows for more effective planning and execution of long-term business strategies and enhances efficiency in decision-making during the interim period prior to the next appointment of CEO.

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 and the code for dealing in the Company's securities by all Directors. Having made specific enquiries to all Directors, the Directors confirmed that they had strictly complied with the standards stipulated under the Model Code during the Review Year.

Notwithstanding the above, the Board is of the view that the Group has an effective management structure for its operations and sufficient checks and balances are in place. The Board will continue to review its corporate governance practices in order to enhance its corporate governance standard and to comply with regulatory requirements.

MATERIAL LITIGATION AND ARBITRATION

The Group was not engaged in any litigation or arbitration of material importance during the Review Year and up to the date of this announcement.

REVIEWED BY THE AUDIT COMMITTEE

The Company has established an Audit Committee to review and oversee the financial reporting procedures, internal control system and risk management activities of the Group. The Group's annual results for the year ended 31 December 2022 have been reviewed by the Audit Committee and approved by the Board for publication.

PROPOSED FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK$0.578 per share to shareholders whose names appear on the register of members of the Company on Thursday, 8 June 2023 and the proposed final dividend will be paid on or about Tuesday, 27 June 2023. The payment of dividends shall be subject to the approval of the shareholders at the forthcoming annual general meeting, which is expected to be held on Wednesday, 31 May 2023.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU ON THIS ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in this preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the audited consolidated financial statements of the Group for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this preliminary announcement.

CLOSURE OF REGISTER OF MEMBERS

Shareholders whose names appear on the Company's register of members on Thursday, 25 May 2023, will be eligible to attend and vote at the annual general meeting. The Company's transfer books and register of members will be closed from Thursday, 25 May 2023 to Wednesday, 31 May 2023 (both days inclusive) during which no transfer of shares will be registered. In order to attend and vote at the annual general meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on Wednesday, 24 May 2023.

Shareholders whose names appear on the Company's register of members on Thursday, 8 June 2023, will qualify for the proposed final dividend. The Company's transfer books and register of members will be closed from Tuesday, 6 June 2023 to Thursday, 8 June 2023 (both days inclusive) for the purpose of ascertaining shareholders' entitlement to the final dividend. In order to qualify for the final dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on Monday, 5 June 2023. The proposed final dividend (the payment of which is subject to the shareholders' approval at the forthcoming annual general meeting) will be payable on or about Tuesday, 27 June 2023 to shareholders whose names appear on the register of members of the Company on Thursday, 8 June 2023. The shares of the Company will trade ex-dividend on Friday, 2 June 2023.

APPRECIATION

The Board would like to take this opportunity to express its sincere appreciation to the shareholders, the management and all staff members for their unfailing support and dedication.

By Order of the Board
Minth Group Limited
Wei Ching Lien
Chairperson

Hong Kong, 21 March 2023

As at the date of this announcement, the Board of the Company comprises Ms. Wei Ching Lien, Ms. Chin Chien Ya and Mr. Ye Guo Qiang, being executive Directors; and Dr. Wang Ching, Mr. Wu Tak Lung and Professor Chen Quan Shi being independent non-executive Directors.