# MINTH飲實集團

# MINTH GROUP LIMITED

# 敏實集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 425)

# ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2006

# **HIGHLIGHTS**

- Sales for the six months ended 30 June 2006 amounted to RMB449,321,000, an increase of 47.0% when compared with the corresponding period of 2005.
- Profit attributable to equity holders of the Company for the six months ended 30 June 2006 amounted to RMB126,490,000, an increase of 24.8% when compared with the corresponding period of 2005.
- Gross profit margin for the six months ended 30 June 2006 was 39.6%, a decrease of 1.1% when compared with the corresponding period of 2005.
- Earnings per share for the six months ended 30 June 2006 amounted to RMB0.152.

# INTERIM RESULTS

The board of directors (the "Directors") of Minth Group Limited (the "Company") is pleased to announce the unaudited interim result of the company and its subsidiaries (the "Group") for the six months ended 30 June 2006 (the "Review Period"), together with the comparative amounts for the corresponding period of 2005. The interim results and condensed interim financial statements have not been audited but have been reviewed by the Company's audit committee.

# CONDENSED CONSOLIDATED INCOME STATEMENTS

|  |        |   | Six months ended 30 June<br>2006 2005    |  |
|--|--------|---|--|--|
|  | NOTES  | (Unaudited) RMB'000                       | (Audited)<br>RMB'000                     |  |
| Turnover<br>Cost of goods sold   | 2      | 449,321<br>(271,359)                      | 305,709<br>(181,224)                     |  |
| Gross profit Other income Distribution and selling expenses Administrative expenses  |        | 177,962<br>12,052<br>(12,628)<br>(43,626) | 124,485<br>15,034<br>(4,234)<br>(26,935) |  |
| Profit from operations Interest on bank borrowings wholly repayable within five years Share of profit of associates Share of loss of jointly controlled entities |        | 133,760<br>(1,679)<br>7,521<br>(967)      | 108,350<br>(2,922)<br>4,202              |  |
| Profit before taxation<br>Taxation   | 3<br>4 | 138,635<br>(7,519)                        | 109,630<br>(7,751)                       |  |
| Profit for the period  |        | 131,116                                   | 101,879                                  |  |
| Attributable to:  Equity holders of the Company Minority interests   |        | 126,490<br>4,626                          | 101,341<br>538                           |  |
| Dividends  | 5      | 28,212                                    | 114,915                                  |  |
| Distribution   |        |   | 40,303                                   |  |
| Earnings per share – basic   | 6      | RMB0.152                                  | RMB0.169                                 |  |

# CONDENSED CONSOLIDATED BALANCE SHEETS

| CONDENSED CONSOLIDATED BALANCE SHEETS   |        |                    |                     |
|---|--------|--------------------|---------------------|
|   |        | At 30 June 2006    | At 31 December 2005 |
|   |        | (Unaudited)        | (Audited)           |
|   | NOTES  | RMB'000            | RMB'000             |
| Non-current assets  |        |                    |                     |
| Property, plant and equipment   |        | 528,909            | 459,318             |
| Lease premium for land  |        | 52,340<br>10,912   | 47,365<br>11,186    |
| Intangible assets<br>Goodwill   |        | 10,912             | 11,180              |
| Investment in jointly controlled entities                                       |        | 11,030             | 8,071               |
| Interest in associates  |        | 29,876             | 31,233              |
|   |        | 643,702            | 557,173             |
| Current assets  |        |                    |                     |
| Lease premium for land  | 7      | 1,256              | 1,096               |
| Inventories Trade and other receivables and propayments                         | 7<br>8 | 187,897<br>264,971 | 175,940             |
| Trade and other receivables and prepayments  Amounts due from related companies | o      | 10,316             | 199,531             |
| Pledged bank deposits   |        | 1,854              | 7,856               |
| Bank balances and cash  |        | 282,318            | 465,540             |
|   |        | 748,612            | 849,963             |
| Current liabilities   |        |                    |                     |
| Trade and other payables  | 9      | 174,494            | 203,134             |
| Taxation payable  |        | 4,577              | 956                 |
| Short-term bank loans   |        | 131,214            | 114,695             |
|   |        | 310,285            | 318,785             |
| Net current assets  |        | 438,327            | 531,178             |
| Total assets less current liabilities   |        | 1,082,029          | 1,088,351           |
| Non-current liabilities Long-term bank loans                                    |        | _                  | 115,557             |
| Net assets  |        | 1,082,029          | 972,794             |
| Capital and reserves  |        |                    |                     |
| Share capital   |        | 86,345             | 86,345              |
| Reserves  |        | 955,624            | 861,280             |
| Equity attributable to equity holders of the Company                            |        | 1,041,969          | 947,625             |
| Minority interests  |        | 40,060             | 25,169              |
| Total equity  |        | 1,082,029          | 972,794             |
| NOTES   |        |                    |                     |

NOTES

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND ACCOUNTING POLICIES

The condensed interim financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies adopted are consistent with those set out in the annual financial statement for the year ended 31 December 2005.

## 2. SEGMENT INFORMATION

Turnover analysis by product category

|                       | Six months ended<br>30 June 2006 |      | Six months ended<br>30 June 2005 |      |
|-----------------------|----------------------------------|------|----------------------------------|------|
| Product category      | RMB'000                          | %    | RMB'000                          | %    |
| Trims                 | 98,596                           | 21.9 | 69,101                           | 22.6 |
| Decorative parts      | 111,596                          | 24.8 | 63,243                           | 20.7 |
| Body structural parts | 182,496                          | 40.6 | 121,519                          | 39.7 |
| Others                | 56,757                           | 12.7 | 51,933                           | 17.0 |
| Total                 | 449,445                          | 100  | 305,796                          | 100  |
| Less: Sales tax       | (124)                            |      | (87)                             |      |
| Total turnover        | 449,321                          |      | 305,709                          |      |

According to different customer source areas/head office income is divided as follows:

|    |   | Six months e<br>30 June 20                      |                                   | Six months<br>30 June 2                         |                                     |
|----|---|---|-----------------------------------|---|-------------------------------------|
|    | Product category  | RMB'000   | %                                 | RMB'000   | %                                   |
|    | Japanese automakers EU automakers US automakers Chinese automakers Others   | 296,763<br>67,643<br>40,728<br>23,231<br>21,080 | 66.0<br>15.1<br>9.1<br>5.2<br>4.6 | 206,929<br>16,033<br>23,621<br>34,268<br>24,945 | 67.7<br>5.2<br>7.7<br>11.2<br>8.2   |
|    | Total   | 449,445   | 100                               | 305,796   | 100                                 |
|    | Less: Sales tax   | (124)   |                                   | (87)  |                                     |
|    | Total turnover  | 449,321   |                                   | 305,709   |                                     |
| 3. | PROFIT BEFORE TAXATION  |   |                                   |   |                                     |
|    |   |   |                                   | Six months end<br>2006                          | ed 30 June<br>2005                  |
|    |   |   |                                   | RMB'000   | RMB'000                             |
|    | Profit before taxation has been arrived at after charging: Total staff costs Depreciation of property, plant and equipment Amortization of intangible assets Research and development costs |   |                                   | 45,110<br>18,084<br>1,638<br>13,932             | 30,786<br>17,172<br>1,005<br>13,127 |
| 4. | TAXATION  |   |                                   |   |                                     |
|    |   | 2006  | Six months end                    | ed 30 June                                      | 2005                                |
|    |   | RMB'000   | %                                 | RMB'000   | 2003                                |
|    | Profit before taxation  | 138,635   |                                   | 109,630   |                                     |
|    | Tax at the applicable income tax rate Tax effect of expenses not deductible   | (20,795)  | (15.0)                            | (16,445)  | (15.0)                              |
|    | For tax purposes  | (472)   | (0.3)                             | (426)   | (0.4)                               |
|    | Effect of tax holidays  | 14,768  | 10.7                              | 9,906   | 9.0                                 |
|    | Tax effect of different tax rates of subsidiaries<br>Others   | (689)<br>(331)                                  | (0.5)<br>(0.3)                    | (86)<br>(700)                                   | (0.1) $(0.6)$                       |
|    | Tax charge and effective tax rate   |   |                                   |   |                                     |
|    | For the period  | (7,519)   | (5.4)                             | (7,751)   | (7.1)                               |

The applicable income tax rate of 15% is the domestic rate in the respective regions where the operations of the Group is substantially based.

# 5. DIVIDENDS

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|   | Six months ended 30 June |         |
|---|--------------------------|---------|
|   | 2006                     | 2005    |
|   | RMB'000                  | RMB'000 |
| Name of companies   |                          |         |
| The Company   | 28,212                   | _       |
| Chongqing Changtai Automobile Spare Parts Co., Ltd.             | _                        | 5,406   |
| Guangzhou Minhui Automobile Parts Co., Ltd.                     | _                        | 54,377  |
| Relevant Business of Ningbo Guoya (as defined in the prospectus |                          |         |
| of the Company dated 22 November 2005)                          | _                        | 23,097  |
| Ningbo Shin Tai Machines Co., Ltd.                              |                          | 50,510  |
|   | 28,212                   | 133,390 |
| Less: Dividends to minority owners of subsidiaries              | <u> </u>                 | 18,475  |
|   | 28,212                   | 114,915 |

Dividend of the Company for the year 2005 were declared in the first half of this year. Other dividends represented the dividends of the subsidiaries declared for prior years' distributable profit to their owners before the reorganisation of the Group in preparation of the listing.

# 6. EARNINGS PER SHARE

The calculation of the basic per share attributable to the equity holders of the Company is based on the following data:

|   | Six months ended 30 June |              |
|---|--------------------------|--------------|
|   | 2006                     | 2005         |
|   | RMB'000                  | RMB'000      |
| Earnings for the purpose of basic earnings per share (profit for the period attributable to |                          |              |
| equity holders of the Company)  | 126,490                  | 101,341      |
|   | Number of ord            | inary shares |
|   | Six months en            | ded 30 June  |
|   | 2006                     | 2005         |
| Weighted average number of ordinary shares for the purposes of basic earnings per share     | 830,000,000              | 600,000,000  |

No diluted earnings per share have been presented for both periods as there were no dilutive potential ordinary shares in both periods.

# 7. INVENTORIES

|    |  | At 30 June<br>2006 | At 31 December 2005 |
|----|--|--------------------|---------------------|
|    |  | RMB'000            | RMB'000             |
| ]  | Raw materials                            | 52,896             | 49,306              |
| ,  | Work in progress                         | 41,012             | 48,826              |
| ]  | Finished goods                           | 29,227             | 23,233              |
| ]  | Moulds                                   | 64,762             | 54,575              |
|    |  | 187,897            | 175,940             |
| 8. | TRADE AND OTHER RECEIVABLES              |                    |                     |
|    |  | At 30 June         | At 31 December      |
|    |  | 2006               | 2005                |
|    |  | RMB'000            | RMB'000             |
| ,  | Trade receivables                        | 187,600            | 150,306             |
| ]  | Bills receivables                        | 27,512             | 22,468              |
|    |  | 215,112            | 172,774             |
| ]  | Prepayment for purchase of raw materials | 20,224             | 19,499              |
|    | Other receivables                        | 29,635             | 7,258               |
|    |  | 264,971            | 199,531             |

Payment terms with customers are mainly on credit. Invoices are normally payable from 60 days to 90 days from the time when the goods are verified and accepted by customers. The following is an aged analysis of trade receivables and bills receivables at the balance sheet date:

|   | At 30 June<br>2006            | At 31 December<br>2005         |
|---|-------------------------------|--------------------------------|
|   | RMB'000                       | RMB'000                        |
| Age   |                               |                                |
| 0 - 90  days  | 203,258                       | 167,228                        |
| 91 – 180 days   | 10,569                        | 2,138                          |
| Over 181 days   | 8,796                         | 10,961                         |
|   | 222,623                       | 180,327                        |
| Allowance for bad and doubtful debts                                  | (7,511)                       | (7,553)                        |
|   | 215,112                       | 172,774                        |
| 9. TRADE AND OTHER PAYABLES   |                               |                                |
|   | At 30 June<br>2006<br>RMB'000 | At 31 December 2005<br>RMB'000 |
| Trade payables  | 107,654                       | 81,642                         |
| Bills payables  | 11,720                        | 31,147                         |
|   | 119,374                       | 112,789                        |
| Payroll and welfare payables  | 14,761                        | 14,569                         |
| Consideration payable of acquisition of property, plant and equipment | 18,586                        | 40,390                         |
| Other payables  | 21,773                        | 35,386                         |
|   | 174,494                       | 203,134                        |

# DIVIDEND POLICY

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2006.

# MANAGEMENT REVIEW

During the Review Period, the Group's turnover was approximately RMB449,321,000, representing an increase of approximately 47.0% and 20.5% as compared to the first and second halves of 2005 respectively. Profit attributable to shareholders was about RMB126,490,000, representing an increase of approximately 24.8% and 35.0% from the first and second halves of 2005 respectively.

In addition to continuing the consolidation and development of the trim business, the Group has also focused on high value-added decorative parts and body structural parts for passenger cars. During the Review Period, turnover from the three major products: trim, decorative parts and body structural parts, accounted for approximately 21.9%, 24.8% and 40.6% of the Group's total turnover, respectively, representing a decrease of approximately 0.7%, an increase of approximately 4.1% and an increase of approximately 0.9%, respectively, as compared to the first six months of 2005.

During the Review Period, the Group's turnover in the overseas market was RMB63,000,000, representing an increase of approximately RMB42,277,000 and RMB22,973,000, or 204.0% and 57.4%, as compared to the first and second halves in the year 2005 respectively.

During the Review Period, the Group's gross profit margin decreased by 1.1% to 39.6% as compared to the same period in 2005. The decrease was due to the decrease in passenger car prices. In order to maintain the current gross profit margin level, the Group has undertaken the following procedures: (i) tightening cost control through sourcing materials domestically; (ii) improving manufacturing skills to increase productivity and (iii) introducing new products.

During the Review Period, the Group has decided to set up seven joint ventures and an indirect wholly owned subsidiary in China, and an office in Detroit, USA as well. The Directors believe that such development will have a great significance in completing the Group's strategic layout, solidifying the Group's leading position in the Chinese market, and enhancing the development of oversea business. It will enhance the Group's ability in product design and manufacturing, thereby making the Group an integrated auto-part enterprise engaging in the design, manufacture and sale of exterior auto-parts.

# PURCHASE, SALE, OR REDEMPTION OF LISTED SHARES

During the Review Period, the Company has not redeemed any of its listed shares. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed shares during the Review Period.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES AND COMPLIANCE WITH MODEL CODE None of the Directors is aware of any information that would reasonably indicate that the Company was not at any time during the Review Period in compliance with the Code on Corporate Governance Practices as set out by the Stock Exchange of Hong Kong Limited in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchanging of Hong Kong Limited the ("Listing Rules").

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the Company's code of conduct and rules governing dealings by all Directors in the securities of the Company. Having made specific enquiry of all Directors, they had strictly complied with the Model Code during the review period.

# **AUDIT COMMITTEE**

The Company has an audit committee consisting of three independent non-executive directors, Mr. Heng Kwoo Seng (chairman of the audit committee), Mr. Wang Ching and Mr. Zhang Liren. The committee reviews the systems of internal controls throughout the Group and the completeness and accuracy of its financial statements and liaises on behalf of the Directors with external auditors. The committee members shall meet regularly with management and external auditors to review audit reports, if applicable, and the interim and annual financial statements, as the case may be, of the Group. It has reviewed the unaudited consolidated financial statements for the six months ended 30 June 2006, and recommended their adoption by the Board.

By Order of the Board Minth Group Limited Liang Current Tien Tzu Company Secretary

Hong Kong, 11 August 2006

As at the date of this announcement, the executive Directors are Mr. Chin Jong Hwa, Mr. Shi Jian Hui, Mr. Mu Wei Zhong, Mr. Chin Jung Huang and Mr. Liang Current Tien Tzu; the non-executive Director is Mr. Shaw Sun Kan Gordon; and the independent non-executive Directors are Mr. Heng Kwoo Seng, Dr. Wang Ching and Mr. Zhang Liren.

"Please also refer to the published version of this announcement in South China Morning Post."