

MINTH **敏實集團**

MINTH GROUP LIMITED

敏實集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 425)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30TH JUNE 2007

FINANCIAL HIGHLIGHTS

- For the six months ended 30th June 2007, the Group's turnover was approximately RMB636,905,000, an increase of approximately 41.7% when compared with the corresponding period of 2006.
- For the six months ended 30th June 2007, the net profit attributable to equity holders was about RMB203,109,000, an increase of approximately 60.6% when compared with the corresponding period of 2006.
- For the six months ended 30th June 2007, the gross profit margin was approximately 40.1%, an increase from 39.6% in the corresponding period of 2006.
- Basic earnings per share for the six months ended 30th June 2007 amounted to RMB0.245, an increase of approximately 61.2% when compared with the corresponding period of 2006.

INTERIM RESULTS

The Board is pleased to announce the unaudited interim results of the Group for the six months ended 30th June 2007 (the “Review Period”) and the comparison figures of the same period of 2006. The announced interim results and condensed financial statements are unaudited but reviewed by the Board’s audit committee (the “Audit Committee”).

CONDENSED CONSOLIDATED INCOME STATEMENTS

	NOTES	Six months ended 30th June	
		2007 (Unaudited) RMB'000	2006 (Unaudited) RMB'000
Turnover	3	636,905	449,321
Cost of goods sold		<u>(381,493)</u>	<u>(271,359)</u>
Gross profit		255,412	177,962
Other income		38,659	12,052
Distribution and selling expenses		(18,802)	(12,628)
Administrative expenses		<u>(62,427)</u>	<u>(43,626)</u>
Interest on bank borrowings wholly repayable within five years		(1,800)	(1,679)
Share of profits of associates		15,558	7,521
Share of losses of jointly controlled entities		<u>(2,016)</u>	<u>(967)</u>
Profit before taxation		224,584	138,635
Taxation	4	<u>(18,498)</u>	<u>(7,519)</u>
Profit for the period		<u><u>206,086</u></u>	<u><u>131,116</u></u>
Attributable to:			
Equity holders of the Company		203,109	126,490
Minority interests		<u>2,977</u>	<u>4,626</u>
Earnings per share			
— Basic	5	<u><u>RMB0.245</u></u>	<u><u>RMB0.152</u></u>
— Diluted	5	<u><u>RMB0.243</u></u>	<u><u>RMB0.152</u></u>

CONDENSED CONSOLIDATED BALANCE SHEET

		At 30th June 2007 (Unaudited) RMB'000	At 31st December 2006 (Audited) RMB'000
Non-current assets			
Property, plant and equipment		665,254	584,668
Lease premium for land		80,322	70,152
Goodwill		10,718	10,718
Intangible assets		10,758	11,045
Investment in jointly controlled entities		39,247	35,343
Investment in associates		98,760	51,550
Advances to joint venture partners		22,496	23,067
		<u>927,555</u>	<u>786,543</u>
Current assets			
Lease premium for land		1,873	1,764
Inventories		237,582	219,510
Trade and other receivables	6	371,691	247,947
Amounts due from an associate		31,680	—
Pledged bank deposits		636	3,019
Bank balances and cash		216,530	232,071
		<u>859,992</u>	<u>704,311</u>
Current liabilities			
Trade and other payables	7	256,038	231,810
Taxation payable		10,330	3,727
Short-term bank loans		181,901	38,154
		<u>448,269</u>	<u>273,691</u>
Net current assets		<u>411,723</u>	<u>430,620</u>
Total assets less current liabilities		<u>1,339,278</u>	<u>1,217,163</u>
Non-current liabilities			
Long-term bank loans		—	—
Net assets		<u>1,339,278</u>	<u>1,217,163</u>
Capital and reserves			
Share capital		86,345	86,345
Reserves		1,218,078	1,096,338
Equity attributable to equity holders of the Company		<u>1,304,423</u>	<u>1,182,683</u>
Minority interests		34,855	34,480
Total equity		<u>1,339,278</u>	<u>1,217,163</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements were prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard (the “HKAS”) 34 “Interim Financial Reporting”, issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements were prepared under the historical cost basis except for certain properties and financial instruments, which were measured at fair values, as appropriate.

The accounting policies adopted in the unaudited condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st December 2006 except for the adoption of the new standards.

The following new standards, amendments to standards and interpretations are mandatory for the financial year, ending 31 December 2007. Management has considered and concluded that there is either no significant financial impact or relevance to the Group.

HKAS 1 (Amendment)	Presentation of Financial Statements: Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives

The adoption of these new HKFRSs had no material effect on the results of operations and financial position of the Group for the current or prior accounting periods.

The Group has not early applied the following new standards or interpretations that have been issued but are not yet effective for 2007. Management is currently assessing the impact on the Group operation.

HKAS 23 (Revised)	Borrowing Costs
HKFRS 8	Operating Segments
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2: Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements

3. BUSINESS AND GEOGRAPHICAL SEGMENTS

Turnover represents the amounts received for goods sold by the Group to outside customers and net of discounts and sales related taxes during the period.

Turnover analysis by product category is as follows:

Product category	Six months ended		Six months ended	
	30th June 2007		30th June 2006	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Trims	206,297	32.3	98,596	21.9
Decorative parts	161,379	25.3	111,596	24.8
Body structural parts	229,889	36.0	182,496	40.6
Others (<i>Note</i>)	40,150	6.4	56,757	12.7
Total	<u>637,715</u>	100	<u>449,445</u>	100
Less: Sales tax	<u>(810)</u>		<u>(124)</u>	
Total turnover	<u><u>636,905</u></u>		<u><u>449,321</u></u>	

Note: Includes PVC, moulds, headliner and others

Turnover by regions based on customer source/headquarter locations is as follows:

Customer category	Six months ended 30th June 2007		Six months ended 30th June 2006	
	RMB'000	%	RMB'000	%
Japanese automakers	441,276	69.2	296,763	66.0
EU automakers	68,217	10.7	67,643	15.1
US automakers	79,090	12.4	40,728	9.1
Chinese automakers	35,213	5.5	23,231	5.2
Others (Note)	13,919	2.2	21,080	4.6
Total	<u>637,715</u>	100	<u>449,445</u>	100
Less: Sales tax	<u>(810)</u>		<u>(124)</u>	
Total turnover	<u><u>636,905</u></u>		<u><u>449,321</u></u>	

Note: Others denote customers using non-direct auto spare parts products of the Group.

4. TAXATION

The taxation represents PRC income tax calculated at the applicable rates in accordance with the relevant laws and regulations in the PRC.

Pursuant to the relevant laws and regulations in the PRC, certain Group's PRC subsidiaries and associates are entitled to exemption from PRC income tax for the two years commencing from their first profit making year of operation and thereafter, these PRC subsidiaries and associates will be entitled to a 50% relief from PRC income tax for the following three years ("Tax Holidays").

The charge for the period is reconciled to the profit before taxation as follows:

	Six months ended 30th June			
	2007		2006	
	RMB'000	%	RMB'000	%
Profit before taxation	<u>224,584</u>		<u>138,635</u>	
Tax at the applicable income tax rate	33,688	15.0	20,795	15.0
Tax effect of expenses not deductible for tax purposes	170	0.1	472	0.3
Effect of tax holidays	(13,158)	(5.9)	(14,768)	(10.7)
Tax effect of different tax rates of subsidiaries	61	0.0	689	0.5
Reversal of deferred taxation previously not recognised	(821)	(0.4)	—	—
Deferred Tax liability not recognized	(1,598)	(0.7)	—	—
Others	<u>156</u>	<u>0.1</u>	<u>331</u>	<u>0.3</u>
Tax charge and effective tax rate for the period	<u><u>18,498</u></u>	<u><u>8.2</u></u>	<u><u>7,519</u></u>	<u><u>5.4</u></u>

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

5. EARNINGS PER SHARE

(a) Basic

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

	Six months ended	
	30th June	
	2007	2006
	RMB'000	RMB'000
Profit attributable to equity holders of the Company	203,109	126,490
Weighted average number of ordinary shares in issue (<i>thousands</i>)	830,000	830,000
Basic earnings per share (<i>RMB per share</i>)	<u>0.245</u>	<u>0.152</u>

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has just one category of dilutive potential ordinary shares: share options. For the share options, a calculation is made in order to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options.

	Six months ended	
	30th June	
	2007	2006
	RMB'000	RMB'000
Profit attributable to equity holders of the Company	203,109	126,490
Weighted average number of ordinary shares in issue (<i>thousands</i>)	830,000	830,000
Adjustments for — share options (<i>thousands</i>)	6,377	—
Weighted average number of ordinary shares for diluted earnings per share (<i>thousands</i>)	836,377	830,000
Diluted earnings per share (<i>RMB per share</i>)	<u>0.243</u>	<u>0.152</u>

6. TRADE AND OTHER RECEIVABLES

	At 30th June 2007 RMB'000	At 31st December 2006 RMB'000
Trade receivables		
— associates	17,533	16,237
— jointly controlled entities	3,148	5,402
— third parties	<u>255,006</u>	<u>170,566</u>
	275,687	192,205
Bill receivables	<u>27,403</u>	<u>26,205</u>
	<u>303,090</u>	<u>218,410</u>
Prepayment for purchase of raw materials	33,646	19,522
Entrust loan	21,289	—
Other receivables	<u>13,666</u>	<u>10,015</u>
	<u>371,691</u>	<u>247,947</u>

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

	At 30th June 2007 RMB'000	At 31st December 2006 RMB'000
Age		
0–90 days	292,045	209,382
91–180 days	10,417	8,342
181–365 days	550	227
1–2 years	<u>78</u>	<u>459</u>
	<u>303,090</u>	<u>218,410</u>

7. TRADE AND OTHER PAYABLES

	At 30th June 2007 RMB'000	At 31st December 2006 RMB'000
Trade payables		
— associates	2,083	2,358
— third parties	<u>148,623</u>	<u>98,931</u>
	150,706	101,289
Bills payables	<u>15,923</u>	<u>17,948</u>
	166,629	119,237
Payroll and welfare payables	15,758	21,922
Advance from customers	3,792	17,287
Consideration payable of acquisition of property, plant and equipment	40,284	45,986
Others	<u>29,575</u>	<u>27,378</u>
	<u><u>256,038</u></u>	<u><u>231,810</u></u>

The following is an aged analysis of trade payables and bills payable at the balance sheet date:

	At 30th June 2007 RMB'000	At 31st December 2006 RMB'000
Age		
0–90 days	162,885	117,151
91–180 days	1,799	624
181–365 days	820	377
1–2 years	184	682
Over 2 years	<u>941</u>	<u>403</u>
	<u><u>166,629</u></u>	<u><u>119,237</u></u>

DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30th June 2007. (2006: Nil)

MANAGEMENT REVIEW

For the period between 1st January 2007 and 30th June 2007 (the “Review Period”), the Group’s turnover was approximately RMB636,905,000, representing an increase of approximately 41.7% as compared to RMB499,321,000 of the same period of 2006. Net profit attributable to equity holders was about RMB203,109,000, representing an increase of approximately 60.6% from RMB126,490,000 of the same period of 2006.

The Group effectively cut off the costs by sourcing raw materials domestically, centralized procurement, and establishment of strategic relationship with suppliers, while improving the manufacturing process and the launching of new products. Besides, self-developed moulds also contributed to the increase of the gross profit margin. During the Review Period, the gross profit margin increased from 39.6% in the same period of 2006 to approximately 40.1%.

The Group has continued to expand the production of its core product categories. In the six months ended 30th June 2007, the three core product categories achieved a turnover of RMB597,565,000, in which the turnover of trims, decorative parts, and body structural parts of passenger cars were RMB206,297,000, RMB161,379,000, and RMB229,889,000 respectively, or a proportion of 32.3%, 25.3% and 36.0% respectively. The proportion of core product categories to the overall turnover was 93.6%, representing an increase from 87.3% in the same period of 2006.

During the Review Period, the Group’s turnover from overseas markets was approximately RMB102,639,000, increased by approximately RMB39,639,000 or 62.9% as compared to the same period of 2006.

The Group’s strategic network within the Chinese market had already completed, based on which, the Group further: 1) established four wholly-owned subsidiaries in Jiaxing and Ningbo of China to prepare for future production expansion; and 2) set up a subsidiary, Changchun Minth Automotive Parts Co., Ltd. with an independent third party in Changchun of China as the other shareholder to enhance the Group’s capabilities in JIT delivery and customer service in North China.

As a key measure to speed up its process of globalization, the Company, set up a new subsidiary, Minth North America Inc., and established a joint venture, Plastic Trim International, Inc. with Sojitz Corporation and a third party in North America, which had completed an acquisition of certain assets involving a plastic injection molding and extrusion business.

The Group, with its existing manufacture, service and R&D capability of the core products and the outstanding management efficiency as well, associated with the international strategy and foresight of the management, will, without doubt, maintain and consolidate its leading position in China and play a more important role in the global market.

PURCHASE, SALE, OR REDEMPTION OF LISTED SHARES

Neither the Company nor any of its subsidiaries purchased or sold any of the Company’s 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 Practice as set out in Appendix 14 to the Rules governing the listing of securities on The Stock Exchange of Hong Kong Limited (“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), Dr. Wang Ching and Mr. Zhang Liren. The committee reviews the systems of internal controls 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 30th June 2007, and recommended their adoption by the Board.

By order of the Board
Minth Group Limited
Chin Jong Hwa
Chairman

Hong Kong, 17th August 2007

As the date of this announcement, the board of directors comprises Mr. Chin Jong Hwa, Mr. Shi Jian Hui, Mr. Mu Wei Zhong, and Mr. Zhao Feng, being executive Directors, Mr. Shaw Sun Kan, Gordon, being a non-executive Director, Mr. Heng Kwoo Seng, Dr. Wang Ching and Mr. Zhang Liren being independent non-executive Directors.