



**ANNOUNCEMENT OF INTERIM RESULTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2008**

**UNAUDITED INTERIM RESULTS**

The board of directors (the “**Board**”) of Meadville Holdings Limited (“**Meadville**” or the “**Company**”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2008 together with the comparative figures for the previous period as follows:-

**CONDENSED CONSOLIDATED INTERIM PROFIT AND LOSS ACCOUNT  
FOR THE SIX MONTHS ENDED 30 JUNE 2008**

		Unaudited	
		Six months ended 30 June	
	Note	2008	2007
		HK\$'000	HK\$'000
Revenue	4	2,705,205	1,989,205
Cost of sales	6	(2,172,790)	(1,540,160)
Gross profit		532,415	449,045
Other income	5	86,582	65,227
Selling and distribution expenses	6	(138,484)	(107,112)
General and administrative expenses	6	(75,152)	(89,856)
Share award expenses	6, 7	(8,622)	(245,880)
Operating profit		396,739	71,424
Interest income		2,701	22,753
Finance costs		(67,233)	(54,133)
Share of net profit of associated companies		50,453	46,560
Profit before income tax		382,660	86,604
Income tax expense	8	(55,226)	(37,618)
Profit for the period	4	327,434	48,986
Attributable to:			
Equity holders of the Company		278,660	1,644
Minority interests		48,774	47,342
		327,434	48,986
Earnings per share for profit attributable to equity holders of the Company during the period (expressed in HK\$ per share)			
- basic	9	0.1393	0.0009
- diluted	9	0.1393	0.0009
Interim dividend (expressed in HK\$ per share)	10	0.028	0.02

**CONDENSED CONSOLIDATED INTERIM BALANCE SHEET  
AT 30 JUNE 2008**

	Note	Unaudited 30 June 2008 HK\$'000	Audited 31 December 2007 HK\$'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment		4,714,725	4,121,368
Leasehold land and land use rights		181,820	174,420
Intangible assets		27,322	27,670
Goodwill		19,885	122,229
Investments in associated companies		640,506	579,543
Available-for-sale financial assets		21,089	21,089
Deferred tax assets		29,841	13,124
		<u>5,635,188</u>	<u>5,059,443</u>
<b>Current assets</b>			
Stocks and work in progress		714,856	498,000
Debtors and prepayments	11	1,458,209	1,597,034
Amount due from a related party		-	39,055
Taxation recoverable		7,605	6,090
Cash and bank balances		691,999	418,192
		<u>2,872,669</u>	<u>2,558,371</u>
Total assets		<u>8,507,857</u>	<u>7,617,814</u>
<b>Equity</b>			
Capital and reserves attributable to the equity holders of the Company			
Share capital		1,822,612	1,822,612
Reserves		981,896	640,901
		<u>2,804,508</u>	<u>2,463,513</u>
Minority interests		396,274	359,293
Total equity		<u>3,200,782</u>	<u>2,822,806</u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings		2,519,108	1,738,067
Deferred tax liabilities		87,327	81,483
Financial liabilities		163,360	264,394
Long-term other payables		131,534	115,658
		<u>2,901,329</u>	<u>2,199,602</u>
<b>Current liabilities</b>			
Creditors and accruals	12	1,397,943	1,428,268
Amount due to a subsidiary of a minority shareholder of a subsidiary		75,728	29,367
Amounts due to associated companies		108,732	150,669
Amount due to a minority shareholder		36,616	343
Borrowings		669,354	961,107
Dividend payable		80,000	-
Taxation payable		37,373	25,652
		<u>2,405,746</u>	<u>2,595,406</u>
Total liabilities		<u>5,307,075</u>	<u>4,795,008</u>
Total equity and liabilities		<u>8,507,857</u>	<u>7,617,814</u>
Net current assets/(liabilities)		<u>466,923</u>	<u>(37,035)</u>
Total assets less current liabilities		<u>6,102,111</u>	<u>5,022,408</u>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 1 General information

The Group is principally engaged in the manufacturing and distribution of printed circuit boards and copper clad laminates (the “**PCB and Laminates Business**”).

The Company was incorporated in the Cayman Islands on 28 August 2006 as an exempted company with limited liability under the Companies Law (2004 Revision) of the Cayman Islands. The address of its registered office is Clifton House, 75 Fort Street, P.O. Box 1350 GT, George Town, Grand Cayman, Cayman Islands.

The Company’s shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 2 February 2007 (the “**Listing**”).

This condensed consolidated interim financial information is presented in thousands of units of Hong Kong dollars, unless otherwise stated.

This condensed consolidated interim financial information has been approved for issue by the Board on 14 August 2008.

### 2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2008 has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” and other relevant Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants as well as the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on the Stock Exchange. This condensed consolidated interim financial information has not been audited, but has been reviewed by the Company’s Audit Committee. This condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2007.

### 3 Accounting policies

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2007, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2008 but are not currently relevant for the Group.

HK(IFRIC) - Int 11, “HKFRS 2 – Group and Treasury Share Transactions”

HK(IFRIC) - Int 12, “Service Concession Arrangements”

HK(IFRIC) - Int 14, “HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction”

The following new standards, amendments to standards or interpretations have been issued but are not effective for the financial year beginning 1 January 2008 and have not been early adopted:

HKAS 1 (Revised), "Presentation of Financial Statements", effective for annual periods beginning on or after 1 January 2009. The Group will apply HKAS1 (Revised) from 1 January 2009.

HKAS 23 (Revised), "Borrowing Costs", effective for annual periods beginning on or after 1 January 2009. This amendment is not relevant to the Group, as the Group currently applies a policy of capitalising borrowing costs.

HKAS 32 (Amendment), "Financial Instruments: Presentation", and consequential amendments to HKAS 1, "Presentation of Financial Statements", effective for annual periods beginning on or after 1 January 2009. Management is assessing the impact of changes of HKAS 32 (Amendment) on the Group's operations.

HKFRS 2 (Amendment), "Share-based Payment", effective for annual periods beginning on or after 1 January 2009. Management is assessing the impact of changes of HKFRS 2 (Amendment) on the Group's operations.

HKFRS 3 (Revised), "Business Combinations" and consequential amendments to HKAS 27, "Consolidated and Separate Financial Statements", HKAS 28, "Investments in Associates" and HKAS 31, "Interests in Joint Ventures", effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. Management is assessing the impact of the new requirements regarding acquisition accounting, consolidation and associates on the Group. The Group does not have any joint ventures.

HKFRS 8, "Operating Segments", effective for annual periods beginning on or after 1 January 2009. HKFRS 8 replaces HKAS 14, "Segment Reporting", and requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes. Management believes that this standard should not have a significant impact to the number of reportable segments, as well as the manner in which the segments are reported as the reportable segment is presented in a manner that is consistent with the internal reporting provided to the chief operating decision-maker.

HK(IFRIC) - Int 13, "Customer Loyalty Programmes", effective for annual periods beginning on or after 1 July 2008. HK(IFRIC) - Int 13 is not relevant to the Group's operation as none of the Group's companies operate any loyalty programmes.

#### **4 Segment information**

##### **(a) Analysis of sales by category**

Sales for the six months ended 30 June 2007 and 2008 represent principally sales of printed circuit boards ("**PCB**") and copper clad laminates and prepreg ("**Laminates**").

##### **(b) Primary reporting format - business segments**

The Group is organised into two main business segments: (i) manufacturing and distribution of PCB including provision of circuit design, quick-turn-around ("**QTA**") services and drilling and routing services; and (ii) manufacturing and distribution of Laminates.

Segment assets consist primarily of property, plant and equipment, leasehold land and land use rights, intangible assets, goodwill, available-for-sale financial assets, stocks and work in progress, debtors and prepayments and cash and bank balances. They exclude items such as deferred tax assets, taxation recoverable and amount due from a related party.

Segment liabilities comprise operating liabilities. They exclude items such as taxation payable, deferred tax liabilities and dividend payable.

Capital expenditures comprise mainly additions to property, plant and equipment, leasehold land and land use rights and intangible assets.

Unallocated assets and liabilities represent assets and liabilities not dedicated to a particular segment, consist primarily of taxation, amount due from a related party and dividend payable.

Inter-segment sales were conducted with terms mutually agreed among the Group companies.

The segment results for the periods are as follows:

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2008</b>	<b>2007</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Revenue</b>		
PCB	<b>2,481,062</b>	1,814,198
Inter-segment revenue	-	-
	<u>2,481,062</u>	<u>1,814,198</u>
Subtotal for PCB	<u>2,481,062</u>	<u>1,814,198</u>
Laminates	<b>422,638</b>	318,754
Inter-segment revenue	<b>(198,495)</b>	(143,747)
	<u>224,143</u>	<u>175,007</u>
Subtotal for Laminates	<u>224,143</u>	<u>175,007</u>
Total revenue	<u>2,705,205</u>	<u>1,989,205</u>
<b>Segment results</b>		
PCB	<b>396,382</b>	65,464
Laminates	<b>357</b>	5,960
Interest income	<b>2,701</b>	22,753
Finance costs	<b>(67,233)</b>	(54,133)
Share of net profit of associated companies	<b>50,453</b>	46,560
Income tax expense	<b>(55,226)</b>	(37,618)
	<u>327,434</u>	<u>48,986</u>
Profit for the period	<u>327,434</u>	<u>48,986</u>

The segment assets and liabilities at 30 June 2008 and capital expenditures for the periods are as follows:

	<b>Unaudited 30 June 2008 HK\$'000</b>	Audited 31 December 2007 HK\$'000
<b>Segment assets</b>		
PCB	7,077,316	6,416,918
Laminates	752,589	563,084
Associated companies	640,506	579,543
Unallocated assets	37,446	58,269
	<hr/>	<hr/>
Total assets	<b>8,507,857</b>	7,617,814
	<hr/>	<hr/>
<b>Segment liabilities</b>		
PCB	4,620,981	4,268,289
Laminates	372,662	268,915
Associated companies	108,732	150,669
Unallocated liabilities	204,700	107,135
	<hr/>	<hr/>
Total liabilities	<b>5,307,075</b>	4,795,008
	<hr/>	<hr/>
	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2008</b>	2007
	<b>HK\$'000</b>	HK\$'000
<b>Capital expenditures</b>		
PCB	523,363	319,862
Laminates	34,210	13,894
	<hr/>	<hr/>
Total capital expenditures	<b>557,573</b>	333,756
	<hr/>	<hr/>

Other segment items for the periods are as follows:

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2008</b>	<b>2007</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Depreciation of property, plant and equipment</b>		
PCB	201,940	129,929
Laminates	7,855	6,400
Total depreciation of property, plant and equipment	<u>209,795</u>	<u>136,329</u>
<b>Amortisation of leasehold land and land use rights</b>		
PCB	1,770	1,019
Laminates	374	367
Total amortisation of leasehold land and land use rights	<u>2,144</u>	<u>1,386</u>
<b>Provision for bad and doubtful debts</b>		
PCB	1,919	3,304
Laminates	-	-
Total provision for bad and doubtful debts	<u>1,919</u>	<u>3,304</u>
<b>Provision for stocks and work in progress</b>		
PCB	4,151	4,735
Laminates	(399)	600
Total provision for stocks and work in progress	<u>3,752</u>	<u>5,335</u>
<b>Amortisation of intangible assets</b>		
PCB	1,662	585
Laminates	-	-
Total amortisation of intangible assets	<u>1,662</u>	<u>585</u>

(c) **Secondary reporting format - geographical segments**

The Group primarily operates in Hong Kong and the People's Republic of China ("PRC"). Sales are made to overseas customers as well as customers in Hong Kong and the PRC.

The Group's revenue by geographical location are determined by the final destination to where the products are delivered:

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2008</b>	<b>2007</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
PRC	1,675,255	1,293,886
Hong Kong	267,978	246,022
North Asia	139,758	122,380
North America	193,496	111,870
Europe	256,725	124,835
Southeast Asia	171,993	90,212
Total revenue	<b>2,705,205</b>	<b>1,989,205</b>

The Group's assets are located in the following geographical areas:

	<b>Unaudited</b>	<b>Audited</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2008</b>	<b>2007</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Hong Kong	1,573,882	1,346,397
PRC	6,015,878	5,262,440
Finland	177,915	301,489
India	62,230	69,676
Associated companies	640,506	579,543
Unallocated assets	37,446	58,269
Total assets	<b>8,507,857</b>	<b>7,617,814</b>

The Group's capital expenditures, based on where the assets are located, are allocated as follows:

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2008</b>	<b>2007</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Hong Kong	28,108	10,989
PRC	529,465	322,767
Total capital expenditures	<b>557,573</b>	<b>333,756</b>



## 5 Other income

	Unaudited	
	Six months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
Sales of scrap	84,832	56,442
Investment tax credits	-	2,833
Sundries	1,750	5,911
Gain on partial disposal of a subsidiary	-	41
	<u>86,582</u>	<u>65,227</u>

Investment tax credits represent incentives receivable as a result of the re-investment of the dividend incomes from subsidiaries and associated companies in the PRC.

## 6 Expenses by nature

	Unaudited	
	Six months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
Raw materials and consumables used	1,406,061	1,015,891
Employee benefit expenses (Note 7)	390,592	516,133
Amortisation of intangible assets	1,662	585
Amortisation of leasehold land and land use rights	2,144	1,386
Depreciation of property, plant and equipment	209,795	136,329
Gain on disposal of property, plant and equipment	(267)	(340)
Provision for bad and doubtful debts	1,919	3,304
Provision for stocks and work in progress	3,752	5,335
Sales commission	21,003	9,468
Subcontracting expenses	49,077	40,806
Auditors' remuneration	2,370	1,346
Operating lease rental expense		
- Land and buildings	3,300	2,213
Others	<u>303,640</u>	<u>250,552</u>
Total cost of sales, selling and distribution expenses, general and administrative expenses and share award expenses	<u>2,395,048</u>	<u>1,983,008</u>

## 7 Share award expenses

As previously disclosed in the prospectus issued by the Company dated 22 January 2007 for the purpose of the Company's initial public offering in February 2007, the controlling shareholder of the Company, Su Sih (BVI) Limited ("SuSih"), had granted 134,800,000 shares from its own shareholding to the employees (including the Chief Executive Officer) and a consultant to SuSih through Total Glory Holdings Limited (a wholly owned subsidiary of SuSih and special vehicle established by SuSih for this purpose) so as to allow them to share in the Group's success and to incentivise and reward them.

The shares granted as aforesaid represent approximately 6.74% of the Company's total issued share capital immediately after the date of Listing.

Out of the total 134,800,000 shares, 105,448,000 shares are not subject to the return condition whereas for the 29,352,000 shares which are subject to return condition, the Company is required to recognise the value of such shares as a non-cash employee benefit expense on a straight-line basis over the relevant vesting period.

In respect of those granted shares which are not subject to the return condition and based on the offer price of HK\$2.25 per share, no share award expenses was charged to the profit and loss account for the first half year of 2008 (first half year of 2007: HK\$237.3 million).

In respect of those granted shares which are subject to the return condition and based on the offer price of HK\$2.25 per share, share award expenses of HK\$8.6 million were charged to the profit and loss account during the first half year of 2008 (first half year of 2007: HK\$8.6 million), and HK\$8.6 million will be charged for the second half year of 2008 whereas HK\$17.2 million, HK\$9.9 million and HK\$4.4 million will be charged for each of the financial years ending 31 December 2009, 2010, and 2011 respectively.

For the share award expenses charged for the period ended 30 June 2008, corresponding amounts were credited as an employee share-based compensation reserve under equity in the financial statements of the Company.

## 8 Income tax expense

The amounts of taxation charged to the condensed consolidated interim profit and loss account represent:

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2008</b>	<b>2007</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Current income tax		
- Hong Kong profits tax	4,289	315
- Overseas taxation	62,371	33,026
Deferred tax	<u>(11,434)</u>	<u>4,277</u>
	<u><b>55,226</b></u>	<u><b>37,618</b></u>

Taxation has been provided at the appropriate tax rates prevailing in the countries in which the Group operates. Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profit for the period ended 30 June 2008. The rates applicable for income tax in the PRC is 25% (2007: 33%) for the period ended 30 June 2008.

The new Corporate Income Tax Law increases the corporate income tax rate for foreign investment enterprises from previous preferential rates to 25% with effect from 1 January 2008. Companies incorporated before 16 March 2007 and previously taxed at the rate lower than 25% may be offered a gradual increase of tax rate to 25% within 5 years. Certain subsidiaries of the Company incorporated in the PRC will enjoy preferential income tax rate from 2008 to 2011 and be taxed at the rate of 25% from 2012 or when the preferential treatment expires. Certain subsidiaries are entitled to exemption from income tax under tax holidays and concessions. Income tax was calculated at rates given under the concessions.

## 9 Earnings per share

### (a) Basic

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

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2008</b>	<b>2007</b>
Profit attributable to equity holders of the Company (HK\$'000)	<u>278,660</u>	<u>1,644</u>
Weighted average number of shares in issue (shares in thousands)	<u>2,000,000</u>	<u>1,911,602</u>
Basic earnings per share (HK\$ per share)	<u>0.1393</u>	<u>0.0009</u>

### (b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential shares.

During the periods ended 30 June 2007 and 2008, there were no potential dilutive shares outstanding.

## 10 Interim dividend

The Board has declared an interim dividend of HK\$0.028 per share, amounting to HK\$56 million (2007: HK\$40 million). This interim dividend has not been recognised as a liability in this condensed consolidated interim financial information. It will be recognised in shareholders' equity in the year ending 31 December 2008.

**11 Debtors and prepayments**

	<b>Unaudited 30 June 2008 HK\$'000</b>	Audited 31 December 2007 HK\$'000
Debtors	1,239,700	1,471,542
Prepayments and other receivables	<u>218,509</u>	<u>125,492</u>
	<u><b>1,458,209</b></u>	<u><b>1,597,034</b></u>

The carrying amounts of debtors and prepayments approximate their fair values.

During the period, the Group normally granted credit terms of 60-90 days. The ageing analysis of the debtors, based on the invoice date and net of provision, is as follows:

	<b>Unaudited 30 June 2008 HK\$'000</b>	Audited 31 December 2007 HK\$'000
Within credit period	887,972	977,641
0 - 30 days	248,164	235,108
31 - 60 days	55,299	138,175
61 - 90 days	26,907	72,902
Over 90 days	<u>21,358</u>	<u>47,716</u>
	<u><b>1,239,700</b></u>	<u><b>1,471,542</b></u>

**12 Creditors and accruals**

	<b>Unaudited 30 June 2008 HK\$'000</b>	Audited 31 December 2007 HK\$'000
Creditors	812,807	675,853
Accruals	<u>585,136</u>	<u>752,415</u>
	<u><b>1,397,943</b></u>	<u><b>1,428,268</b></u>

During the period, the Group normally received credit terms of 60-90 days. The ageing analysis of the creditors, based on the invoice date, is as follows:

	<b>Unaudited 30 June 2008 HK\$'000</b>	Audited 31 December 2007 HK\$'000
Within credit period	564,504	435,324
0 - 30 days	166,056	136,473
31 - 60 days	52,927	60,111
61 - 90 days	18,712	25,042
Over 90 days	<u>10,608</u>	<u>18,903</u>
	<u><b>812,807</b></u>	<u><b>675,853</b></u>

### **13 Event occurring after the balance sheet date**

On 29 July 2008, the Group entered into the facility agreement with a syndicate of banks. Pursuant to the facility agreement, the Group was granted a term loan facility and revolving loan facility with an aggregate of US\$170 million for a period of four years, with interest rate of LIBOR plus 90 basis points per annum. The facilities are for the purposes of financing the Group's future capacity expansion and general corporate funding requirements, including replacement of certain existing shorter-term facilities.

### **CHAIRMAN'S STATEMENT**

The first half year of 2008 was a period of record results for the Group despite the fact that the general business environment was significantly tougher than that in the corresponding period of 2007.

During the first half of this year, the subprime mortgage crisis in the U.S. led to an economic slowdown in the U.S., Europe and Asia. Moreover, rising oil prices and the higher cost of commodities across the board fuelled inflation and thereby adversely impacted manufacturers worldwide.

Nevertheless, Meadville was able to continuously grow year-on-year during the first six months of 2008. High technology focus, robust market positioning in China and exceptionally strong customer relationships, as well as continued efforts in upgrading plant production capabilities and expanding capacities, enabled the Group to sustain business growth during the period and successfully meet increasing domestic and international outsourcing demands for high value-added PCBs.

### **BUSINESS REVIEW**

During the first six months of 2008, the demand for consumer products was impacted by the global economic slowdown brought on by the subprime mortgage crisis in the U.S. Despite the unstable demand for high-end handsets, the sales of lower cost handsets to emerging markets continued to grow, thus benefiting China handset manufacturers. Meanwhile, the outsourcing into China of high-end PCB products with applications in telecommunication infrastructure, systems servers and other high technology end-products became even more active as original equipment manufacturers ("OEMs") in different high technology industries strove for further cost savings during the global economic slowdown.

Focusing on high technology products, the Group's revenue for the first six months of 2008 amounted to HK\$2,705 million, representing a year-on-year increase of 36.0%.

The Group's PCB sales during the period under review grew by 36.8% to HK\$2,481 million versus HK\$1,814 million in the first half year of 2007. In line with this sales growth, the Group's total prepreg and laminate sales to both external and internal customers amounted to HK\$423 million, a rise of 32.6% over the corresponding period of 2007.

Despite the continued price erosion of commodity type and lower technology PCBs, the Group's blended average selling price for PCBs rose to US\$26.6 per square foot in the first half year of 2008 as compared to US\$24.4 per square foot in the same period of 2007. The average layer count for the Group's PCBs increased to 7.6 layers during the period under review as compared to 7.4 layers in the first six months of 2007.

Sales of conventional PCBs, high density interconnect ("HDI") PCBs, integrated circuit ("IC") substrates and value-added services accounted for 64.6%, 28.1%, 3.7% and 3.6% of PCB revenue in the first half year of 2008 versus 68.4%, 25.7%, 3.6% and 2.3% over the corresponding period of 2007. Additionally, sales of the highest average selling price PCBs, such as QTA PCBs, HDI PCBs and IC substrates, grew the most for the first six months of 2008.

With regard to production capacity expansion during the period under review, Meadville successfully completed the construction of a new production plant in Guangzhou (“**MAGL**”) for prepreg and laminate manufacturing. Phase I of MAGL commenced pilot production in March 2008 and is expected to be fully operational by the fourth quarter of 2008. The Group’s high technology and high performance prepreg and laminate production capacity will be increased by 14.6 million and 3.5 million square feet per month respectively when Phase I becomes fully operational.

Construction of another new production plant in Guangzhou (“**GME**”) for HDI PCB manufacturing was also completed. This new operation will allow the Group to increase its 2+ copper filled via HDI PCB capacity by about 200,000 square feet per month. Phase I of GME commenced pilot production in April 2008 and is expected to be fully operational by the fourth quarter of 2008.

As of 30 June 2008, the Group’s annualised production capacity was at 17.6 million square feet for conventional PCBs (including QTA PCBs), 7.9 million square feet for HDI PCBs, 1.0 million square feet for IC substrates, 75.0 million square feet for laminate products and 347.0 million square feet for prepreg products. These represented respective year-on-year growths of 18.7%, 49.0%, 17.6%, 89.7% and 115.1%.

Despite tougher business environment, the Group is able to maintain its expanded PCB capacities at a utilisation of about 97% in average during the first six months of the period under review.

The Group’s gross profit for the first six months of 2008 grew by 18.6% to HK\$532 million as compared to HK\$449 million in first half year of 2007. Regardless of the efforts in developing high valued-added business, the Group’s gross profit margin declined during the period under review. This was mainly due to the initial start-up operating losses of MAGL’s and GME’s operations, which totalled HK\$62 million (for the six months ended 30 June 2007: HK\$7 million) as a result of their relatively low output in the operation start-up stage. Of these initial start-up operating losses, net HK\$36 million (for the six months ended 30 June 2007: Nil) was related to the cost of sales, which affected the gross profit margin, and the balance was related to other expenses, which affected the operating profit margin. Other factors attributable to the gross profit margin decline included the surge in raw material costs, Renminbi appreciation, as well as higher energy and labour costs as a result of high general inflation.

As disclosed in Meadville’s prospectus dated 22 January 2007, a total of 134.8 million shares were awarded to the Group’s employees and a consultant by the controlling shareholder at the time of the initial public offering on 2 February 2007 as a token of appreciation for their contribution and past services. The share award charges for the first half year of 2008 were HK\$8.6 million versus HK\$245.9 million for the first six months of 2007. Remaining share award expenses to be charged are about HK\$8.6 million, HK\$17.2 million, HK\$9.9 million and HK\$4.4 million for the second half year of 2008 and financial years 2009, 2010 and 2011 respectively.

As explained in the Group’s previous interim and annual reports, these share award expenses had no impact on the Group’s net asset value as the corresponding entries were credited to the Group’s employee share-based compensation reserve account.

The Group’s operating profit and profit for the period under review were HK\$397 million and HK\$327 million versus HK\$71 million and HK\$49 million respectively in the first half year of 2007, representing respective increments of 455.5% and 568.4%. Operating profit margin and profit margin for the period were 14.7% and 12.1% respectively versus 3.6% and 2.5% in the corresponding period of 2007.

However, by excluding the effects of non-cash share award expenses (for the six months ended 30 June 2008: HK\$8.6 million and for the six months ended 30 June 2007: HK\$245.9 million) and the initial start-up operating losses of the MAGL and GME plants (for the six months ended 30 June 2008: HK\$62 million and for the six months ended 30 June 2007: HK\$7 million), the Group's operating profit and profit for the period under review would have been HK\$467 million and HK\$398 million (HK\$325 million and HK\$302 million respectively in the first half year of 2007) while the relevant operating profit margin would have further expanded to 17.6% (16.3% for the first half year in 2007) and net profit margin would have been stagnated at 15.0% (15.2% for the first half year in 2007).

As of 30 June 2008, Meadville's net asset value increased to HK\$3,201 million (at 31 December 2007: HK\$2,823 million), which was mainly attributable to the profit generated for the six months ended 30 June 2008.

## **FUTURE PROSPECTS**

It remains uncertain whether the global economy has faced the worst with regard to the subprime mortgage crisis in the U.S. and additional risks that have surfaced in the form of high oil and commodity prices, as well as a generally high level of inflation globally. Global economists are predicting that the business environment in the second half year of 2008 will remain difficult.

Domestically, though China was also impacted by the subprime mortgage crisis, it is predicted that capital expenditures in relation to the reconstruction of Sichuan and the restructuring of the telecommunication industry will be substantial enough to continue the robust growth of the Chinese economy after the Olympic Games in Beijing. With regard to the latter, the network coverage for TD-SCDMA mobile handsets is currently being implemented nationwide and will likely generate demand for base-station and infrastructure type high-technology and high-layered PCBs. This, in turn, will lead to the demand for 2+ HDI PCBs, in line with TD-SCDMA mobile handset requirements.

Despite continued uncertainty as to how quickly the global economy will recover from the subprime mortgage crisis, it is expected that the outsourcing trend of high-layered and higher valued-added PCBs into China will continue to be aggressive as OEMs aim to tighten cost control during the economic slowdown.

PCB production bookings are expected to follow seasonal trends for the second half year of 2008. As the book-to-bill ratio has bounced back since July 2008, the Group's July production capacity is able to be fully utilised. In this endeavour, the GME plant was expected to reach about 130,000 square feet of production output in July 2008 and is expected to be in operational break-even condition in the fourth quarter of 2008.

Customers' demand for rigid-flex PCBs is rising. Therefore, the Group has recruited a team of flexible PCBs expertise for developing rigid-flex PCB market. With eight months of hard work, we saw results in receiving the first sizable mass volume rigid-flex PCB order in August 2008. Furthermore, commencement of flexible PCB manufacturing in Guangzhou in the fourth quarter of 2008 is expected to be on schedule.

With regard to production capacity expansion, the Group has acquired a new site in Dongguan that spans approximately 1.9 million square feet of land and will be used to expand the conventional PCB business from 2009 onwards. Construction of the plant premises began in the fourth quarter of 2007 and is progressing according to plan. The building will be furnished with the necessary equipment in phases, with Phase I operations expected to start around in the first quarter of 2009.

Through the acquisition of Aspocomp group's operations in India and China in November 2007, the Group acquired a long lease of a new site in India that spans approximately 650,000 square feet of land as well as a plant in Suzhou.

While there is still no solid plan as to when construction of the India plant will commence, the Group has adopted a prudent approach to revise down the future 5 years projection of the acquired India and Suzhou operations. This has allowed the Group to reduce its financial liabilities in relation to the fair value of the put option of this acquisition by about HK\$112 million as at 30 June 2008 and for the same reason, the Group's goodwill of this acquisition has also been reduced by the same amount. There was no impact on the Group's income statement for the six months ended 30 June 2008 nor its net asset value as at 30 June 2008.

The Suzhou plant has had a monthly HDI PCB production capacity of about 150,000 square feet since its procurement. The Group plans to expand this production capacity with the used equipment acquired from Aspocomp's Salo plant in Finland. Installation of the used equipment began recently and the HDI PCB production capacity of the Suzhou plant is expected to ramp up to about 350,000 square feet per month by early 2009.

The Group also has plans underway to expand the IC substrate production capacity of the Shanghai plant from 100,000 to 200,000 square feet per month by the third quarter of 2009. The construction of the plant began in July 2008 and is expected to be completed by the second quarter of 2009.

On the research and development ("R&D") front, the Group has smoothly completed the consolidation of R&D operations by merging the Finland, China, Japan and U.S. R&D talents. This larger R&D organisation is working cohesively on various advanced projects pertaining to HDI PCBs, rigid-flex PCBs, IC substrates and high performance prepreg and laminate products, as well as continually improving the Group's PCB manufacturing processes.

As a policy, the Group will continue to closely monitor the effect of the subprime mortgage crisis on both the American and global economies. Should there be any adverse economic impact in the second half year of 2008 or 2009 that might dampen high technology PCB demand and industry growth, the Group will regulate its capacity expansion plans to cope with business availability.

As long as American and European economies do not enter a period of recession, and barring unforeseen circumstances, the Group is confident of maintaining growth in the second half year of 2008 despite being in the midst of a much more challenging business environment.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES**

For the six months ended 30 June 2008, the Group financed its liquidity requirements by a combination of bank borrowings and cash generated from operations.

At 30 June 2008, the Group's current assets increased by 12.3% to approximately HK\$2,873 million (at 31 December 2007: HK\$2,558 million) whereas the Group's current liabilities decreased to HK\$2,406 million (at 31 December 2007: HK\$2,595 million). In addition, at 30 June 2008, current ratio improved to 1.19 (at 31 December 2007: 0.99). This improvement was mainly due to the conversion of certain short-term borrowings which were drawdown in December 2007 to finance the acquisition of Aspocomp project, into long-term borrowings during the period under review.



At 30 June 2008, the Group's total bank borrowings increased by 18.1% to approximately HK\$3,188 million (at 31 December 2007: HK\$2,699 million), whereas total cash and bank balances increased by 65.5% to approximately HK\$692 million (at 31 December 2007: HK\$418 million). The increase of bank borrowings was mainly used to finance the purchases of property, plant and equipment for the ongoing expansion and upgrading of the production facilities of the Group. At 30 June 2008, total equity increased to HK\$3,201 million (at 31 December 2007: HK\$2,823 million) and the gearing ratio (expressed as total net borrowings over total equity) decreased to 0.78 (at 31 December 2007: 0.81).

At 30 June 2008, the Group had banking facilities, comprising primarily bank loans and overdrafts, amounted to approximately HK\$6,089 million of which approximately HK\$2,168 million was not yet utilised.

On 29 July 2008, the Group entered into the facility agreement with a syndicate of banks. Pursuant to the facility agreement, the Group was granted a term loan facility and revolving loan facility (the "**Facilities**") with an aggregate of US\$170 million for a period of four years. The Facilities are for the purposes of financing the Group's future capacity expansion and general corporate funding requirements, including replacement of certain existing shorter-term facilities. With the Facilities, the Group's liquidity position will be enhanced as less than 27% of the facilities will be due by 2011 while the balance will be due in 2012. The Group's long well-established banking relationships, solid credit history, sound financial position and good future prospect have enabled the Group to obtain a favourable interest rate of LIBOR plus 90 basis points per annum for the Facilities.

Despite the successful solicitation of this stand-by facility, the Group, as a policy, will continue to closely monitor the American and global economy. Should there be any adverse economic impact in the second half year of 2008 or in 2009 that might dampen PCB demand and industry growth, the Group will regulate its capacity expansion plans to cope with business availability.

While there is still no solid plan as to when construction of the India plant will commence, the Group has adopted a prudent approach to revise down the future 5 years projection of the acquired India and Suzhou operations. This has allowed the Group to reduce its financial liabilities in relation to the fair value of the put option of this acquisition by about HK\$112 million as at 30 June 2008, and for the same reason, the Group's goodwill of this acquisition has also been reduced by the same amount. There was no impact on the Group's income statement for the six months ended 30 June 2008 nor its net asset value as at 30 June 2008.

In light of the Group's current level of cash and bank balances, internally generated funds from operations and the available unutilised banking facilities, the Board is confident that the Group has sufficient resources to meet its foreseeable capital expenditures and debt repayment requirements.

The Group's assets were free from charge at 30 June 2008.

## **CAPITAL COMMITMENT AND CONTINGENT LIABILITIES**

At 30 June 2008, the Group had outstanding capital commitment in respect of purchases of property, plant and equipment of approximately HK\$848 million (at 31 December 2007: HK\$782 million). In addition, the Group had commitment in respect of injection of additional capital into certain subsidiaries established in the PRC totalling approximately HK\$500 million (at 31 December 2007: HK\$809 million). Such injection of capital will be used to pay for the purchases of property, plant and equipment as stated above. These capital commitments will be financed by internal resources and bank borrowings.

The Group had no material contingent liabilities at 30 June 2008.

## **STAFF AND REMUNERATION POLICY**

At 30 June 2008, the Group had a total of 12,557 employees (at 31 December 2007: 11,653). The increase in the number of headcounts was mainly due to the ongoing capacity expansion of our manufacturing plants in Dongguan, Shanghai, Suzhou and Guangzhou. Staff costs, excluding the share award expenses, increased by 41.3% to HK\$382 million for the six months ended 30 June 2008 (for the six months ended 30 June 2007: HK\$270 million).

The Group remunerates its employees based on their performance, work experience and the prevailing market compensation packages. Salaries of employees are maintained at competitive level while bonuses are granted by reference to the performance of the Group, individual plant operation and individual employees.

The Group had approved and adopted a share option scheme on 12 January 2007 for the purposes of providing a longer term incentives and rewards to eligible participants who have contributed to the success of our operations. In view that a total of 134.8 million shares in the capital of the Company have been granted to the employees by a substantial shareholder during the initial public offering in 2007, the Group considers there is no need to grant any share options to employees under this option scheme in the foreseeable future.

## **FOREIGN EXCHANGE FLUCTUATION EXPOSURES AND HEDGES**

The Group operates principally in Hong Kong and Mainland China, and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and Renminbi. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The Group attempts to minimise its foreign exchange risk exposure through matching its operating costs and borrowings against its receivables on sales. Nevertheless, the Group is still exposed to the relevant foreign exchange risk in respect of the Renminbi and U.S. dollar exchange rate fluctuation such that the Group's profit margin might be impacted accordingly. In addition, the conversion of Renminbi into foreign currencies is subject to the rules and regulations of the foreign exchange controls promulgated by the China government.

## **MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARY AND ASSOCIATED COMPANY**

The Group had no material acquisition or disposal of subsidiaries and associated companies during the six months ended 30 June 2008.

## **SEGMENTAL INFORMATION**

Details of segmental information are set out in note 4 to the condensed consolidated interim financial information.

## **REVIEW OF OPERATING RESULTS – SIX MONTHS ENDED 30 JUNE 2008 (“1H 2008”) COMPARED TO SIX MONTHS ENDED 30 JUNE 2007 (“1H 2007”)**

### **Revenue and gross profit**

The Group's revenue increased by 36.0% to HK\$2,705 million in 1H 2008 (1H 2007: HK\$1,989 million) with details as highlighted in the Chairman's Statement. In line with the revenue growth, gross profit also grew by 18.6% to HK\$532 million (1H 2007: HK\$449 million). However, the Group's gross profit margin declined to 19.7% in 1H 2008 (1H 2007: 22.6%) was mainly due to the initial start-up operating losses of HK\$62 million (1H 2007: HK\$7 million) of the two new plants in Guangzhou as a result of their relatively low output. Out of these initial start-up operating losses, net HK\$36 million (1H 2007: Nil) was related to cost of sales. Other factors attributable to the gross profit margin decline included the surge in raw material costs, Renminbi appreciation, as well as higher energy and labour costs as a result of high general inflation.

**Other income**

Other income increased by 32.7% to HK\$87 million in 1H 2008 (1H 2007: HK\$65 million). This increase was primarily attributable to higher scrap sales of HK\$85 million in 1H 2008 (1H 2007: HK\$56 million) as attributed to higher PCB production volume and increased copper and gold scrap resale values.

**Operating profit**

Operating profit grew by 455.5% to HK\$397 million (1H 2007: HK\$71 million). Share award expenses for 1H 2008 were HK\$9 million only, which were significantly less than HK\$246 million of 1H 2007, as majority of free award shares were granted and vested to employees upon successful Listing of the Company on 2 February 2007. As highlighted in the Chairman's Statement, the expenses had no impact on the Group's cashflow and net asset value, as the corresponding amount was credited to the Group's employee share-based compensation reserve account. However, the operating performance was negatively impacted by the higher selling and distribution, general and administrative expenses incurred for the two new plants in Guangzhou amounted to approximately HK\$28 million (1H 2007: HK\$7 million).

By excluding the effect of non-cash share award expenses, the Group's operating profit would have increased by 27.8% to HK\$405 million in 1H 2008 (1H 2007: HK\$317 million) while the operating profit margin would have been decreased to 15.0% in 1H 2008 (1H 2007: 16.0%). In addition, by excluding both effects of non-cash share award expenses and the initial start-up operating losses of the two new plants, the Group's operating profit would have increased to HK\$467 million in 1H 2008 (1H 2007: HK\$325 million) while the operating profit margin would have been increased to 17.6% in 1H 2008 (1H 2007: 16.3%).

Despite the higher selling and distribution, general and administrative expenses incurred by the two new plants at the initial start-up stage, the Group's selling and distribution expenses as percentage of the Group's revenue sustained at 5.1% in 1H 2008 (1H 2007: 5.4%), general and administrative expenses as percentage of the Group's revenue decreased to 2.8% (1H 2007: 4.5%) primarily due to exchange gain as a result of the appreciation of Renminbi in 1H 2008.

**Profit for the period**

Finance income decreased to HK\$3 million in 1H 2008 (1H 2007: HK\$23 million). The finance income in 1H 2007 was mainly attributable to higher interest income earned on the over-subscription fund during the listing period and higher cash balances after taking in the net listing proceeds in February 2007. Finance costs increased by 24.2% to HK\$67 million in 1H 2008 (1H 2007: HK\$54 million) was primarily due to higher level of bank borrowings as explained above.

Share of net profit of associated companies increased by 8.4% to HK\$50 million in 1H 2008 (1H 2007: HK\$47 million) was primarily due to increase in net profit of Guangdong Shengyi Sci. Tech Co., Ltd..

Income tax expense as percentage of the Group's taxable profit (profit before income tax less share of profit of associated companies plus non-cash share award expenses) increased to 16.2% in 1H 2008 (1H 2007: 13.2%) was mainly due to the overall increase in corporate income tax rates pursuant to the new Corporate Income Tax Law in Mainland China which became effective from 1 January 2008.

Profit after tax increased to HK\$327 million in 1H 2008 (1H 2007: HK\$49 million). By excluding the effect of non-cash share award expenses, the Group's profit for the period would have increased by 14.0% to HK\$336 million (1H 2007: HK\$295 million) while the profit margin would have declined to 12.4% in 1H 2008 (1H 2007: 14.8%). In addition, by excluding both effects of non-cash share award expenses and the initial start-up operating losses of the two new plants in Guangzhou, the Group's profit for the period would have increased by 31.8% to HK\$398 million (1H 2007: HK\$302 million) while the profit margin would have stagnated at 15.0% in 1H 2008 (1H 2007: 15.2%).

## **CORPORATE GOVERNANCE PRACTICES**

The Company is committed to continuously achieving and maintaining a high standard of corporate governance practices and policies to enhance greater transparency and accountability and in the interests of its shareholders. The Company devotes to best practice on corporate governance, and has applied the principles and complied with the extent practicable, with the Code on Corporate Governance Practices (the “**Code**”) contained in Appendix 14 of the Listing Rules on the Stock Exchange.

Since 1 January 2008 and up to the date of this announcement, the Company has complied with the Code provisions and to certain extent the recommended best practices set out in the Code.

## **DIRECTORS’ SECURITIES TRANSACTIONS**

The Company has adopted (i) the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) contained in Appendix 10 of the Listing Rules as its own code of conduct for its directors in respect of securities transactions; (ii) an Internal Code for Securities Transactions by Employees of Meadville Group (the “**Internal Code**”) as its own code of conduct regarding securities transactions by the employees of the Group, with detailed procedures extending to the directors.

Having made specific enquiry, all directors of the Company confirmed that they have complied with the required standards set out in the Model Code and the Internal Code during the period from 1 January 2008 to 30 June 2008 and up to the date of this announcement.

## **REVIEW OF INTERIM RESULTS**

The Audit Committee comprises three independent non-executive directors of the Company. The Audit Committee and the Company’s external auditors, PricewaterhouseCoopers, have reviewed the interim results of the Group for the six months ended 30 June 2008.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SHARES**

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed shares during the six months ended 30 June 2008.

## **INTERIM DIVIDEND**

The Board has declared an interim dividend of HK\$0.028 per share (2007: HK\$0.02 per share) for the year ending 31 December 2008, amounting to HK\$56 million (2007: HK\$40 million). The interim dividend will be payable to the shareholders on around 26 September 2008 whose names appear on the register of members of the Company on 18 September 2008.

## **CLOSURE OF THE REGISTER OF MEMBERS**

The register of members of the Company will be closed from 16 September 2008 (Tuesday) to 18 September 2008 (Thursday), both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company’s Branch Registrar and Transfer Office in Hong Kong, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong not later than 4:00 p.m. on 12 September 2008 (Friday).

## **PUBLICATIONS**

This announcement has been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.meadvillegroup.com). The 2008 interim report will be despatched to the shareholders and available on the same websites on or before 30 September 2008.

## **APPRECIATION**

On behalf of the Board, I would like to take this opportunity to express my thanks to the shareholders and business associates for their continuing support, and appreciation to all employees who have made contributions to our results. I look forward to another successful second half year ahead.

By Order of the Board  
**Meadville Holdings Limited**  
**Tang Chung Yen, Tom**  
*Executive Chairman and  
Group Managing Director*

Hong Kong, 14 August 2008

*As at the date of this announcement, the Board comprises seven directors, of which Mr. Tang Hsiang Chien, Mr. Tang Chung Yen, Tom, Ms. Tang Ying Ming, Mai and Mr. Chung Tai Keung, Canice are executive directors of the Company, Mr. Lee, Eugene, Mr. Leung Kwan Yuen, Andrew and Dr. Li Ka Cheung, Eric are independent non-executive directors of the Company.*