Meadville Holdings Limited
美維控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code : 3313)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008

The board of directors ("**Board**") of Meadville Holdings Limited ("**Company**" or "**Meadville**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, "**Group**") for the year ended 31 December 2008, together with the comparative figures for the previous financial year, as follows:-

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	**2008 HK$'000**	2007 HK$'000
Revenue	3	**5,626,451**	4,490,262
Cost of sales		**(4,546,027)**	(3,430,222)
Gross profit		**1,080,424**	1,060,040
Other income	4	**172,495**	177,050
Selling and distribution expenses		**(280,422)**	(240,182)
General and administrative expenses		**(281,565)**	(245,152)
Share award expenses	5	**(11,661)**	(254,502)
Operating profit		**679,271**	497,254
Interest income		**5,095**	27,300
Finance costs		**(132,011)**	(109,737)
Share of net profit of associated companies		**33,577**	107,858
Profit before income tax		**585,932**	522,675
Income tax expense	6	**(77,387)**	(72,116)
Profit for the year	3	**508,545**	450,559
Attributable to:			
Equity holders of the Company		**402,468**	341,648
Minority interests		**106,077**	108,911
		508,545	450,559
Earnings per share for profit attributable to equity holders of the Company during the year (expressed in HK$ per share)			
- basic	7	**0.20**	0.17
- diluted	7	**0.20**	0.17
Dividends	8	**82,488**	120,000

CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 2008

	Note	2008 HK$'000	2007 HK$'000
Assets			
Non-current assets			
Property, plant and equipment		**5,290,295**	4,121,368
Leasehold land and land use rights		**178,430**	174,420
Intangible assets		**22,159**	149,899
Interests in associated companies		**620,573**	579,543
Available-for-sale financial asset		**20,635**	21,089
Deferred tax assets		**32,682**	13,124
		6,164,774	5,059,443
Current assets			
Inventories		**544,904**	498,000
Debtors and prepayments	9	**1,243,021**	1,597,034
Amount due from a related party		**-**	39,055
Taxation recoverable		**21,820**	6,090
Cash and bank balances		**889,773**	418,192
		2,699,518	2,558,371
Total assets	3	**8,864,292**	7,617,814
Equity			
Capital and reserves attributable to the equity holders of the Company			
Share capital		**1,822,252**	1,822,612
Reserves		**929,024**	560,901
Proposed final dividend	8	**27,496**	80,000
		2,778,772	2,463,513
Minority interests in equity		**425,167**	359,293
Total equity		**3,203,939**	2,822,806
Liabilities			
Non-current liabilities			
Borrowings		**2,777,110**	1,738,067
Derivative financial instruments		**17,350**	-
Deferred tax liabilities		**97,081**	81,483
Financial liabilities		**151,270**	264,394
Long-term other payables		**74,564**	115,658
		3,117,375	2,199,602
Current liabilities			
Creditors and accruals	10	**1,467,106**	1,428,268
Amount due to a subsidiary of a minority shareholder of a subsidiary		**16,828**	29,367
Amounts due to associated companies		**121,595**	150,669
Amount due to a minority shareholder		**60,466**	343
Borrowings		**858,525**	961,107
Derivative financial instruments		**8,015**	-
Taxation payable		**10,443**	25,652
		2,542,978	2,595,406
Total liabilities	3	**5,660,353**	4,795,008
Total equity and liabilities		**8,864,292**	7,617,814
Net current assets/(liabilities)		**156,540**	(37,035)
Total assets less current liabilities		**6,321,314**	5,022,408

NOTES TO THE FINANCIAL STATEMENTS

1 General information

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

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 ("**Stock Exchange**") on 2 February 2007 ("**Listing**").

These consolidated financial statements are presented in thousands of units of Hong Kong dollars, unless otherwise stated. These consolidated financial statements have been approved for issue by the Board on 25 February 2009.

2 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"). They have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial asset and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

The following amendment and interpretations are mandatory for accounting periods beginning on or after 1 January 2008 but are not currently relevant for the Group:

HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement[7]
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions[6]
HK(IFRIC) – Int 12	Service Concession Arrangements[1]
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction[1]

The following new standards, amendments and interpretations to existing standards have been published and are mandatory for the Group to apply from the accounting periods beginning on or after 1 January 2009 or later periods, but the Group has not early adopted them:

HKAS 1 (Revised)	Presentation of financial statements[2]
HKAS 23 (Revised)	Borrowing costs[2]
HKAS 27 (Revised)	Consolidated and separate financial statements[3]
HKAS 32 (Amendment) and HKAS 1 (Amendment)	'Financial instruments: Presentation' and 'Presentation of financial statements' 'Puttable financial instruments and obligations arising on liquidation' [2]

HKFRS 1 (Amendment) and HKAS 27 (Amendment)	'First time adoption of HKFRS' and 'Consolidated and separate financial statements' [2]
HKFRS 2 (Amendment)	Share-based payment[2]
HKFRS 3 (Revised)	Business combinations[3]
HKFRS 8	Operating segments[2]
HK(IFRIC) - Int 13	Customer loyalty programmes[5]
HK(IFRIC) - Int 15	Agreements for construction of real estate[2]
HK(IFRIC) – Int 16	Hedges of a net investment in a foreign operation[4]
HK(IFRIC) – Int 17	Distributions of non-cash assets to owners[3]
HK(IFRIC) – Int 18	Transfer of assets from customers[8]

The following HKICPA's improvements to HKFRSs published in October 2008:

HKAS 1 (Amendment)	Presentation of financial statements[2]
HKAS 16 (Amendment)	Property, plant and equipment (and consequential amendment to HKAS 7, 'Statement of cash flows')[2]
HKAS 19 (Amendment)	Employee benefits[2]
HKAS 20 (Amendment)	Accounting for government grants and disclosure of government assistance[2]
HKAS 23 (Amendment)	Borrowing costs[2]
HKAS 27 (Amendment)	Consolidated and separate financial statements[2]
HKAS 28 (Amendment) and HKFRS 7 (Amendment)	'Investments in associates' (and consequential amendments to HKAS 32, 'Financial Instruments: Presentation' and HKFRS 7, 'Financial instruments: Disclosures')[2]
HKAS 29 (Amendment)	Financial reporting in hyperinflationary economies[2]
HKAS 31 (Amendment)	Interests in joint ventures (and consequential amendments to HKAS 32 and HKFRS 7)[2]
HKAS 36 (Amendment)	Impairment of assets[2]
HKAS 38 (Amendment)	Intangible assets[2]
HKAS 39 (Amendment)	Financial instruments: Recognition and measurement[2]
HKAS 40 (Amendment)	Investment property (and consequential amendments to HKAS 16)[2]
HKAS 41 (Amendment)	Agriculture[2]
HKFRS 5 (Amendment)	Non-current assets held for sale and discontinued operations (and consequential amendment to HKFRS 1, 'First-time adoption')[3]

The Group will apply these new standards, amendments and interpretations to existing standards where applicable. It is not expected to have a significant impact on the Group's financial statements.

There are a number of minor amendments to HKFRS 7, 'Financial instruments: Disclosures', HKAS 8, 'Accounting policies, changes in accounting estimates and errors', HKAS 10, 'Events after the balance sheet date', HKAS 18, 'Revenue' and HKAS 34, 'Interim financial reporting' which are not addressed above. These amendments are unlikely to have an impact on the Group's financial statements, and therefore they have not been analysed in detail.

Notes:

1 Effective for annual periods beginning on or after 1 January 2008
2 Effective for annual periods beginning on or after 1 January 2009
3 Effective for annual periods beginning on or after 1 July 2009
4 Effective for annual periods beginning on or after 1 October 2008
5 Effective for annual periods beginning on or after 1 July 2008
6 Effective for annual periods beginning on or after 1 March 2007
7 Effective prospectively from 1 July 2008
8 Effective for transfer on or after 1 July 2009

3 Segment information

(a) Analysis of sales by category

Sales for the years ended 31 December 2007 and 2008 represent principally sales of PCB and Laminates.

(b) Primary reporting format - business segments

The Group is organised into two main business segments: (i) manufacturing and distribution of PCB including but not limited to 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, available-for-sale financial asset, inventories, 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 and deferred tax liabilities.

Capital expenditures comprise mainly additions to property, plant and equipment, leasehold land and land use rights and intangible assets, including additions resulting from acquisition through business combination.

Unallocated assets and liabilities represent assets and liabilities not dedicated to a particular segment, consist primarily of taxation and amounts due from/to related parties.

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

The segment results for the years are as follows:

	2008 HK$'000	2007 HK$'000
Revenue		
PCB	**5,212,437**	4,108,638
Inter-segment revenue	**-**	-
Subtotal for PCB	**5,212,437**	4,108,638
Laminates	**871,991**	663,943
Inter-segment revenue	**(457,977)**	(282,319)
Subtotal for Laminates	**414,014**	381,624
Total revenue	**5,626,451**	4,490,262
Segment results		
PCB	**693,667**	448,462
Laminates	**(14,396)**	48,792
Interest income	**5,095**	27,300
Finance costs	**(132,011)**	(109,737)
Share of net profit of associated companies	**33,577**	107,858
Income tax expense	**(77,387)**	(72,116)
Profit for the year	**508,545**	450,559
Segment assets		
PCB	**7,529,187**	6,416,918
Laminates	**660,030**	563,084
Associated companies	**620,573**	579,543
Unallocated assets	**54,502**	58,269
Total assets	**8,864,292**	7,617,814
Segment liabilities		
PCB	**5,293,837**	4,268,289
Laminates	**137,397**	268,915
Associated companies	**121,595**	150,669
Unallocated liabilities	**107,524**	107,135
Total liabilities	**5,660,353**	4,795,008
Capital expenditures		
PCB	**1,357,112**	2,119,814
Laminates	**52,069**	170,288
Total capital expenditures	**1,409,181**	2,290,102

Other segment items included in the consolidated profit and loss account are as follows:

	2008 **HK$'000**	2007 HK$'000
Depreciation of property, plant and equipment		
PCB	**421,325**	278,663
Laminates	**20,380**	13,097
Total depreciation of property, plant and equipment	**441,705**	291,760
Amortisation of leasehold land and land use rights		
PCB	**3,600**	2,167
Laminates	**753**	737
Total amortisation of leasehold land and land use rights	**4,353**	2,904
Amortisation of intangible assets		
PCB	**2,991**	1,337
Laminates	**-**	-
Total amortisation of intangible assets	**2,991**	1,337
Impairment of property, plant and equipment		
PCB	**-**	10,612
Laminates	**-**	-
Total impairment of property, plant and equipment	**-**	10,612
Impairment of intangible assets		
PCB	**19,860**	-
Laminates	**-**	-
Total impairment of intangible assets	**19,860**	-
(Written-back)/provision for bad and doubtful debts		
PCB	**(1,638)**	6,587
Laminates	**27**	149
Total (written-back)/provision for bad and doubtful debts	**(1,611)**	6,736
Provision for inventories		
PCB	**6,646**	12,572
Laminates	**997**	1,026
Total provision for inventories	**7,643**	13,598

(c) Secondary reporting format - geographical segments

The Group primarily operates in Hong Kong and mainland China. Sales are made to overseas customers as well as customers in Hong Kong and mainland China.

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

	2008	2007
	HK$'000	HK$'000
Mainland China	**3,599,620**	3,038,429
Hong Kong	**481,912**	411,155
North Asia	**270,265**	278,155
North America	**402,344**	223,689
Europe	**467,434**	308,387
Southeast Asia	**404,876**	230,447
Total revenue	**5,626,451**	4,490,262

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

	2008	2007
	HK$'000	HK$'000
Mainland China	**6,645,042**	5,262,440
Hong Kong	**1,439,261**	1,346,397
Finland	**44,738**	301,489
India	**60,176**	69,676
Associated companies	**620,573**	579,543
Unallocated assets	**54,502**	58,269
Total assets	**8,864,292**	7,617,814

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

	2008	2007
	HK$'000	HK$'000
Mainland China	**1,360,860**	1,902,618
Hong Kong	**48,321**	43,106
Finland	**-**	280,400
India	**-**	63,978
Total capital expenditures	**1,409,181**	2,290,102

4 Other income

	2008	2007
	HK$'000	HK$'000
Sales of scrap	**167,961**	129,767
Investment tax credits[(i)]	**-**	34,414
Tooling charges	**-**	5,757
Sundries	**4,534**	7,071
Gain on partial disposal of a subsidiary[(ii)]	**-**	41
	172,495	177,050

Notes:

(i) Investment tax credits represent incentives receivable as a result of the re-investment of the dividend incomes from subsidiaries and associated companies in mainland China.

(ii) The gain on partial disposal arises from the partial disposal of 6.29% equity interest in a subsidiary, Mica-Ava (No.3) Limited to Hitachi Chemical Co., Ltd. in April 2007.

5 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 ("**Total Glory**") (a special vehicle established by SuSih for this purpose at that time) 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 29,352,000 shares are subject to return condition. Out of the 29,352,000 shares which are subject to return condition, 4,752,000 shares were returned to Total Glory during 2008. Based on the offer price of HK$2.25 per share, share award expenses of approximately HK$5.5 million were credited to the consolidated profit and loss account for the year. As a result, those granted shares which are subject to the return condition and based on the offer price of HK$2.25 per share, net share award expenses of HK$11.7 million were charged to the consolidated profit and loss account in 2008 (2007 : HK$17.2 million) whereas HK$14.5 million, HK$8.3 million and HK$3.7 million will be charged for each of the financial years ending 31 December 2009, 2010, and 2011 respectively.

In respect of those granted shares which are not subject to the return condition, as all of them were vested in 2007 and therefore no share award expense was charged to the consolidated profit and loss account for the year ended 31 December 2008 (2007 : HK$237.3 million).

For the share award expenses charged for the years ended 31 December 2007 and 2008, corresponding amounts were credited as an employee share-based compensation reserve under equity in the financial statements of the Company.

6 Income tax expense

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

	2008 **HK$'000**	2007 HK$'000
Current income tax		
- Hong Kong profits tax	**3,532**	5,859
- Overseas taxation	**78,675**	73,472
Deferred tax	**(4,820)**	(7,215)
	77,387	72,116

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 year ended 31 December 2008. The rates applicable for income tax in mainland China is 25% (2007 : 33%) for the year ended 31 December 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 established in mainland China 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 established in mainland China 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 established in mainland China are entitled to exemption and concessions from income tax under tax holidays. Income tax was calculated at rates given under the concessions.

7 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 year.

	2008	2007
Profit attributable to equity holders of the Company (HK$'000)	**402,468**	341,648
Weighted average number of shares in issue (shares in thousands)	**1,987,360**	1,956,164
Basic earnings per share (HK$ per share)	**0.20**	0.17

(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 years ended 31 December 2007 and 2008, there were no potential dilutive shares outstanding.

8 Dividends

The interim dividend paid in 2008 was HK$0.028 per share, amounting to approximately HK$55 million (an aggregate of 2007 interim and final dividends was HK$0.06 per share, amounting to approximately HK$120 million). A final dividend in respect of the year ended 31 December 2008 of HK$0.014 per share, amounting to approximately HK$27 million, is proposed by the Board on 25 February 2009 for the shareholders' approval at the annual general meeting of the Company on 2 June 2009. These financial statements do not reflect this dividend payable.

	2008 HK$'000	2007 HK$'000
Interim dividend paid of HK$0.028 (2007 : HK$0.02) per share	**54,992**	40,000
Proposed final dividend of HK$ 0.014 (2007 : HK$0.04) per share	**27,496**	80,000
	82,488	120,000

9 Debtors and prepayments

	2008 **HK$'000**	2007 HK$'000
Debtors	**1,058,029**	1,471,542
Prepayments and other receivables	**184,992**	125,492
	1,243,021	1,597,034

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

During the year, 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:

	2008 **HK$'000**	2007 HK$'000
Within credit period	**768,021**	977,641
0 - 30 days	**190,703**	235,108
31 - 60 days	**37,824**	138,175
61 - 90 days	**41,262**	72,902
Over 90 days	**20,219**	47,716
	1,058,029	1,471,542

10 Creditors and accruals

	2008 **HK$'000**	2007 HK$'000
Creditors	**711,895**	675,853
Accruals	**755,211**	752,415
	1,467,106	1,428,268

The carrying amounts of creditors and accruals approximate their fair values.

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

	2008 **HK$'000**	2007 HK$'000
Within credit period	**431,516**	435,324
0 - 30 days	**193,084**	136,473
31 - 60 days	**62,425**	60,111
61 - 90 days	**10,600**	25,042
Over 90 days	**14,270**	18,903
	711,895	675,853

CHAIRMAN'S STATEMENT

2008 was a challenging year for the Group. During the first nine months of 2008, we saw global economy slowing down as impacted by the U.S. subprime issue and high inflation. Lehman Brothers' bankruptcy in September 2008 further led to global credit crunch which caused the already fragile global economy to a decline on an unprecedented scale.

The Group however, given its continued focus on the high technology and high value-added PCB sectors and a long standing and strong positioning in China, was able to capture additional demands from existing and new customers for high value-added PCB from both China and overseas markets, and as a result, deliver record revenue for 2008 with year-on-year growth of 25.3%.

During the year under review, Meadville witnessed growing demands for high technology PCB due to: i) continued infrastructure spending in China; ii) the Chinese government's policies to incentivise local and overseas investments focusing on the research and development ("**R&D**") and production of high technology electronic products; and iii) continued outsourcing of high technology PCB requirements into China from the U.S., Europe and Japan as original equipment manufacturers ("**OEMs**") and electronic manufacturing service providers ("**EMSs**") in different high technology industries have to be more aggressive in cost-cutting. As a result, the Group recorded a blended average layer count of 7.5, as well as a blended average selling price ("**ASP**") of US$27 per square foot in 2008 (2007 : 7.5 layers at an ASP of US$25 per square foot).

The Group's turnover, gross profit, operating profit and net profit were at approximately HK$5,626 million, HK$1,080 million, HK$679 million and HK$509 million respectively (2007 : HK$4,490 million, HK$1,060 million, HK$497 million and HK$451 million respectively). Excluding non-cash share award expenses, the operating profit and net profit would have been approximately HK$691 million and HK$520 million respectively (2007 : HK$752 million and HK$705 million respectively).

Meadville's revenue growth in 2008 resulted in the Group ranking the 3rd among all PCB makers in China for the year according to the industry analyst, NT Information Limited.

BUSINESS REVIEW

In the first nine months of 2008, the global economy was continuously hampered by the U.S. subprime mortgage crisis. However, there was growing demand of high technology PCB in China, with applications in communication infrastructure, system servers and other high technology end products for the reasons explained above. Although high-end handset demand remained volatile, sales of low-cost handsets to emerging markets continued to grow, which greatly benefited Chinese handset manufacturers.

These favourable factors outweighed the effects of the slowing U.S. and European economies and enabled Meadville to post a Group turnover of approximately HK$4,269 million for the first nine months of 2008, representing a 34.9% increase over the approximately HK$3,165 million as recorded in the corresponding period of 2007.

With regard to capacity expansion, phase I of the new Laminates production plant in Guangzhou ("**MAGL**") commenced pilot production in March 2008, which has increased the Group's high technology and high performance prepreg and laminate production capacities to 14.6 million and 3.5 million square feet per month respectively.

Pilot production of our new PCB plant in Guangzhou ("**GME**") for high density interconnects ("**HDI**") and high-layered conventional PCB manufacturing also commenced in April 2008. This new plant is capable of producing additional 200,000 square feet of 2+ copper filled via HDI PCB per month.

Phase II expansion of the Suzhou plant ("**MAS**") was completed in September 2008. When fully ramped up, this plant will increase its HDI PCB production capacity by more than two-fold to about 350,000 square feet per month.

The Group's newly developed high value-added rigid-flex PCB business also began mass production in the fourth quarter of 2008.

Lehman Brothers' bankruptcy in September 2008 led to a severe global credit crunch, and transactions among U.S., European and Asian financial institutions came to a virtual standstill until various worldwide central banks took an active role to guarantee their respective banking systems. As a result, OEMs and EMSs have significantly lowered their 2008 fourth quarter and 2009 full year forecasts, and held back PCB orders from October 2008 onwards.

Although the Group was still able to maintain a satisfactory level of average capacity utilisation in the fourth quarter of 2008 due to a healthy backlog of orders on-hand as at 30 September 2008, the Group has implemented a number of preventive measures in view of the unpredicted and abrupt change in business sentiment, much lower order bookings and uncertainty in terms of future outlook.

In the second half of 2008, the Group streamlined the operations by: i) consolidating the Laminates operation by closing down the oldest Laminates production plant in Hong Kong; ii) freezing all capital expenditures and employee recruitments; iii) implementing a salary reduction plan for high-cost regions (such as Hong Kong and overseas regions, excluding mainland China); and iv) temporarily suspending operations at the youngest GME and MAS plants.

These prudent moves have enabled the Group to rationalise both variable and fixed operational expenses at a lower level and to retain a sharper focus on its remaining production capacity.

Because of these actions, the Group has incurred relevant one-off compensation and expenses amounting to approximately HK$18 million, as reflected in the Group's higher general and administration expenses in the second half of 2008.

Additionally, this drastic economic slowdown around the world also caused a significant drop in commodity prices since the fourth quarter of 2008. This has led to impairment requirement on the costs of raw material, Laminates work-in-progress and finished goods inventory of the Group's associated companies, Guangdong Shengyi Sci. Tech Co., Ltd. ("**GSST**") and Suzhou Shengyi Sci. Tech Co., Ltd. ("**SSST**") in China due to their build-to-stock business nature. As a result of slower business, impairment on inventory held and additional bad debts provisions in slower economy, Meadville has to share the losses of GSST and SSST amounting to approximately HK$17 million in the second half of 2008 (second half of 2007 : HK$61 million profit).

The Group's subsidiaries engaged in Laminates business targets different sectors of products and customers versus GSST and SSST. The operating loss of this business division amounted to approximately HK$15 million in the second half of 2008 after taking in the one-time charge in consolidation of its Hong Kong operations and the impairment in inventory.

As a result of the unfavourable market factors, the Group's continuous turnover growth lost momentum in the last three months of 2008, and the Group's turnover in the fourth quarter was maintained at about the fourth quarter 2007 level at approximately HK$1,357 million (fourth quarter 2007 : HK$1,325 million). After taking in the special charges as mentioned above, the Group was still able to maintain a positive operating profit and margin in that quarter.

During the year under review, the Group's PCB turnover grew by 26.9% to approximately HK$5,212 million versus approximately HK$4,109 million in 2007. Additionally, total Laminates sales to both external and internal customers amounted to approximately HK$872 million (2007 : HK$664 million), representing a year-on-year rise of 31.3%.

Sales of conventional PCB, HDI PCB, rigid-flex PCB, integrated circuit ("**IC**") substrates and quick-turn-around value-added services accounted for 62.1%, 29.6%, 1.4%, 3.3% and 3.6% respectively of Meadville's PCB turnover in 2008 (2007 : 66.2%, 27.9%, 0%, 3.2% and 2.7% respectively).

Sustained high levels of raw material costs together with the Renminbi appreciation in the first nine months of 2008, the initial start-up operating losses incurred by MAGL and GME, general PCB price erosion, ineffective capacity utilisation in the fourth quarter of 2008 and the special charges as mentioned above caused Meadville's gross profit margin and net profit margin to fall to 19.1% and 9.0% respectively in 2008 (2007 : 23.6% and 10.0% respectively). However, the Group's operating profit margin was able to improve to 12.1% (2007 : 11.1%) primarily due to the approximately HK$255 million non-cash share–award expenses charged in 2007 (2008 : HK$12 million).

Excluding non-cash share award expenses as mentioned above and the initial start-up operating losses (excluding redundancy costs) of MAGL and GME amounting to approximately HK$99 million for the year (2007 : HK$28 million), the Group's gross profit margin, operating profit margin and net profit margin would have been dropped to 20.0%, 13.9%, and 11.0% respectively for the year under review (2007 : 23.6%, 17.4% and 16.3% respectively).

As of 31 December 2008, the Group's annual available production capacity was at 17.2 million square feet for conventional PCB, 11.9 million square feet for HDI PCB, 1.0 million square feet for IC substrates, 67.8 million square feet for laminate products and 316.5 million square feet for prepreg products. These represented respective year-on-year growths of 3.0%, 48.8%, 0%, 45.8% and 88.6%. However, with the temporary suspension of the production at GME and MAS plants in December 2008, Meadville's available production capacity for PCB was decreased to 24.8 million square feet as of 31 December 2008 (at 31 December 2007 : 25.7 million square feet).

As of 31 December 2008, Meadville's net asset value increased to approximately HK$3,204 million (at 31 December 2007 : HK$2,823 million), which was attributable to the profit generated for the year ended 31 December 2008.

On 29 July 2008, the Group successfully entered into a facility agreement ("**Facility Agreement**") with a syndicate of banks to secure term and revolving loan facilities ("**Facility**") at an aggregate of US$170 million for a period of four years and at an interest rate of LIBOR plus 0.9% per annum. This Facility Agreement has enhanced the Group's liquidity as less than 27% of the Facility will be due in 2011 and the remainder in 2012.

On the R&D front, the Group smoothly completed the consolidation of R&D operations by merging the Finland, China, Japan and U.S. concerned talents. This larger R&D organisation is working cohesively on various advanced projects pertaining to HDI PCB, rigid-flex PCB, IC substrates and high performance Laminates, as well as continuously improving the Group's PCB manufacturing processes.

FUTURE PROSPECTS

Order bookings from both China and oversea remained weak before Chinese New Year as the global economic outlook for 2009 was still pessimistic.

Since the China economy was also impacted badly by a drop in exports, the Chinese government has taken immediate and drastic steps to stimulate the domestic economy, such as relaxing rules pertaining to bank borrowings, moving ahead swiftly with the granting of 3G licences that pertain to installation and operation, and implementing policies that bolster property, automotive and other business sectors.

These proactive steps have served to more readily increase spending on infrastructure. With the help of China's Renminbi 4 trillion stimulus packages, the Group predicts that local spending momentum will continue and help the Chinese economy to maintain a positive GDP growth for 2009.

With td-SCDMA systems under installation nationwide and the installation of 3G systems nearly a year ahead of initial plans, the Group is, after Chinese New Year, experiencing a greater demand for PCB for use in base station networks from both Chinese and overseas OEMs that are taking part in the domestic set-up of these expansive communications systems.

With regard to the Group's available production capacity, which was scaled down because of the temporarily suspended GME and MAS operations in December 2008, it is projected that the Group's production capacity after the aforesaid scale-down will be fully utilised in or around March 2009. In preparation for a further ramp-up in local China sales, the Group has restarted operations at the GME plant in February 2009.

The Group also expects that 3G mobile handset subscriptions will start to launch in or around May to June 2009, when the first installation stage of 3G networks in China's large cities will be completed and test-run. It is expected that the resulting Chinese-made 3G handsets that are going to enter the domestic market will drive 2+HDI PCB requirements in or around the second quarter of 2009. As a result, the Group expects to re-commence operations at the MAS plant in Suzhou in or about April to May 2009.

As recession is expected to continue in the U.S., Europe and Japan in the first half of 2009, there will be less overseas demands for electronic products in general, particularly in computers and other consumer-related products. However, other hi-tech products, such as computer servers, medical equipment, infrastructure-linked products and items for the military and defense, may well benefit from billions of dollars in spending as part of the respective stimulus packages of various governments.

Even so, the Group expects that it may take at least another two quarters before the effects of these stimulus packages are seen and a substantial number of new jobs are created. Therefore, although the Group does not expect the first signs of improvement in the U.S., European and Japanese economies to be seen until about the third quarter of 2009, Meadville expects that the active outsourcing of high technology and higher-end PCB requirements into China will continue to be the trend.

Due to an increasing demand for more complicated and powerful hand-held product designs, the Group has noticed a rise in the demand for rigid-flex PCB among customers. While the rigid-flex PCB team members are still celebrating the launch of its sizeable mass production business in the fourth quarter of 2008, they will continue to closely monitor relevant market conditions and business opportunities so that the right combination of resources for the smooth future development of this high valued-added product sector can be deployed.

While the Group has already frozen capital expenditures since September 2008, it plans to maintain this expenditure freeze with regard to capacity expansion throughout 2009 as it is anticipated that the Group's existing production capacity, inclusive of the GME and MAS plants, should be sufficient to meet the current year business requirements due to the prevailing economic slowdown.

As a result, only capital expenditures relate to technology upgrades and the replacement of machinery have been budgeted for 2009. As these expenditures will only be incurred on the basis of necessity, the budgeted capital expenditures are expected to be within the Group's depreciation amount for 2009.

With surplus operational cash flow through the Group's business operations and better financial management, the Group expects to lower its borrowing level in 2009.

Despite the recent increase in China local business, the Group will continue to adopt a cautious approach to closely monitor China's infrastructure and mobile businesses as well as the global financial situation in the rest of the year. Should there be signs of further adverse economic conditions that might further dampen industry growth, high technology PCB demands or macro-business sentiments, both in China and globally, the Group will act promptly and proactively to further regulate its business plan to fully cope with all these developments. Barring any unforeseen circumstances, the Group expects to remain profitable in the year to come.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

For the year ended 31 December 2008, the Group financed its liquidity requirements by cash generated from operations and bank borrowings.

At 31 December 2008, the Group's consolidated current assets increased to approximately HK$2,700 million (2007 : HK$2,558 million) whereas the Group's consolidated current liabilities maintained at approximately HK$2,543 million (2007 : HK$2,595 million). Current ratio improved to 1.06 (2007 : 0.99).

At 31 December 2008, total bank borrowings increased to approximately HK$3,636 million (2007 : HK$2,699 million) whereas total cash and bank balances increased to approximately HK$890 million (2007 : HK$418 million). The increase in bank borrowings was mainly used to finance the purchase of property, plant and equipment totalling approximately HK$1,409 million for ongoing expansion and upgrading of the production facilities of the Group. Total equity increased to approximately HK$3,204 million (2007 : HK$2,823 million). Gearing ratio (expressed as total net borrowings over total equity) increased to 0.86 (2007 : 0.81).

As highlighted in the Chairman's Statement, the Group entered into the Facility Agreement with a syndicate of banks to secure the Facility at an aggregate of US$170 million for a period of four years. The Facility is for the purposes of financing the Group's future capacity expansion and general corporate funding requirements, including replacement of certain shorter-term facilities. With the Facility, the Group's liquidity position will be enhanced as less than 27% of the Facility will be due by 2011 while the balance will be due in 2012. The Group was able to obtain an interest rate of LIBOR plus 0.9% per annum for the Facility. As at 31 December 2008, the Group had total banking facilities, comprising primarily bank loans and bilaterals, amounting to approximately HK$6,616 million of which approximately HK$2,278 million was not yet utilised.

The Group has adopted prudent financial management policy. In the last quarter of 2008, the Group entered into certain simple interest rate swap contracts to hedge certain of the Group's bank loans amounting to US$100 million with fixed interest rates. The fair value of these interest rate swap contracts, amounting to approximately HK$25 million, was recognised as derivative financial instruments under liabilities at 31 December 2008.

In view of the slow-down of the global economy, the Group anticipates that it is unlikely that India plant investment will start in the near term, say in 2009 or 2010. The Group has decided to revise down the projections of the India and Suzhou operations for the next four years, allowing Meadville to reduce the financial liabilities pertaining to the fair value of the put option of this acquisition by about HK$129 million in 2008. For the same reason, the Group's goodwill pertaining to this acquisition has also been reduced by the same amount while the credit difference arisen after set off against the Group's relevant goodwill available at 31 December 2008 was dealt with in the Group's profit and loss account for the year.

In order to enhance shareholders' value of the Group, the Company repurchased approximately 36 million shares which accounted for about 1.8% of the Company's total issued shares in the second half of 2008. Total amounts incurred for the share repurchases were approximately HK$70 million.

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

CHARGES ON GROUP ASSETS

The Group's assets were free from charge at 31 December 2008.

CAPITAL COMMITMENT AND CONTINGENT LIABILITIES

At 31 December 2008, the Group had outstanding capital commitments in respect of purchases of property, plant and equipment of approximately HK$358 million (2007 : HK$782 million). In addition, the Group had commitments in respect of injection of additional capital into certain subsidiaries established in mainland China totalling approximately HK$655 million (2007 : HK$809 million), of which approximately HK$469 million will be due within 2009. Such injection of capital will be mainly used to pay for the purchase of property, plant and equipment and operating expenses. These capital commitments will be financed by the Group's internal resources.

The Group had no material contingent liabilities as at 31 December 2008.

STAFF AND REMUNERATION POLICY

At 31 December 2008, the Group had a total of 10,202 employees (2007 : 11,653). The number of employees has dropped from a peak of 13,349 in September 2008. This was primarily due to the retrenchment actions as a result of the temporary shut down of the GME and MAS plants following the sudden global economic slow down after Lehman Brothers' bankruptcy. These actions allowed the Group to lower its variable and fixed overhead and to retain a higher level of production capacity utilisation for the remaining plants of the Group.

The Group's staff costs, excluding the non-cash share award expenses, increased by 28.2% to approximately HK$787 million for the year ended 31 December 2008 (2007 : HK$614 million), out of which approximately HK$18 million was redundancy costs attributed by various retrenchment actions. Effective from November 2008, the staff costs were slightly lowered by salary cuts of 10%, 5% and 2.5% for directors, indirect staff and direct employees respectively for all high cost regions such as Hong Kong and overseas regions, but excluding mainland China.

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 operations and individual employees.

The Company approved and adopted a share option scheme on 12 January 2007 for the purposes of providing a longer term incentive and reward to eligible participants who have contributed to the success of the Group. In view that a total of 134.8 million shares in the capital of the Company were 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 share 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 U.S. 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 relevant foreign exchange risk in respect of Renminbi and U.S. dollar exchange rate fluctuations 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 Chinese 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 year ended 31 December 2008.

SEGMENT INFORMATION

Details of segment information are set out in note 3 to the financial statements.

REVIEW OF OPERATING RESULTS – YEAR ENDED 31 DECEMBER 2008 COMPARED TO YEAR ENDED 31 DECEMBER 2007

Revenue and gross profit

The Group's revenue grew by 25.3% to approximately HK$5,626 million in 2008 (2007 : HK$4,490 million) with details as highlighted in the Chairman's Statement. The Group's gross profit increased to approximately HK$1,080 million (2007 : HK$1,060 million). The Group's gross profit margin declined to 19.2% (2007 : 23.6%). The decline in the Group's gross profit margin was mainly due to the initial start-up operating losses (excluding redundancy costs) of the two new plants in Guangzhou (i.e. GME and MAGL), totalling approximately HK$99 million (2007 : HK$28 million) as a result of their relatively low output. Out of these initial start-up losses, approximately HK$45 million (2007 : nil) was attributable to cost of sales. Other factors attributable to the Group's gross profit margin decline included the surge in raw material costs, Renminbi appreciation, as well as higher energy and labour costs resulting from the general high inflation during the first nine months of 2008.

Other income

The Group's other income sustained at approximately HK$172 million in 2008 (2007 : HK$177 million) comprising mainly of sales of scrap amounting to HK$168 million (2007 : HK$130 million). The Group's other income as a percentage of revenue decreased to 3.1% in 2008 (2007 : 3.9%) primarily attributable to the investment tax credits as a result of re-investment of dividend income from subsidiaries and associated companies in mainland China, amounting to approximately HK$34 million recorded in 2007. There was no such tax credits in 2008 due to the change in tax incentive policies in mainland China.

Operating profit

The Group's operating profit for 2008 grew by 36.6% to approximately HK$679 million (2007 : HK$497 million) and operating profit margin sustained at 12.1% (2007 : 11.1%). The Group's non-cash share award expenses for 2008 were approximately HK$12 million (2007 : HK$255 million) which were approximately HK$5 million less than the amount of HK$17 million as disclosed in previous annual reports due to the return of approximately 4.8 million shares (which were subject to return condition) to Total Glory as a result of employee turnover during 2008, and the relevant non-cash share award expenses of approximately HK$5 million (2007 : nil) were credited to the Group's profit and loss account for the year. The non-cash share award expenses had no impact on the Group's cash flow and net assets value as the corresponding amounts were credited to the Group's employee share-based compensation reserve account.

Excluding share award expenses, the Group's operating performance in 2008 was negatively impacted by the lower gross profit margin as explained above, the higher selling and distribution expenses, and the higher general and administrative expenses as a result of the start up losses (excluding redundancy costs) incurred for the two new plants in Guangzhou (i.e. MAGL and GME), totalling approximately HK$59 million (2007 : HK$28 million) as well as various retrenchment costs of approximately HK$22 million due to the sudden change in global economic conditions. By excluding the non-cash share award expenses, the Group's operating profit would have been approximately HK$691 million in 2008 (2007 : HK$752 million), and the Group's operating profit margin would have been 12.3% in 2008 (2007 : 16.7%).

Despite the higher selling and distribution expenses, and the higher general and administrative costs incurred by the two new plants at the initial start-up stage together with the retrenchment costs, the Group's selling and distribution expenses as a percentage of the Group's revenue sustained at 5.0% in 2008 (2007 : 5.3%) whereas the general and administrative expenses as a percentage of the Group's revenue decreased to 5.0% (2007 : 5.5%) which was primarily due to the exchange gain for the year as a result of the appreciation of Renminbi in 2008.

Interest income and finance costs

The Group's interest income decreased to approximately HK$5 million in 2008 (2007 : HK$27 million). In 2007, the Group's interest income was mainly earned from the subscription funds during the Group's listing period and higher bank balances after taking in the net listing proceeds in February 2007. The Group's finance costs, after capitalisation of about HK$25 million to qualifying assets, increased to approximately HK$132 million in 2008 (2007 : HK$110 million). The increase in finance costs was primarily due to higher level of the Group's bank borrowings as explained before.

Share of net profit of associated companies

The Group's share of net profit of associated companies decreased significantly to approximately HK$34 million in 2008 (2007 : HK$108 million). This was due to substantial drop in operational performance of the Group's associates, GSST and SSST as explained in the Chairman's Statement.

Income tax expense

The Group's income tax expense increased to approximately HK$77 million in 2008 (2007 : HK$72 million). The Group's income tax expense as a 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 13.7% in 2008 (2007 : 10.8%) which was mainly due to overall increase in corporate income tax rates pursuant to the new Corporate Income Tax Law in mainland China which has become effective since 1 January 2008, and the expiration of certain tax incentives enjoyed by one of our major PCB manufacturing plants in mainland China.

Profit for the year

The Group's profit for the year increased to approximately HK$509 million in 2008 (2007 : HK$451 million). The Group's profit margin declined to 9.0% (2007 : 10.0%). By excluding the non-cash share award expenses, the Group's profit for the year would have been approximately HK$520 million (2007 : HK$705 million), and the Group's profit margin would have been 9.2% in 2008 (2007 : 15.7%).

By excluding the non-operating expenses such as (i) non-cash share award expenses, (ii) the first year operation losses of the two new plants in Guangzhou, (iii) the one-time charges in relation to the rationalisation in operations, (iv) the interest income from the proceeds of the Company's initial public offering, (v) the share of net profit of associated companies and (vi) the investment tax credit as explained above, the Group's revenue and profit would have been approximately HK$5,484 million and HK$608 million respectively in 2008 (2007 : HK$4,490 million and HK$577 million respectively) while the profit margin would have been 11.1% in 2008 (2007 : 12.8%).

CORPORATE GOVERNANCE PRACTICES

The Company is committed to 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 has all along applied the principles in and complied with, to the extent as practicable, the Code on Corporate Governance Practices ("**Code**") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**").

Throughout the year ended 31 December 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 as set out in the Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by directors ("**Code of Conduct**") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules ("**Model Code**").

Having made specific enquiry, all directors confirmed that they have complied with the required standards set out in the Model Code and the Code of Conduct throughout the year ended 31 December 2008.

REVIEW OF ANNUAL RESULTS

The audit committee of the Company ("**Audit Committee**") comprises three independent non-executive directors of the Company. The Audit Committee has reviewed the annual results of the Group for the year ended 31 December 2008.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

The Company repurchased its 36,000,000 shares on the Stock Exchange during the year ended 31 December 2008. Such shares were cancelled following the repurchases and accordingly the issued share capital of the Company was reduced by the nominal value of these shares.

Details of the repurchases are summarised as follows:

Month of repurchase	Total number of shares repurchased	Repurchase price per share Highest HK$	Lowest HK$	Aggregate price paid HK$
August 2008	28,117,000	1.97	1.87	54,104,620
September 2008	7,883,000	1.95	1.88	15,319,850
	36,000,000			69,424,470

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed shares during the year ended 31 December 2008.

DIVIDEND

The Board recommends the payment of a final dividend of HK$0.014 (2007 : HK$0.04) per share, amounting to approximately HK$27 million in respect of the year ended 31 December 2008 (2007 : HK$80 million), to be payable to the shareholders whose names appear on the register of members of the Company on 2 June 2009. Subject to the approval of the shareholders of the Company at the forthcoming annual general meeting ("**AGM**"), the final dividend will be payable on or around 2 July 2009.

ANNUAL GENERAL MEETING

The AGM will be held on 2 June 2009. A circular containing a notice of the AGM will be despatched to the shareholders in due course.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from 27 May 2009 to 2 June 2009, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for attending the AGM, 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 26 May 2009.

PUBLICATIONS

This announcement has been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.meadvillegroup.com). The 2008 annual report will be despatched to the shareholders and available on the same websites on or before 30 April 2009.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my heartfelt gratitude to our shareholders, our business associates and all our employees for their continued support. Without their dedicated participation and support in 2008, the Group would not have been able to weather the economic slowdown during the year under review.

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

Hong Kong, 25 February 2009

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.