CHAIRMAN'S STATEMENT

Tang Chung Yen, Tom
Executive Chairman and Group Managing Director

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, delivered 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 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 OEMs and 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 of US$27 per square foot in 2008 (2007: 7.5 layers at an average selling price 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 MAGL, the new prepreg and laminate production plant in Guangzhou, 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.


MAGL

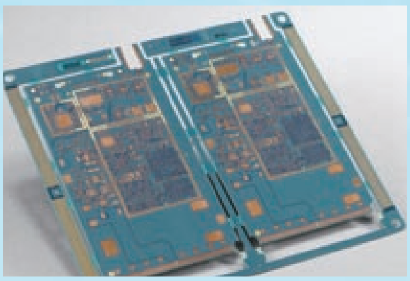
Pilot production of our GME, new PCB plant in Guangzhou, for HDI and high-layered conventional PCB manufacturing also commenced in April 2008. This new plant is capable of producing additional 200,000 square feet of 2+ copper filled via HDI PCB per month.

Phase II expansion of MAS, the Suzhou plant, 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 prepreg and laminate operation by closing down the oldest prepreg and laminate 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.

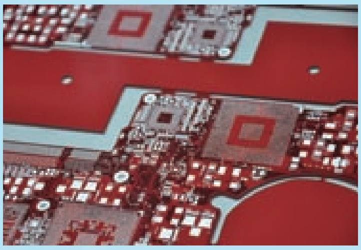
Additionally, this drastic economic slowdown around the world also caused a significant drop in commodity prices since the fourth quarter of 2008. This has led to impairment requirement on the costs of raw material, prepreg and laminate work-in-progress and finished goods inventory of the Group's associated companies, GSST and 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 prepreg and laminate business target 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 of 2007 level at approximately HK$1,357 million (fourth quarter of 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 prepreg and laminate 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 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).

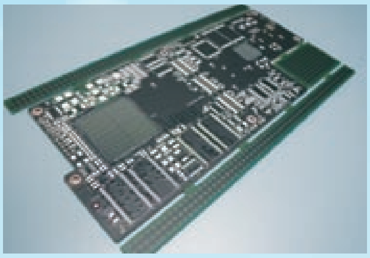

GME

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 with a syndicate of banks to secure term and revolving loan facilities 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 this 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 prepreg and laminate, as well as continuously improving the Group's PCB manufacturing processes.

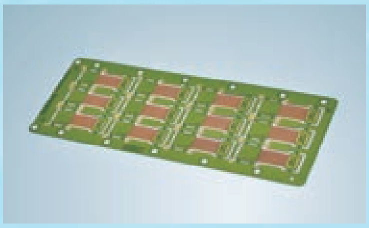


FUTURE PROSPECTS

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

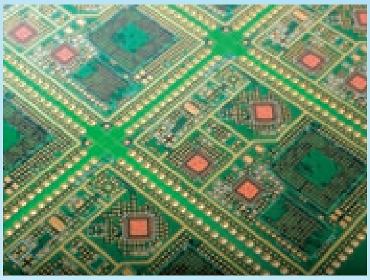
Since the China economy was also impacted badly by a drop in exports, the Chinese government has taken immediate and drastic steps to stimulate the domestic economy, such as relaxing rules pertaining to bank borrowings, moving ahead swiftly with the granting of 3G licences that pertain to installation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

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.

Tang Chung Yen, Tom
Executive Chairman and Group Managing Director

Hong Kong, 25 February 2009