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**Meadville Holdings Limited**

**美維控股有限公司**

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 3313)

## **CONTINUING CONNECTED TRANSACTIONS**

Reference is made to the prospectus of the Company dated 22 January 2007 which disclosed, among other things, the information of the continuing connected transactions between the Group and GSST and SSST respectively under the Previous Supply Agreements.

As the Previous Supply Agreements are to expire on 31 December 2009, on 11 December 2009, SME, a wholly-owned subsidiary of the Company, for and on behalf of the Existing Meadville Purchasers and the Potential Meadville Purchasers entered into the New Supply Agreement with GSST and SSST for obtaining the supply of prepreg and laminate from GSST and SSST. The New Supply Agreement is for a term of three years commencing on 1 January 2010 and expiring on 31 December 2012.

GSST is a connected person of the Company under the Listing Rules by virtue of being a substantial shareholder of each of DMC and SYE, two subsidiaries of the Company. Since SSST is owned as to 75% by GSST, SSST is an associate of GSST and a connected person of the Company within the meaning of the Listing Rules. Therefore, the transactions contemplated by the New Supply Agreement will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules and are subject to the reporting, announcement and independent Shareholders' approval requirements. However, as no Shareholder has any interest in the New Supply Agreement, no Shareholder is required to abstain from voting at a general meeting for the approval of the continuing connected transactions contemplated by the New Supply Agreement. Su Sih (BVI) Limited, the controlling shareholder of the Company which holds approximately 57.53% of the issued share capital of the Company, has approved in writing the New Supply Agreement and the transactions contemplated thereby as well as the Annual Caps. Accordingly, the Company has applied to the Stock Exchange for a waiver of the requirement for a Shareholders' meeting for approval of the New Supply Agreement and the transactions contemplated thereby as well as the Annual Caps pursuant to Rule 14A.43 of the Listing Rules.

A circular containing, among other things, further details of the New Supply Agreement, a letter of advice from an independent financial adviser to the IBC and the Shareholders and a letter of the IBC to the Shareholders will be despatched to the Shareholders as soon as practicable.

## **BACKGROUND**

Reference is made to the prospectus of the Company dated 22 January 2007 which disclosed, among other things, the information of the continuing connected transactions between the Group and GSST and SSST respectively under the Previous Supply Agreements.

As the Previous Supply Agreements are to expire on 31 December 2009, on 11 December 2009, SME, a wholly-owned subsidiary of the Company, for and on behalf of the Existing Meadville Purchasers and the Potential Meadville Purchasers entered into the New Supply Agreement with GSST and SSST for obtaining the supply of prepreg and laminate from GSST and SSST.

## **THE NEW SUPPLY AGREEMENT**

### ***Date:***

11 December 2009

### ***Parties:***

- (i) SME (for and on behalf of the Existing Meadville Purchasers and the Potential Meadville Purchasers) as purchasers
- (ii) GSST and SSST as suppliers

As at the date of this announcement, GSST is a connected person of the Company under the Listing Rules by virtue of being a substantial shareholder of each of DMC and SYE, two subsidiaries of the Company. Since SSST is owned as to 75% by GSST, SSST is an associate of GSST and a connected person of the Company within the meaning of the Listing Rules.

### ***Term:***

A term of 3 years commencing on the 1 January 2010 until 31 December 2012

### ***Subject Matter:***

Under the New Supply Agreement, GSST and SSST have agreed to supply prepreg and laminate to the Existing Meadville Purchasers and the Potential Meadville Purchasers from time to time during the term of the New Supply Agreement.

### ***Condition precedent:***

The New Supply Agreement is conditional on the approval of the New Supply Agreement, the continuing connected transactions contemplated thereby and the Annual Caps by the Shareholders pursuant to the requirement of the Listing Rules.

Su Sih (BVI) Limited, the controlling shareholder of the Company which holds approximately 57.53% of the issued share capital of the Company, has approved in writing the New Supply Agreement and the transactions contemplated thereby as well as the Annual Caps. The Company has applied to the Stock Exchange for a waiver of the requirement for a Shareholders' meeting for approval of the New Supply Agreement and the transactions contemplated thereby as well as the Annual Caps pursuant to Rule 14A.43 of the Listing Rules.

**Considerations and other terms of the New Supply Agreement:**

Pursuant to the New Supply Agreement, GSST and SSST have agreed to supply prepreg and laminate to the Existing Meadville Purchasers and the Potential Meadville Purchasers in accordance with the detailed terms of (i) the purchase orders to be issued by each member of the Existing Meadville Purchasers and the Potential Meadville Purchasers or (ii) the specific sale and purchase contracts to be entered into by each of them with GSST and/or SSST from time to time during the term of the New Supply Agreement. Despite the connection between the parties, the purchase price and the terms of each transaction will be agreed on an arm's length basis and on normal commercial terms and will be determined with reference to the prices of similar products of similar grade available in the market and will be no less favourable to the Existing Meadville Purchasers and the Potential Meadville Purchasers than those offered by GSST and/or SSST to independent third parties or those offered by independent third parties to the Existing Meadville Purchasers and/or the Potential Meadville Purchasers. According to the New Supply Agreement, the purchase prices shall be payable monthly in cash with a maximum of 90 days' credit period.

The maximum annual aggregate value of the prepreg and laminate to be sold and purchased between GSST and SSST as suppliers of the one part and the Existing Meadville Purchasers and the Potential Meadville Purchasers as purchasers of the other part for the term of three years as set out in the New Supply Agreement are as follows :-

- (a) for the year commencing on 1 January 2010 and ending on 31 December 2010, not exceeding HK\$600 million;
- (b) for the year commencing on 1 January 2011 and ending on 31 December 2011, not exceeding HK\$750 million; and
- (c) for the year commencing on 1 January 2012 and ending on 31 December 2012, not exceeding HK\$938 million.

**PROPOSED ANNUAL CAPS**

The following table sets out the aggregate amounts of purchase of prepreg and laminate from GSST and SSST by the Existing Meadville Purchasers for each of the two financial years ended 31 December 2008 and the ten months ended 31 October 2009:

	<b>Year ended 31 December</b>		<b>For the ten months ended</b>
	<i>(Audited)</i> <b>2007</b>	<i>(Audited)</i> <b>2008</b>	<b>31 October</b> <i>(Unaudited)</i> <b>2009</b>
<b>Approximate amounts</b>	HK\$459 million	HK\$437 million	HK\$300 million

The following table sets out the expected annual capped amounts of purchases of prepreg and laminate from GSST and SSST by the Existing Meadville Purchasers and the Potential Meadville Purchasers for the three years ending 31 December 2012:

	<b>Year ending 31 December</b>		
	<b>2010</b>	<b>2011</b>	<b>2012</b>
<b>Expected amounts</b>	HK\$600 million	HK\$750 million	HK\$938 million

The Directors (excluding the independent non-executive Directors who have been appointed as members of the IBC to advise the Shareholders in respect of the New Supply Agreement and will provide their views after considering the opinion of the independent financial adviser) expect that for each of the three financial years ending 31 December 2012, the annual aggregate value of the Transactions will not exceed the Annual Caps as stated above.

The Annual Caps are determined by reference to (i) the historical purchases record of the Existing Meadville Purchasers from GSST and SSST for the past two financial years ended 31 December 2008 and the ten months ended 31 October 2009; (ii) the estimated approximately 25% annual growth rate in production capacity of the Group (which is derived from the Group's annual revenue growth rate of approximately 25% from 2007 to 2008); and (iii) the current market condition. Therefore, the Annual Caps are estimated by using an estimated growth rate of approximately 25% per annum from 2010 to 2012.

The Directors (excluding the independent non-executive Directors who have been appointed as members of the IBC to advise the Shareholders in respect of the New Supply Agreement and will provide their views after considering the opinion of the independent financial adviser) believe that based on the estimated growth rate of approximately 25% per annum from 2010 to 2012, the expected increased purchases of prepreg and laminate from GSST and SSST for the three years ending 31 December 2012 will not exceed the Annual Caps as stated above.

### **REASONS FOR, AND BENEFIT OF, ENTERING INTO THE NEW SUPPLY AGREEMENT**

Both GSST and SSST have a long history of production of prepreg and laminate and had supplied such raw materials to the Group for the Group's production before the listing of the shares of the Company on the Main Board of the Stock Exchange on 2 February 2007. The proximity of the location of GSST and SSST provides an advantage to the Group in that the manufacturing plants of the Group are able to source raw materials required for production in a timely manner and on short notice. In addition, the high quality raw materials provided by GSST and SSST meet the specific requirements of the Group's production.

The Directors (excluding the independent non-executive Directors who have been appointed as members of the IBC to advise the Shareholders in respect of the New Supply Agreement and will provide their views after considering the opinion of the independent financial adviser) consider that the terms of the New Supply Agreement have been negotiated on an arm's length basis and on normal commercial terms and the terms thereof are fair and reasonable and are in the interest of the Group and the Shareholders as a whole.

### **INFORMATION ON THE GROUP AND THE CONNECTED PERSONS**

The Company is an investment holding company. The Group is principally engaged in the business of manufacturing and distribution of the PCB, prepreg and laminate.

GSST and SSST are both principally engaged in the manufacturing and distribution of, among other things, prepreg and laminate.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, GSST is owned as to approximately 22.18% by AVA International Limited, a wholly-owned subsidiary of the Company. GSST is also a substantial shareholder of DMC and SYE, two subsidiaries of the Company. SSST is owned as to approximately 25% by AVA International Limited and is an associate of GSST by virtue of being 75% owned by GSST. As a result, GSST and SSST are connected persons of the Company within the meaning of the Listing Rules.

### **IMPLICATIONS OF THE LISTING RULES**

As the applicable percentage ratios for the Annual Caps exceed 2.5% but less than 25% on an annual basis, the transactions contemplated by the New Supply Agreement will constitute non-exempt continuing connected transactions for the Company and is subject to the reporting, announcement and independent Shareholders' approval requirements under the Listing Rules. However, as no Shareholder has any interest in the New Supply Agreement, no Shareholder is required to abstain from voting at a general meeting for the approval of the continuing connected transactions contemplated by the New Supply Agreement. Su Sih (BVI) Limited, the controlling shareholder of the Company which holds approximately 57.53% of the issued share capital of the Company, has approved in writing the New Supply Agreement and the continuing connected transactions contemplated thereby as well as the Annual Caps. Accordingly, the Company has applied to the Stock Exchange for a waiver of the requirement for a Shareholders' meeting for approval of the New Supply Agreement and the transactions contemplated thereby as well as the Annual Caps pursuant to Rule 14A.43 of the Listing Rules.

## GENERAL

A circular containing, among other things, further details of the New Supply Agreement, a letter of advice from an independent financial adviser to the IBC and the Shareholders and a letter of the IBC to the Shareholders will be despatched to the Shareholders as soon as practicable.

## DEFINITIONS

In this announcement, the following expressions shall, unless the context requires otherwise, have the following meanings:

“Annual Caps”	for the purpose of Chapter 14A of the Listing Rules, means for each of the three years ending 31 December 2012, HK\$600 million ( <i>for the year ending 31 December 2010</i> ), HK\$750 million ( <i>for the year ending 31 December 2011</i> ) and HK\$938 million ( <i>for the year ending 31 December 2012</i> ) in respect of the annual maximum aggregate value of the prepreg and laminate to be sold and purchased under the New Supply Agreement
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Company”	Meadville Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“DMC”	東莞美維電路有限公司(Dongguan Meadville Circuits Limited), a company incorporated in PRC and a non wholly-owned subsidiary of the Company
“Existing Meadville Purchasers”	SME, DMC, GME, MAF, SMST and SYE
“GME”	廣州美維電子有限公司 (Guangzhou Meadville Electronics Co., Ltd.), a company incorporated in PRC and a wholly-owned subsidiary of the Company
“Group”	collectively, the Company and its subsidiaries from time to time
“GSST”	廣東生益科技股份有限公司(Guangdong Shengyi Sci. Tech Co., Ltd.), a company incorporated in PRC whose shares are listed on the Shanghai stock exchange and an associated company of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IBC”	the independent board committee of the Company formed to advise the Shareholders on the transactions contemplated by the New Supply Agreement and the Annual Caps
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“MAF”	Mica-Ava (Far East) Industrial Limited, a company incorporated in Hong Kong and a non wholly-owned subsidiary of the Company
“New Supply Agreement”	the supply agreement dated 11 December 2009 entered into between (i) GSST and SSST as suppliers and (ii) SME for and on behalf of the Existing Meadville Purchasers and the Potential Meadville Purchasers as purchasers, in relation to the sale and purchase of prepreg and laminate
“PCB”	the printed circuits board(s)
“PRC”	the People’s Republic of China
“Previous Supply Agreements”	two supply agreements both dated 12 January 2007 entered into between (i) GSST and SME (on behalf of itself, DMC, GME, MAF, and SYE), and (ii) SSST and SME (on behalf of itself and SMST), in relation to the sale and purchase of prepreg and laminate, particulars of which have been disclosed in the Company’s prospectus dated 22 January 2007
“Potential Meadville Purchasers”	any subsidiaries (other than SME, DMC, GME, MAF, SMST and SYE) of the Company or of MTG Management (BVI) Limited, MTG PCB (BVI) Limited, MTG (PCB) No. 2 (BVI) Limited and MTG Flex (BVI) Limited
“Shareholders”	shareholder(s) of the Company
“SME”	上海美維電子有限公司(Shanghai Meadville Electronics Co., Ltd.), a company incorporated in PRC and a wholly-owned subsidiary of the Company
“SMST”	上海美維科技有限公司(Shanghai Meadville Science & Technology Co., Ltd.), company incorporated in PRC and a wholly-owned subsidiary of the Company
“SSST”	蘇州生益科技有限公司 (Suzhou Shengyi Sci. Tech Co., Ltd.), a company incorporated in PRC and an associated company of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“SYE”	東莞生益電子有限公司(Dongguan Shengyi Electronics Ltd.), a company incorporated in PRC and a non wholly-owned subsidiary of the Company
“%”	per cent.

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

Hong Kong, 11 December 2009

*As at the date of this announcement, the board of directors of the Company 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.*