



**ANNOUNCEMENT OF INTERIM RESULTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2007**

**FINANCIAL HIGHLIGHTS**

1. Turnover rose by 42% to HK\$1,989 million
2. Gross profit jumped by 45% to HK\$449 million
3. Net asset value (Attributable to equity holders of the Company) per share grew from HK\$0.4892 to HK\$1.0349
4. 4.1 operating profit was HK\$71 million, dropped by 64%  
4.2 profit for the period was HK\$49 million, dropped by 64%  
4.3 basic earnings per share was 0.09 HK cent, dropped by 99%
5. **Excluding the HK\$246 million non-cash and non-operational share award expenses (“SAE”) in the first half of 2007 and the HK\$52 million non-cash and one-time loss on share reform of an associated company (whose shares are listed on the Shanghai Stock Exchange) in the first half of 2006 respectively :**
  - 5.1 operating profit rose by 62% to HK\$317 million
  - 5.2 profit for the period rose by 58% to HK\$295 million
  - 5.3 basic earnings per share grew from 10.37 HK cents to 12.95 HK cents
6. Interim dividend at 2 HK cents per share

**UNAUDITED INTERIM RESULTS**

The board of directors (the “Board”) of Meadville Holdings Limited (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 2007 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 2007**

	<i>Note</i>	<b>Unaudited Six months ended 30 June 2007 HK\$'000</b>	<b>2006 HK\$'000</b>
Turnover	4	<b>1,989,205</b>	1,399,401
Cost of sales	6	<b>(1,540,160)</b>	(1,090,443)
Gross profit		<b>449,045</b>	308,958
Other income	5	<b>65,227</b>	34,583
Selling and distribution expenses	6	<b>(107,112)</b>	(55,357)
General and administrative expenses	6	<b>(89,856)</b>	(92,453)
Share award expenses	6, 7	<b>(245,880)</b>	-
Operating profit		<b>71,424</b>	195,731
Loss on share reform of an associated company		-	(52,237)
Interest income		<b>22,753</b>	2,428
Finance costs		<b>(54,133)</b>	(38,832)
Share of net profit of associated companies		<b>46,560</b>	54,835
Profit before income tax		<b>86,604</b>	161,925
Income tax expense	8	<b>(37,618)</b>	(27,111)
Profit for the period	4	<b>48,986</b>	134,814
Attributable to:			
Equity holders of the Company		<b>1,644</b>	103,384
Minority interests		<b>47,342</b>	31,430
		<b>48,986</b>	134,814



Earnings per share for profit attributable to equity holders of the Company (expressed in HK cent per share)

- basic	9	<u>0.09</u>	<u>6.89</u>
- diluted	9	<u>0.09</u>	<u>6.89</u>
Interim dividend (expressed in HK cents per share)	10	<u>2</u>	<u>-</u>



**CONDENSED CONSOLIDATED INTERIM BALANCE SHEET  
 AT 30 JUNE 2007**

	<i>Note</i>	<b>Unaudited 30 June 2007 HK\$'000</b>	<b>Audited 31 December 2006 HK\$'000</b>
<b>Non-current assets</b>			
Property, plant and equipment		2,287,130	2,030,800
Leasehold land and land use rights		115,789	114,549
Investments in associated companies		480,664	441,409
Goodwill		14,909	14,477
Intangible assets		7,499	8,084
		<u>2,905,991</u>	<u>2,609,319</u>
<b>Current assets</b>			
Stocks and work in progress		407,724	373,459
Debtors and prepayments	11	1,325,184	1,241,699
Taxation recoverable		2,597	2,220
Cash and bank balances		864,016	211,150
		<u>2,599,521</u>	<u>1,828,528</u>
Total assets		<u>5,505,512</u>	<u>4,437,847</u>
<b>Equity</b>			
Capital and reserves attributable to the equity holders of the Company			
Share capital		1,822,612	777,000
Reserves		247,282	(43,189)
		<u>2,069,894</u>	<u>733,811</u>
Minority interests		228,273	203,916
Total equity		<u>2,298,167</u>	<u>937,727</u>
<b>Non-current liabilities</b>			
Borrowings		1,469,980	749,060
Deferred tax liabilities		18,497	14,219
		<u>1,488,477</u>	<u>763,279</u>
<b>Current liabilities</b>			
Creditors and accruals	12	947,130	800,030
Amount due to a subsidiary of a minority shareholder of a subsidiary		46,061	63,359
Amounts due to associated companies		114,939	120,742
Amount due to a minority shareholder		54,770	-
Amounts due to related parties		-	709,598
Borrowings		531,031	1,026,247
Taxation payable		24,937	16,865
		<u>1,718,868</u>	<u>2,736,841</u>
Total liabilities		<u>3,207,345</u>	<u>3,500,120</u>
Total equity and liabilities		<u>5,505,512</u>	<u>4,437,847</u>
Net current assets/(liabilities)		<u>880,653</u>	<u>(908,313)</u>
Total assets less current liabilities		<u>3,786,644</u>	<u>1,701,006</u>



## **NOTES TO 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 Laminate 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 Date”).

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

The condensed consolidated financial information has been approved for issue by the Board of Directors on 17 August 2007.

### **2 Basis of preparation**

The condensed consolidated interim financial information for the six months ended 30 June 2007 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” and other relevant Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange. The condensed consolidated interim financial information has not been audited, but has been reviewed by the Company’s Audit Committee. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2006.



### 3 Accounting policies

The condensed consolidated interim financial information has been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31 December 2006.

The following new standards, amendments to standards and interpretations have been issued but are not effective for 2007 and have not been early adopted:

HKFRS 8, “Operating Segments”, effective for annual periods beginning on or after 1 January 2009. Management is currently assessing the impact of HKFRS 8 on the Group’s operations;

HK(IFRIC) – Interpretation 11, “HKFRS 2 – Group and Treasury Share Transactions”, effective for annual periods beginning on or after 1 March 2007. Management is currently assessing the impact of HK(IFRIC) – Interpretation 11 on the Group’s operations;

HK(IFRIC) – Interpretation 12, “Service Concession Arrangements”, effective for annual periods beginning on or after 1 January 2008. Management is currently assessing the impact of HK(IFRIC) – Interpretation 12 on the Group’s operations; and

HKAS 23 (Revised), “Borrowing Costs”, effective for annual periods beginning on or after 1 January 2009. Management is currently assessing the impact of HKAS 23 on the Group’s operations.

The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 January 2007:

HKAS 1	Amendment to HKAS 1 Presentation of Financial Statement – Capital Disclosures;
HKFRS 7	Financial Instruments: Disclosures;
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies;
HK(IFRIC)-Int 8	Scope of HKFRS 2;
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives; and
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment.



**Meadville Holdings Limited**

**美維控股有限公司**

(Incorporated in the Cayman Islands with limited liability)  
(Stock Code : 3313)

#### **4 Segment information**

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

Sales for the six months ended 30 June 2006 and 2007 represent principally sales of Printed Circuits Board (“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, QTA services and drilling and routing services; (ii) Manufacturing and distribution of Laminates.

Segment assets consist primarily of property, plant and equipment, leasehold land and land use rights, intangible assets, stocks and work in progress, debtors and prepayments and cash and cash equivalents. They exclude items such as deferred income taxation and taxation recoverable.

Segment liabilities comprise operating liabilities. They exclude items such as taxation payable, deferred tax liabilities and amounts due to related parties.

Capital expenditure comprises 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 and amounts due to related parties.

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



The segment results for the periods are as follows:

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2007</b>	<b>2006</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Turnover</b>		
PCB	<b>1,814,198</b>	1,271,623
Inter-segment turnover	-	-
	<hr/>	<hr/>
Subtotal for PCB	<b>1,814,198</b>	1,271,623
	<hr/>	<hr/>
Laminates	<b>318,754</b>	212,886
Inter-segment turnover	<b>(143,747)</b>	(85,108)
	<hr/>	<hr/>
Subtotal for Laminates	<b>175,007</b>	127,778
	<hr/>	<hr/>
Total turnover	<b>1,989,205</b>	1,399,401
	<hr/>	<hr/>
<b>Segment results</b>		
PCB	<b>65,464</b>	178,270
Laminates	<b>5,960</b>	17,461
Loss on share reform of an associated company	-	(52,237)
Interest income	<b>22,753</b>	2,428
Share of net profit of associated companies	<b>46,560</b>	54,835
Finance costs	<b>(54,133)</b>	(38,832)
Income tax expense	<b>(37,618)</b>	(27,111)
	<hr/>	<hr/>
Profit for the period	<b>48,986</b>	134,814
	<hr/>	<hr/>



The segment results for the periods are as follows:

	<b>Unaudited</b> <b>30 June</b> <b>2007</b> <b>HK\$'000</b>	Audited 31 December 2006 <i>HK\$'000</i>
<b>Segment assets</b>		
PCB	<b>4,404,239</b>	3,553,250
Laminates	<b>618,012</b>	440,968
Associated companies	<b>480,664</b>	441,409
Unallocated assets	<b>2,597</b>	2,220
	<hr/>	<hr/>
Total assets	<b>5,505,512</b>	4,437,847
	<hr/> <hr/>	<hr/> <hr/>
<b>Segment liabilities</b>		
PCB	<b>2,743,886</b>	2,285,096
Laminates	<b>250,316</b>	353,600
Associated companies	<b>169,709</b>	120,742
Unallocated liabilities	<b>43,434</b>	740,682
	<hr/>	<hr/>
Total liabilities	<b>3,207,345</b>	3,500,120
	<hr/> <hr/>	<hr/> <hr/>



Other segment items for the periods are as follows:

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2007</b>	<b>2006</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Depreciation</b>		
PCB	129,929	93,235
Laminates	6,400	1,776
Total depreciation	<u>136,329</u>	<u>95,011</u>
<b>Amortisation of leasehold land and land use rights</b>		
PCB	1,019	944
Laminates	367	281
Total amortisation	<u>1,386</u>	<u>1,225</u>
<b>Provision for bad and doubtful debts</b>		
PCB	3,304	4,466
Laminates	-	-
Total provision for bad and doubtful debts	<u>3,304</u>	<u>4,466</u>
<b>Provision for stocks and work in progress</b>		
PCB	4,735	5,220
Laminates	600	1,635
Total provision for stocks and work in progress	<u>5,335</u>	<u>6,855</u>
<b>Amortisation of intangible assets</b>		
PCB	585	585
Laminates	-	-
Total amortisation of intangible assets	<u>585</u>	<u>585</u>
<b>Capital expenditure</b>		
PCB	319,862	287,338
Laminates	13,894	6,419
Total capital expenditure	<u>333,756</u>	<u>293,757</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 turnover by geographical location is determined by the final destination to where the products are delivered:

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2007</b>	<b>2006</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
PRC	<b>1,293,886</b>	852,696
Hong Kong	<b>246,022</b>	123,562
North Asia	<b>122,380</b>	173,091
North America	<b>111,870</b>	103,819
Europe	<b>124,835</b>	85,851
Southeast Asia	<b>90,212</b>	60,382
	<hr/>	<hr/>
Total turnover	<b>1,989,205</b>	1,399,401
	<hr/> <hr/>	<hr/> <hr/>

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>2007</b>	<b>2006</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Hong Kong	<b>1,710,708</b>	1,036,940
PRC	<b>3,311,543</b>	2,957,278
Associated companies	<b>480,664</b>	441,409
Unallocated assets	<b>2,597</b>	2,220
	<hr/>	<hr/>
Total assets	<b>5,505,512</b>	4,437,847
	<hr/> <hr/>	<hr/> <hr/>

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

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2007</b>	<b>2006</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Hong Kong	<b>10,989</b>	18,493
PRC	<b>322,767</b>	275,264
	<hr/>	<hr/>
Total capital expenditure	<b>333,756</b>	293,757
	<hr/> <hr/>	<hr/> <hr/>



## 5 Other income

	Unaudited	
	Six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
Sales of scrap	56,442	27,382
Investment tax credits <sup>(i)</sup>	2,833	504
Tooling charges	2,883	5,737
Sundries	3,017	718
Sales of raw materials	11	242
Gain on partial disposal of a subsidiary <sup>(ii)</sup>	41	-
	<u>65,227</u>	<u>34,583</u>

### Note

- (i) Investment tax credits represent incentives receivable as a result of the re-investment of the dividend income from subsidiaries in the PRC.
- (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.

## 6 Expenses by nature

	Unaudited	
	Six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
Raw material and consumables used	1,015,891	672,654
Employee benefit expenses (Note 7)	516,133	220,868
Amortisation of intangible assets	585	585
Amortisation of leasehold land and land use rights	1,386	1,225
Depreciation of property, plant and equipment	136,329	95,011
(Gain)/loss on disposal of property, plant and equipment	(340)	167
Provision for bad and doubtful debts	3,304	4,466
Provision for stocks and work in progress	5,335	6,855
Sales commission	9,468	8,130
Management fee expense to a related company	-	3,000
Subcontracting expenses	40,806	34,961
Auditors' remuneration	1,346	1,071
Operating lease rental expense		
- Land and buildings	2,213	1,197
Others	250,552	188,063
	<u>1,983,008</u>	<u>1,238,253</u>

Total cost of sales, selling and distribution, general and administrative expenses and share award expenses



**Meadville Holdings Limited**

**美維控股有限公司**

(Incorporated in the Cayman Islands with limited liability)  
(Stock Code : 3313)

## **7 Share award expenses**

Included in the employee benefit expenses was an amount of approximately HK\$245.9 million, representing the share award expenses.

As previously disclosed in the Group's Prospectus during the Listing stage, the substantial 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 a 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 total issued share capital immediately after the Listing Date.

Out of the total 134,800,000 shares, 105,448,000 shares are not subject to the return condition as specified in the Prospectus whereas for the 29,352,000 shares which are subject to return condition, the Group is required to recognize 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 shares which are not subject to the return condition and based on the offer price of HK\$2.25 per share, share award expenses of a total of HK\$237.3 million were charged to the profit and loss account for the period ended 30 June 2007.

In respect of those 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 of 2007, and HK\$8.6 million will be charged for the second half of 2007 whereas HK\$17.2 million, 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 2008, 2009, 2010 and 2011 respectively.

For the share award expenses charged for the period ended 30 June 2007, a corresponding increase is made as an employee share-based compensation reserve under equity.



## 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>2007</b>	<b>2006</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Company and subsidiaries		
Current income tax		
- Hong Kong profits tax	<b>315</b>	-
- Overseas taxation	<b>33,026</b>	23,759
Deferred income tax	<b>4,277</b>	3,352
	<b>37,618</b>	<b>27,111</b>

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 17.5% (2006: 17.5%) on the estimated assessable profit for the period ended 30 June 2007. The rates applicable for income tax in the PRC is 33% (2006: 33%) for the period ended 30 June 2007.

On 16 March 2007, the National People's Congress of the PRC approved the Corporate Income Tax Law (the "new CIT Law"). The new CIT Law increases the corporate income tax rate for foreign invested enterprises from existing preferential rates to 25% with effect from 1 January 2008.

The new CIT Law provides that further detailed measures and regulations on the determination of taxable profit, tax incentives and grandfathering provisions will be issued by the State Council in due course. As and when the State Council announces the additional regulations, the Company will assess their impact, if any, and this change in accounting estimate will be accounted for prospectively.



## 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 ordinary shares in issue during the period. In determining the weighted average number of ordinary shares in issue, a total of 1,500,000,000 ordinary shares were deemed to be in issue since 1 January 2006.

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2007</b>	<b>2006</b>
Profit attributable to equity holders of the Company (HK\$'000)	<u>1,644</u>	<u>103,384</u>
Weighted average number of ordinary shares in issue (shares in thousands)	<u>1,911,602</u>	<u>1,500,000</u>
Basic earnings per share (expressed in HK cent per share)	<u>0.09</u>	<u>6.89</u>

### (b) Diluted

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

During the periods ended 30 June 2006 and 2007, there were no potential dilutive ordinary shares outstanding.

## 10 Interim dividend

The Board has resolved to recommend the payment of an interim dividend of 2 HK cents per share, amounting to approximately HK\$40 million (2006 : Nil).



## 11 Debtors and prepayments

	<b>Unaudited</b> <b>30 June</b> <b>2007</b> <b>HK\$'000</b>	Audited 31 December 2006 <i>HK\$'000</i>
Debtors	<b>1,100,667</b>	1,124,995
Prepayments and other receivables	<b>224,517</b>	116,704
	<b>1,325,184</b>	1,241,699

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 aging analysis of the debtors, based on the invoice date and net of provision, is as follows:

	<b>Unaudited</b> <b>30 June</b> <b>2007</b> <b>HK\$'000</b>	Audited 31 December 2006 <i>HK\$'000</i>
Within credit period	<b>787,467</b>	827,403
0 - 30 days	<b>160,086</b>	171,962
31 - 60 days	<b>92,950</b>	61,396
61 - 90 days	<b>32,024</b>	26,449
Over 90 days	<b>28,140</b>	37,785
	<b>1,100,667</b>	1,124,995

**Meadville Holdings Limited****美維控股有限公司**(Incorporated in the Cayman Islands with limited liability)  
(Stock Code : 3313)**12 Creditors and accruals**

	<b>Unaudited 30 June 2007 HK\$'000</b>	Audited 31 December 2006 HK\$'000
Creditors	<b>531,160</b>	382,330
Accruals	<b>415,970</b>	417,700
	<b>947,130</b>	800,030

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

	<b>Unaudited 30 June 2007 HK\$'000</b>	Audited 31 December 2006 HK\$'000
Within credit period	<b>390,967</b>	286,059
0 - 30 days	<b>77,828</b>	58,823
31 - 60 days	<b>43,840</b>	21,214
61 - 90 days	<b>7,301</b>	9,629
Over 90 days	<b>11,224</b>	6,605
	<b>531,160</b>	382,330



## **CHAIRMAN'S STATEMENT**

It is my pleasure to present to you our Group's first half-year result report since the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Listing") on 2 February 2007. As the year has progressed with our improvements in financial positioning, we have gone from strength to strength, and our Company has delivered tremendous growth as a result.

China's economic growth continues to be in the world spotlight, and our strong positioning, capability, production capacity and customer relationships have enabled us to be a part of this ongoing growth. The Group's technology focus and experience in the China market have allowed us to continue expanding to meet the ever-increasing demand for high value-added Printed Circuit Board ("PCB") from both local and international markets.

### **Business review**

During the first half of 2007, the Group's focused higher-technology PCB sectors with applications in telecommunication infrastructure such as networking products, base stations and backplane, computer systems such as system servers and higher-end game consoles remained bullish. However, PCB demands with computer motherboard applications, as well as lower-end consumer products and mobile handsets remained cyclical.

China's economic growth, together with its ongoing investments in infrastructure, such as the pilot-testing of the TD-SCDMA network, have fuelled additional demand in high-layered PCBs.

With our strong foothold in China, as well as our long-established relationship with China-based customers, the Group's PCB and copper clad laminates sales in the China market has grown from 60.9% of the Group's total sales in the first six months of 2006 to 65.0% of the Group's total sales in the first six months of 2007.

On top of this, we saw strong new orders flow in from multinational telecommunication original equipment manufacturers ("OEMs") which the Group gained qualification in 2006.

As a result of these factors, the Group's PCB sales for the first half of 2007 have grown by 42.7% over the same period of 2006, while sales in the telecommunication sector, which requires primarily high layer-count and HDI PCBs, grew from 48.8% of the Group's PCB sales in the first half of 2006 to 58.7% of the Group's PCB sales in the first half of 2007.

The Group's PCB sales growth for the period under review was able to out-perform PCB demand growth in both China and worldwide for 2007 over 2006, which demand growth has been projected by a leading PCB industry analyst, N.T. Information Limited, to be at US\$14.2 billion and US\$51.2 billion in 2007, or at 17.3% and 8.8% increase over 2006 respectively.

In line with our PCB growth, the Group's total prepreg and laminate sales in the first half of 2007 achieved 49.7% growth over the first half of 2006, and the prepreg and laminate sales to external customers also achieved 37.0% growth over the first half of 2006.

This significant growth in turnover was made possible by the Group's continuous efforts to expand production capacity for conventional and HDI PCBs as well as prepreg and laminates.

The Group's annualized production capacity as of 30 June 2007 was 14.9 million square feet for conventional PCBs (including QTA's capacity), 5.3 million square feet for HDI PCBs, 0.8 million square feet for IC substrates and 40 million square feet for copper clad laminates, which represented 26.3%, 29.3%, 142.9% and 7.6% growth respectively over the Group's annualized production capacity as at 30 June 2006.



**Meadville Holdings Limited**

**美維控股有限公司**

(Incorporated in the Cayman Islands with limited liability)  
(Stock Code : 3313)

Apart from the week of shutdown over the Chinese New Year period this year, the Group was able to fully utilize all expanded production capacity throughout the first six months of 2007.

As a result, sales of conventional PCBs, HDI PCBs, IC substrate and QTA PCBs for the first six months of 2007 have been HK\$1,241 million, HK\$467 million, HK\$66 million and HK\$35 million respectively, a growth of 40.0%, 38.4%, 75.8% and 357.9% over the corresponding period in 2006.

In line with the Group's technological focus, the average layer count for the period under review has been able to increase from 7.33 layers in the first six months of 2006 to 7.42 layers in the same period of 2007. The blended average selling price has also increased from US\$22.4 per square foot in the first six months of 2006 to US\$24.4 per square foot in the corresponding period of 2007.

In spite of the increasing price of raw materials in Q2 2007, the Group's gross profit and margin for the period under review has been able to increase over last year's same period of HK\$309 million and 22.1% to achieve a record level of HK\$449 million and 22.6% respectively.

As previously disclosed in the Group's Prospectus during the Listing stage, a total of 134.8 million shares were awarded to various grades of the Group's employees and a consultant ("Share Awards") as a token of appreciation for their loyalty and past services. In accordance with HKFRS, there will be a total of HK\$303 million non-cash employee expenses related to the Share Awards charged to the Group's profit and loss account for the financial years ending 31 December 2007 to 2011. Out of these total charges, HK\$246 million had been charged to the profit and loss account for the first half of 2007. However, these Share Awards expenses had no impact on the Group's net asset value, as the corresponding entry of these expenses was credited to the Group's employee share-based compensation reserve account.

Group's profit and profit margin stood at HK\$49 million and 2.5% to the Group's turnover in the first six month of 2007 after the share award expenses of HK\$246 million. Excluding these non-cash and non-operational Share Awards expenses, the Group's profit and profit margin for the six months up to 30 June 2007 would be recorded at HK\$295 million and 14.8% respectively, which represented a growth of 57.8% and 10.4% over HK\$187 million and 13.4% in the first six months of 2006, such profit and profit margin of the first half of 2006 were after exclusion of the non-recurring and one-time GSST shares reform charges of HK\$52 million.

As of 30 June 2007, the Group's total equity increased to HK\$2,298 million over HK\$938 million as of 31 December 2006. This was mainly due to taking in the net Listing proceeds of HK\$1,046 million and the profit of HK\$295 million (excluding the non-cash Share Awards related charges) generated in the first six months ended 30 June 2007.

Out of the net Listing proceeds, HK\$334 million was utilized in the production capacity expansion of our DMC plant in Dongguan, the new establishment of GME and MAG plants in Guangzhou and the general upgrade of other plants during the first half of 2007. The remaining portions of the proceeds have been placed in short term interest-bearing deposits with licensed banks.

### **Future prospects**

The impacts on the global economy, as caused by the subprime mortgage issue in the U.S., are still unknown. However, the economy in China is expected to remain bullish, with infrastructure spendings underway in preparation for the 2008 Olympic Games and China's ever-strengthening consumer buying power continuing to support a strong PCB market demand.



**Meadville Holdings Limited**

**美維控股有限公司**

(Incorporated in the Cayman Islands with limited liability)  
(Stock Code : 3313)

Due to the continuous development of TD-SCDMA networks and the impending launch of 3G service in China in the second half of 2007, we expect China's PCB requirements to show greater growth in high-layered conventional PCBs and 2+n+2 HDI PCBs in the second half of 2007.

As a result of our strong and long-standing relationships with China customers, we expect to further capitalize these expanding business opportunities. Additionally, we also expect more business growth in large multinational OEMs as qualified in 2006.

To cater to local China business and global business demand from multinational OEMs, the Group's planned expansion is on track to increase the production capacity of DMC to reach about 900,000 square feet conventional PCBs output per month at an average layer count of above 7 by Q4 2007.

The setting up of both GME for HDI production capacity and MAG, the wholly owned subsidiary of the joint venture company with Hitachi Chemical Co., Ltd. for high-end prepreg and copper clad laminate products are also on track, with pilot production planned for Q4 2007. The new Dongguan plant – primarily for conventional high layered PCBs – will start piling works soon with pilot production planned for Q3 2008.

To accommodate the expanding China PCB market share and the growing global PCB business, the Group plans to have an annualized 16.7 million square feet of conventional PCBs, 6.3 million square feet of HDI PCBs, 1.0 million square feet of IC substrates and 46.4 million square feet of copper clad laminate production capacity in place by 31 December 2007.

Despite all the favourable factors mentioned above, the Group will closely monitor (i) the impacts on operation costs as caused by the Renminbi appreciation, (ii) the China economic development as caused by China macro-economic control policies as implemented from time to time, and (iii) the impacts on the U.S. and global economy as caused by the subprime mortgage issue in the U.S. If any of these impacts will cause slow-down in demand in high-end PCBs in China, the Group will regulate the Group's production capacity expansion schedule accordingly.

As for the balance of the non-cash employee charges relating to the Share Awards, HK\$8.6 million, HK\$17.2 million, HK\$17.2 million, HK\$9.9 million and HK\$4.4 million will be charged to the profit and loss account for the second half of 2007 and for each of the financial years ending 2008, 2009, 2010 and 2011 respectively.

As our production capacities are fully booked until October and the Group has just achieved another record month of PCB sales in July 2007, we have confidence that barring any unforeseen circumstances (such as possible global economic slow-down caused by the issue of U.S. subprime mortgage), 2007's second half results will remain satisfactory for the Group.

Finally, on behalf of the Board, I would like to express our deep appreciation and heartfelt thanks to all Meadville's employees who have made all these records possible.



## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Capital structure, liquidity and financial resources**

For the six months ended 30 June 2007, the Group financed its liquidity requirements by a combination of new capital as raised through the Listing on 2 February 2007, bank borrowing and cash generated by operations. The Group's liquidity position has been improved after taking in the net Listing proceeds totalling approximately HK\$1,046 million in February 2007. With an enhanced capital structure and operating cash flow, the Group's net current assets show significant improvement and stood at HK\$881 million as at 30 June 2007 (net current liabilities of HK\$908 million as at 31 December 2006). Current ratio improved to 1.51 (31 December 2006 : 0.67) whereas the gearing ratio (expressed as total net borrowings over total equity) reduced to 0.49 (31 December 2006 : 1.67).

Part of the proceeds derived from the Listing amounting to HK\$334 million had been used for financing the on-going expansion and upgrading of our production facilities during the six months ended 30 June 2007. The remaining balance which was not immediately required for the planned capital expenditure spendings had been placed in short term interest-bearing deposit with licensed banks. As at 30 June 2007, the Group's cash and bank balances increased to HK\$864 million (31 December 2006 : HK\$211 million).

As at 30 June 2007, the Group's total borrowings, including bank loans and overdrafts increased by 12.7% to HK\$2,001 million (31 December 2006 : HK\$1,775 million). The increase of borrowings was mainly due to the payment of HK\$700 million to Photomask (HK) Limited ("PHKL"), the former holding company of the Group, being part of the consideration in acquiring the Group's PCB and laminate businesses from PHKL on reorganisation before the Listing Date.

The Group had banking facilities comprising primarily bank loans and overdrafts, amounted to HK\$4,009 million of which HK\$1,645 million was unutilized as at 30 June 2007.

The Group's assets were free from charge as at 30 June 2007 and 31 December 2006.

### **Capital commitment and contingent liabilities**

As at 30 June 2007, the Group had outstanding capital commitment in respect of purchases of property, plant and equipment of HK\$855 million (31 December 2006 : HK\$278 million). In addition, the Group had commitment in respect of injection of additional capital into certain subsidiaries established in the PRC totalling approximately HK\$343 million (31 December 2006 : HK\$434 million). The funding of such capital commitments will be sourced from the net Listing proceeds, bank borrowing and the cashflow internally generated from operating activities.

The Group had no material contingent liabilities as at 30 June 2007.

### **Staff and remuneration policy**

As at 30 June 2007, the Group had a total of 9,345 employees (31 December 2006 : 7,977). The increase in the number of headcounts was to cope with our ongoing production capacity expansion of the Group. Staff costs increased to HK\$516 million. Excluding the share award expenses, it was increased by 22.2% to HK\$270 million for the six months ended 30 June 2007 (30 June 2006 : HK\$221 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 levels while bonuses are granted by reference to the performance of the Group and individual employees.



Upon the successful Listing in February 2007, free award shares had been granted to employees and a consultant by the substantial shareholder in appreciation of their contributions to the growth of the Group and to incentivize them. Share award expenses, totalling HK\$246 million were charged to the profit and loss account but the expenses had no impact on the Group's cashflow and net asset value.

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 of the award shares granted by the substantial shareholder, there is no immediate need or urgency to grant share option under the scheme.

### **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. 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**

A joint venture agreement was signed with Hitachi Chemical Co., Ltd. ("Hitachi") in April 2007 by which Hitachi acquired 6.29% equity interest of one of our investment holding companies, Mica-Ava (No.3) Limited, at a consideration of HK\$14.7 million. Except for as disclosed above, the Group had no material acquisition or disposal of subsidiaries and associated companies during the six months ended 30 June 2007.

### **Segmental information**

Details of segmental information are set out in Note 4 to the interim financial information.

### **Review of operating results – six months ended 30 June 2007 ("1H 2007") compared to six months ended 30 June 2006 ("1H 2006")**

#### ***Turnover and gross profit***

The Group's turnover increased by 42.2% to HK\$1,989 million in 1H 2007 (1H 2006 : HK\$1,399 million) with details as highlighted in the Chairman's Statement. As the Group benefited from sales of higher value-added and higher margin products, better economy of scale and be able to pass on majority of raw material increase to customers through increase in selling prices, gross profit increased by 45.3% to HK\$449 million in 1H 2007 (1H 2006 : HK\$309 million). Gross margin on turnover expanded to 22.6% in 1H 2007 (1H 2006 : 22.1%).

#### ***Other income***

Other income increased by 85.7% to HK\$65 million in 1H 2007 (1H 2006 : HK\$35 million). Other income as percentage to turnover increased to 3.3% in 1H 2007 (1H 2006 : 2.5%). This increase was primarily due to higher scrap sales of HK\$56 million in 1H 2007 (1H 2006 : HK\$27 million) as attributed to higher PCB production volume and increased copper and gold scrap resale unit prices.



### ***Operating profit***

Operating profit was HK\$71 million (1H 2006 : HK\$196 million) and operating margin was 3.6% (1H 2006 : 14.0%). The decrease was mainly due to the non-cash share award expenses of HK\$246 million. 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. If excluding the non-cash share award expenses, the operating profit would have reached HK\$317 million in 1H 2007 (1H 2006 : HK\$196 million). Operating profit margin would have been improved to 15.9% in 1H 2007 (1H 2006 : 14.0%)

Selling and distribution expenses as percentage of the Group's turnover increased to 5.4 % in 1H 2007 (1H 2006 : 4.0%) which was mainly due to a mix of higher market development expenses, freight and shipping costs plus high surcharges on sales returns of higher value-added PCBs.

General and administrative expenses as percentage of the Group's turnover decreased to 4.5% in 1H 2007 (1H 2006 : 6.6%) which was mainly due to exchange gain as a result of the appreciation of Renminbi in 1H 2007.

### ***Profit for the period***

Finance income increased to HK\$23 million (1H 2006 : HK\$2 million) was mainly due to interest income earned on the subscription fund during the Listing period and higher cash balances after taking in the net Listing proceeds in February 2007. Finance costs increased by 38.5% to HK\$54 million in 1H 2007 (1H 2006 : HK\$39 million) was mainly due to higher bank borrowings as explained earlier.

Share of net profit of associated companies decreased by 14.5% to HK\$47 million in 1H 2007 (1H 2006 : HK\$55 million) was primarily due to decrease in net profits of Guangdong Shengyi Sci. Tech Co., Ltd. and Suzhou Shengyi Sci. Tech Co., Ltd.

Income tax expense increased to HK\$38 million in 1H 2007 (1H 2006 : HK\$27 million). Income tax expense as percentage of the Group's taxable profit (profit before income tax less share of net profit of associated companies plus the non-cash share award expenses) improved to 13.2% in 1H 2007 (1H 2006 : 17.0% where the Group's taxable profit was profit before income tax less share of net profit of associated companies plus loss on share reform of an associated company) was partly due to higher profit earned by our PRC subsidiary which was enjoying tax exemption.

Profit for the period fell to HK\$49 million in 1H 2007 (1H 2006 : HK\$135 million). However if excluding the non-cash share award expenses, the profit for the period would have increased to HK\$295 million. The profit margin was 2.5% (1H 2006 : 9.6%) but which would have been improved to 14.8% in 1H 2007 if the non-cash share award expenses were excluded.

### **Interim dividend**

The Board has resolved to recommend the payment of the interim dividend of 2 HK cents per share, amounting to approximately HK\$40 million (2006 : Nil). The interim dividends will be payable to the shareholders on around 28 September 2007 whose names appear on the register of members of the Company on 20 September 2007.



## **Closure of register of members**

The register of members of the Group will be closed from 17 September 2007 to 20 September 2007, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Group's branch share registrar in Hong Kong, Tricor Investor Services Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on 14 September 2007.

## **Purchase, sale or redemption of the company's listed securities**

During the six months ended 30 June 2007, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed shares.

## **Corporate governance practices**

The Company is committed to the maintenance of high standards corporate governance practices and procedures. The Board has established various committees, including the Audit Committee, the Nomination Committee, the Remuneration Committee and the Executive Committee.

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company has applied the principles and complied with all the applicable code provisions set out in the Code since the Listing Date. In addition to the mandatory Code, the Board will continuously enhance the corporate governance standard of the Company by reference to certain recommended best practices contained in Appendix 14 to the Listing Rules whenever suitable and appropriate.

## **Model code for securities transactions by directors**

The Company had adopted an Internal Code for Securities Transactions by Employees of Meadville Group ("Internal Code") as its own code of conduct regarding directors' and relevant employees' securities transactions on terms no less exacting than the required standard as set out in the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules. Having made specific enquiry, all directors have confirmed that they have fully complied with the required standards as set out in the Internal Code.

## **Audit committee**

The Company has established an audit committee ("Audit Committee") with written terms of reference in compliance with the Code to review and supervise the financial reporting process and internal control system of the Group. The Audit Committee comprises three independent non-executive directors, namely, Mr Lee, Eugene as chairman, Mr Leung Kwan Yuen, Andrew and Dr Li Ka Cheung, Eric. The interim results for the six months ended 30 June 2007 have been reviewed by the Audit Committee and the Company's auditors, PricewaterhouseCoopers.



**Meadville Holdings Limited**

**美維控股有限公司**

(Incorporated in the Cayman Islands with limited liability)  
(Stock Code : 3313)

### **Nomination committee**

The Company has established a nomination committee (“Nomination Committee”) with written terms of reference setting out duties, responsibilities and authorities delegated to them by the Board. The Nomination Committee comprises three independent non-executive directors, namely, Mr Leung Kwan Yuen, Andrew as chairman, Dr Li Ka Cheung, Eric, Mr Lee, Eugene and two executive directors, Mr Chung Tai Keung, Canice, and Ms Tang Ying Ming, Mai. The Nomination Committee meeting will be held at least once a year. The primary duties of the Nomination Committee include making recommendations to the Board on appointment of directors and review of the structure, size and composition of the Board on a regular basis.

### **Remuneration committee**

The Company has established a remuneration committee (“Remuneration Committee”) with written terms of reference setting out duties, responsibilities and authorities delegated to them by the Board. The Remuneration Committee comprises three independent non-executive directors, namely, Dr Li Ka Cheung, Eric as chairman, Mr Lee, Eugene, Mr Leung Kwan Yuen, Andrew and two executive directors, namely, Mr Chung Tai Keung, Canice and Ms Tang Ying Ming, Mai. The primary duties of the Remuneration Committee include review of and recommendations to the Board on the remuneration structure for all directors and senior management of the Group.

### **Executive committee**

The Company has established an executive committee (“Executive Committee”) with written terms of reference setting out duties, responsibilities and authorities delegated to them by the Board. The Executive Committee comprises all the Executive Directors, namely, Mr Tang Chung Yen, Tom as chairman, Mr Tang Hsiang Chien, Mr Chung Tai Keung, Canice, and Ms Tang Ying Ming, Mai. The primary duties of the Executive Committee include supervision of day-to-day management of the Group.

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

Hong Kong, 17 August 2007

*As at the date of this announcement, the Board comprises 7 directors, of which Mr TANG Hsiang Chien, Mr TANG Chung Yen, Tom, Mr CHUNG Tai Keung, Canice and Ms TANG Ying Ming, Mai 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.*