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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)

## ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2009

### UNAUDITED INTERIM RESULTS

The board of directors (“**Board**”) of Meadville Holdings Limited (“**Company**” or “**Meadville**”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively “**Group**”) for the six months ended 30 June 2009 together with the comparative figures for the previous period as follows:-

### **CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2009**

		<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
		<b>2009</b>	<b>2008</b>
	Notes	<b>HK\$'000</b>	<b>HK\$'000</b>
Revenue	4	<b>2,365,370</b>	2,705,205
Cost of sales	6	<b>(1,896,464)</b>	(2,172,790)
Gross profit		<b>468,906</b>	532,415
Other income	5	<b>58,661</b>	86,582
Selling and distribution expenses	6	<b>(130,924)</b>	(138,484)
General and administrative expenses	6	<b>(183,953)</b>	(75,152)
Share award expenses	6, 7	<b>(7,226)</b>	(8,622)
Operating profit		<b>205,464</b>	396,739
Interest income		<b>801</b>	2,701
Finance costs		<b>(42,814)</b>	(67,233)
Share of net profit of associated companies		<b>22,714</b>	50,453
Profit before income tax		<b>186,165</b>	382,660
Income tax expense	8	<b>(40,738)</b>	(55,226)
Profit for the period	4	<b>145,427</b>	327,434
Attributable to:			
Equity holders of the Company		<b>94,898</b>	278,660
Minority interests		<b>50,529</b>	48,774
		<b>145,427</b>	327,434
Earnings per share for profit attributable to equity holders of the Company during the period (expressed in HK\$ per share)			
- basic and diluted	9	<b>0.0483</b>	0.1393
Interim dividend (expressed in HK\$ per share)	10	<b>0.015</b>	0.028

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED 30 JUNE 2009**

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2009</b>	<b>2008</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Profit for the period	<b>145,427</b>	327,434
	-----	-----
<b>Other comprehensive income</b>		
Exchange differences	<b>489</b>	157,399
Fair value loss of available-for-sale financial asset	<b>(2,229)</b>	-
Cash flow hedge		
- change in fair value of hedging instruments	<b>15,814</b>	-
- transfer to income statement upon change in fair value of hedged items	<b>(13,408)</b>	-
	-----	-----
Other comprehensive income for the period	<b>666</b>	157,399
	-----	-----
Total comprehensive income for the period, net of tax	<b>146,093</b>	484,833
	=====	=====
Total comprehensive income attributable to:		
Equity holders of the Company	<b>95,467</b>	412,373
Minority interests	<b>50,626</b>	72,460
	-----	-----
	<b>146,093</b>	484,833
	=====	=====

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION  
AT 30 JUNE 2009**

	Notes	Unaudited 30 June 2009 HK\$'000	Audited 31 December 2008 HK\$'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment		5,199,608	5,290,295
Leasehold land and land use rights		176,178	178,430
Intangible assets		21,576	22,159
Interests in associated companies		607,209	620,573
Available-for-sale financial asset		18,406	20,635
Derivative financial instruments		15,635	-
Deferred tax assets		38,678	32,682
		<u>6,077,290</u>	<u>6,164,774</u>
<b>Current assets</b>			
Inventories		501,865	544,904
Debtors and prepayments	11	1,140,917	1,243,021
Derivative financial instruments		179	-
Taxation recoverable		22,562	21,820
Cash and bank balances		893,890	889,773
		<u>2,559,413</u>	<u>2,699,518</u>
Total assets		<u>8,636,703</u>	<u>8,864,292</u>
<b>Equity</b>			
Capital and reserves attributable to the equity holders of the Company			
Share capital		1,822,252	1,822,252
Reserves		1,031,717	956,520
		<u>2,853,969</u>	<u>2,778,772</u>
Minority interests in equity		503,387	425,167
Total equity		<u>3,357,356</u>	<u>3,203,939</u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings		2,880,764	2,777,110
Derivative financial instruments		13,465	17,350
Deferred tax liabilities		103,510	97,081
Financial liabilities		155,620	151,270
Long-term other payables		157,278	74,564
		<u>3,310,637</u>	<u>3,117,375</u>
<b>Current liabilities</b>			
Creditors and accruals	12	1,084,162	1,467,106
Amount due to a subsidiary of a minority shareholder of a subsidiary		31,100	16,828
Amounts due to associated companies		94,345	121,595
Amount due to a minority shareholder		30,910	60,466
Borrowings		676,598	858,525
Derivative financial instruments		4,693	8,015
Dividend payable		27,496	-
Taxation payable		19,406	10,443
		<u>1,968,710</u>	<u>2,542,978</u>
Total liabilities		<u>5,279,347</u>	<u>5,660,353</u>
Total equity and liabilities		<u>8,636,703</u>	<u>8,864,292</u>
Net current assets		<u>590,703</u>	<u>156,540</u>
Total assets less current liabilities		<u>6,667,993</u>	<u>6,321,314</u>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 1 General information

The Group is principally engaged in the manufacturing and distribution of the printed circuit boards (“PCB”), prepreg 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 (“**Stock Exchange**”) on 2 February 2007.

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

This condensed consolidated interim financial information has been approved for issue by the Board on 17 August 2009.

### 2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2009 has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” and other relevant Hong Kong Financial Reporting Standard(s) (“**HKFRS(s)**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) as well as the disclosure requirements of Appendix 16 of The Rules Governing the Listing of Securities on the Stock Exchange (“**Listing Rules**”). This condensed consolidated interim financial information has not been audited, but has been reviewed by the audit committee of the Board (“**Audit Committee**”). This condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2008, which have been prepared in accordance with HKFRSs.

### 3 Accounting policies

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2008, as described in those annual financial statements.

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

The following new standards, amendments to standards and interpretations are mandatory for the financial year beginning 1 January 2009.

HKAS 1 (Revised)	Presentation of financial statements
HKAS 23 (Revised)	Borrowing costs
HKAS 27 (Amendment)	Consolidated and separate financial statements
HKAS 32 and HKAS 1 (Amendments)	Puttable financial instruments and obligation arising on liquidation
HKFRS 2 (Amendment)	Share-based payment
HKFRS 7 (Amendment)	Financial instruments: disclosures
HKFRS 8	Operating segments
HK(IFRIC)-Int 13	Customer loyalty programmes
HK(IFRIC)-Int 15	Agreements for construction of real estate
HK(IFRIC)-Int 16	Hedges of a net investment in a foreign operation

#### **HKAS 1 (Revised), ‘Presentation of financial statements’**

The revised standard prohibits the presentation of items of income and expenses (that is ‘non-owner changes in equity’) in the statement of changes in equity, requiring ‘non-owner changes in equity’ to be presented separately from owner changes in equity. All ‘non-owner changes in equity’ are required to be shown in a performance statement.

Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

The Group has elected to present two statements: an income statement and a statement of comprehensive income. The interim financial statements have been prepared under the revised disclosure requirements.

#### ***HKFRS 8, 'Operating segments'***

HKFRS 8 replaces HKAS 14, 'Segment reporting'. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The chief operating decision-makers have been identified as the executive directors ("**Executive Directors**") that make strategic decisions. Following the adoption of HKFRS 8, the presentation of the segment results and segment assets has changed (see Note 4 for details).

The adoption of other new and revised standards, amendments and interpretations listed above have no significant impact on the results and financial position of the Group.

## **4 Segment information**

The chief operating decision-makers have been identified as the Executive Directors. The Executive Directors review the Group's internal reporting in order to assess performance and allocate resources. The Executive Directors have determined the operating segments based on these reports. The Executive Directors consider the business from product perspective. The Executive Directors assess the performance of two main business segments: (i) manufacturing and distribution of PCB including but not limited to provision of circuit design, quick-turn-around services and drilling and routing services; and (ii) manufacturing and distribution of prepreg and laminate.

The Executive Directors assess the performance of the operating segments based on a measure of operating profit. Interest income, finance costs, share of net profit of associated companies and income tax expense are not included in the result for each operating segment. Other information provided to the Executive Directors, except as noted below, is measured in a manner consistent with that in the financial statements.

Revenue consists of sales of (i) PCB; and (ii) prepreg and laminate. Sales between segments are carried out on terms equivalent to those that prevail in arm's length transactions. The revenue from external parties reported to the Executive Directors is measured in a manner consistent with that in the condensed consolidated interim income statement.

Segment assets consist primarily of property, plant and equipment, leasehold land and land use rights, intangible assets, available-for-sale financial assets, derivative financial instruments, inventories, debtors and prepayments and cash and bank balances. They exclude items such as interests in associated companies, deferred tax assets and taxation recoverable, which are managed on a central basis.

Segment liabilities comprise operating liabilities. They exclude items such as amounts due to associated companies, deferred tax liabilities, dividend payable and taxation payable.

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

The segment results for the periods are as follows:

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2009</b>	<b>2008</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Revenue</b>		
PCB	<b>2,245,037</b>	2,481,062
	-----	-----
Prepreg and laminate	<b>308,924</b>	422,638
Inter-segment revenue	<b>(188,591)</b>	(198,495)
	-----	-----
Subtotal for prepreg and laminate	<b>120,333</b>	224,143
	-----	-----
Total revenue	<b>2,365,370</b>	2,705,205
	=====	=====
<b>Segment results</b>		
PCB	<b>196,213</b>	396,382
Prepreg and laminate	<b>9,251</b>	357
Interest income	<b>801</b>	2,701
Finance costs	<b>(42,814)</b>	(67,233)
Share of net profit of associated companies	<b>22,714</b>	50,453
Income tax expense	<b>(40,738)</b>	(55,226)
	-----	-----
Profit for the period	<b>145,427</b>	327,434
	=====	=====

For the six months ended 30 June 2009, revenue of approximately HK\$ 352,679,000 (six months ended 30 June 2008: HK\$306,791,000) was derived from a single external customer of PCB segment.

The segment assets and liabilities at 30 June 2009 and 31 December 2008 and capital expenditures for the periods are as follows:

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2009</b>	2008
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Segment assets</b>		
PCB	<b>7,377,917</b>	7,529,187
Prepreg and laminate	<b>590,337</b>	660,030
Interests in associated companies	<b>607,209</b>	620,573
Deferred tax assets	<b>38,678</b>	32,682
Taxation recoverable	<b>22,562</b>	21,820
	-----	-----
Total assets	<b>8,636,703</b>	8,864,292
	=====	=====
<b>Segment liabilities</b>		
PCB	<b>4,867,867</b>	5,293,837
Prepreg and laminate	<b>166,723</b>	137,397
Deferred tax liabilities	<b>103,510</b>	97,081
Amounts due to associated companies	<b>94,345</b>	121,595
Dividend payable	<b>27,496</b>	-
Taxation payable	<b>19,406</b>	10,443
	-----	-----
Total liabilities	<b>5,279,347</b>	5,660,353
	=====	=====

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2009</b>	<b>2008</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Capital expenditures</b>		
PCB	161,191	523,363
Prepreg and laminate	7,202	34,210
	<u>          </u>	<u>          </u>
Total capital expenditures	<u><u>168,393</u></u>	<u><u>557,573</u></u>

Other segment items for the periods are as follows:

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2009</b>	<b>2008</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Depreciation of property, plant and equipment</b>		
PCB	241,742	201,940
Prepreg and laminate	15,787	7,855
	<u>          </u>	<u>          </u>
Total depreciation of property, plant and equipment	<u><u>257,529</u></u>	<u><u>209,795</u></u>
<b>Amortisation of leasehold land and land use rights</b>		
PCB	1,843	1,770
Prepreg and laminate	378	374
	<u>          </u>	<u>          </u>
Total amortisation of leasehold land and land use rights	<u><u>2,221</u></u>	<u><u>2,144</u></u>
<b>(Written-back of)/provision for bad and doubtful debts</b>		
PCB	(88)	1,919
Prepreg and laminate	-	-
	<u>          </u>	<u>          </u>
Total (written-back of)/provision for bad and doubtful debts	<u><u>(88)</u></u>	<u><u>1,919</u></u>
<b>Provision for/(written-back of) inventories</b>		
PCB	2,526	4,151
Prepreg and laminate	1,314	(399)
	<u>          </u>	<u>          </u>
Total provision for inventories	<u><u>3,840</u></u>	<u><u>3,752</u></u>
<b>Amortisation of intangible assets</b>		
PCB	585	1,662
Prepreg and laminate	-	-
	<u>          </u>	<u>          </u>
Total amortisation of intangible assets	<u><u>585</u></u>	<u><u>1,662</u></u>

**5 Other income**

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2009</b>	<b>2008</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Sales of scrap	54,423	84,832
Dividends received from available-for-sale financial asset	1,971	-
Sundries	2,267	1,750
	<u>          </u>	<u>          </u>
	<u><u>58,661</u></u>	<u><u>86,582</u></u>

## 6 Expenses by nature

	Unaudited	
	Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
Raw materials and consumables used	1,097,119	1,406,061
Employee benefit expenses (Note 7)	373,014	390,592
Amortisation of intangible assets	585	1,662
Amortisation of leasehold land and land use rights	2,221	2,144
Depreciation of property, plant and equipment	257,529	209,795
Loss/(gain) on disposal of property, plant and equipment	1,033	(267)
(Written-back of)/provision for bad and doubtful debts	(88)	1,919
Provision for inventories	3,840	3,752
Sales commission	12,207	21,003
Subcontracting expenses	16,814	49,077
Auditors' remuneration	2,765	2,370
Operating lease rental expenses on land and buildings	2,064	3,300
Exchange loss/(gain)	1,125	(139,091)
Others	448,339	442,731
	<hr/>	<hr/>
Total cost of sales, selling and distribution, general and administrative and share award expenses	<b>2,218,567</b>	<b>2,395,048</b>
	<hr/>	<hr/>

Non-financial assets that have an indefinite life are not subject to amortisation, but are tested for impairment annually at year-end (31 December) or whenever there is any indication of impairment. There was no indication of impairment for non-financial assets with indefinite lives during the period.

Financial assets were reviewed for impairment as at 30 June 2009. There was no indication of impairment.

## 7 Share award expenses

As previously disclosed in the prospectus issued by the Company dated 22 January 2007 for the purpose of the Company's initial public offering in February 2007, 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 special vehicle established by SuSih for the purpose at that time) so as to allow them to share in the Group's success and to incentivise and reward them.

Based on the offer price of HK\$2.25 per share, share award expenses of approximately HK\$7.2 million were charged to the condensed consolidated interim income statement for the first half year of 2009 (first half year of 2008: HK\$8.6 million) and the corresponding amounts were credited as an employee share-based compensation reserve under equity.

## 8 Income tax expense

The amounts of taxation charged to the condensed consolidated interim income statement represent:

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2009</b>	<b>2008</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Current income tax		
- Hong Kong profits tax	<b>1,393</b>	4,289
- Overseas taxation	<b>38,908</b>	62,371
Deferred income tax	<b>437</b>	(11,434)
	<b>40,738</b>	55,226

Taxation has been provided at the relevant tax rates prevailing in the countries in which the Group operates. Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profit for the period ended 30 June 2009. The rates applicable for income tax in mainland China is 25% (2008: 25%) for the period ended 30 June 2009.

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.

## 9 Earnings per share

### (a) Basic

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

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2009</b>	<b>2008</b>
Profit attributable to equity holders of the Company (HK\$'000)	<b>94,898</b>	278,660
Weighted average number of shares in issue (shares in thousands)	<b>1,964,000</b>	2,000,000
Basic earnings per share (HK\$ per share)	<b>0.0483</b>	0.1393

### (b) Diluted

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

During the periods ended 30 June 2009 and 2008, there were no potential dilutive shares outstanding.

## 10 Interim dividend

The Board has declared an interim dividend of HK\$0.015 per share, amounting to a total of approximately HK\$29 million (2008: HK\$55 million). This interim dividend has not been recognised as a liability in this condensed consolidated interim financial information. It will be recognised in shareholders' equity in the year ending 31 December 2009.

## 11 Debtors and prepayments

	<b>Unaudited 30 June 2009 HK\$'000</b>	Audited 31 December 2008 HK\$'000
Debtors	<b>998,436</b>	1,058,029
Prepayments and other receivables	<b>142,481</b>	184,992
	<b><u>1,140,917</u></b>	<u>1,243,021</u>

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

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

	<b>Unaudited 30 June 2009 HK\$'000</b>	Audited 31 December 2008 HK\$'000
Within credit period	<b>849,134</b>	768,021
0 - 30 days	<b>80,269</b>	190,703
31 - 60 days	<b>31,497</b>	37,824
61 - 90 days	<b>15,337</b>	41,262
Over 90 days	<b>22,199</b>	20,219
	<b><u>998,436</u></b>	<u>1,058,029</u>

**12 Creditors and accruals**

	<b>Unaudited 30 June 2009 HK\$'000</b>	Audited 31 December 2008 HK\$'000
Creditors	<b>673,045</b>	711,895
Accruals	<b>411,117</b>	755,211
	<b><u>1,084,162</u></b>	<u>1,467,106</u>

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

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

	<b>Unaudited 30 June 2009 HK\$'000</b>	Audited 31 December 2008 HK\$'000
Within credit period	<b>467,383</b>	431,516
0 - 30 days	<b>137,446</b>	193,084
31 - 60 days	<b>39,952</b>	62,425
61 - 90 days	<b>9,335</b>	10,600
Over 90 days	<b>18,929</b>	14,270
	<b><u>673,045</u></b>	<u>711,895</u>

## **CHAIRMAN'S STATEMENT**

The first half-year of 2009 was a challenging period for the Group. However, the Group was able to achieve profitable results and generate positive net operating cash flow during the period in spite of the unprecedented global economic crisis.

Our performance can be attributed to a number of factors – stringent cost control measures taken since the fourth quarter of 2008, temporary scaling down of available capacity and the Group's capability to continuously attract demand for high technology PCB.

The Group's turnover, gross profit, operating profit and net profit stood at approximately HK\$2,365 million, HK\$469 million, HK\$205 million and HK\$145 million respectively for the six months ended 30 June 2009.

## **BUSINESS REVIEW**

The drop in Group's turnover and profit was primarily due to lower PCB export sales by about 20.0% to export sales of 2008. However, this was partially compensated by higher PCB local sales in mainland China by about 13.7% to local sales of 2008 as benefited from China's 3G set-up.

Other factors adversely affecting the profit were the significant decline in functional foreign exchange gain (as a result of the strengthening Renminbi in 2008) and the material drop in the share of net profit of associated companies.

January sales were 33.4% lower than that of 2008. In February, orders from local China customers began to gradually pick up largely due to the plans to pull ahead the implementation of 3G technology in the Mainland by almost a year.

To cope with higher PCB demand, the Group restarted operations at the GME plant in Guangzhou ("**GME**") in February 2009 and at the MAS plant in Suzhou ("**MAS**") in March 2009.

However, due to a worker shortage during the three months from February to April 2009, the Group was unable to reap the full benefit of the 3G implementation. Without this shortfall in manpower, local sales for the first six months of 2009 would have been markedly higher.

With the initial phase of the 3G system set-up completed and tested in May 2009, the China market seasonal slowdown that has been observed in previous years came again from May through June 2009.

Sales of conventional PCB, high density interconnects ("**HDI**") PCB, rigid-flex PCB, integrated circuit substrate and quick-turn-around value-added services amounted to 62.1%, 31.0%, 1.6%, 1.8% and 3.5% respectively of the Group's PCB turnover for the period. By comparison, 64.6%, 28.1%, 0%, 3.7% and 3.6% were the results for the corresponding period in 2008.

For the six months ended 30 June 2009, the Group's PCB turnover dropped by 9.5% to approximately HK\$2,245 million, and total prepreg and laminate sales to both external and internal customers came to approximately HK\$309 million representing a drop of 26.9%, versus the corresponding period in 2008.

For the first half of 2009, the Group's gross profit margin was 19.8% with a net profit margin of 6.1% as compared with the first half of 2008 19.7% and 12.1% respectively.

As of 30 June 2009, the Group's net asset value increased to approximately HK\$3,357 million as compared with approximately HK\$3,204 million at the end of 2008.

With capacity expansion halted due to anticipated slower market conditions, the Group had been able to generate positive cash flow with net gearing dropping from 85.7% at the end of 2008 to 79.3% as of 30 June 2009.

During the period, the Group remained focused on technology development and was able to achieve a blended average layer count of 8.1 with an average selling price of US\$26.9 per square foot, compared with 7.6 layers at an average price of US\$26.6 during the same period in 2008.

The Group's Hong Kong operation was AS9100B certified in the first half of 2009. This allows the Group in supplying the PCB requirements for aerospace industry which requires very stringent quality and reliability performance. The Group has already obtained orders from a European multi-national corporation which supplies component parts to aircraft manufacturers.

Obtaining the AS9100B certificate is in line with the Group's long-term business direction in development of high potential and high valued-added PCB business in the aerospace industry in Europe, U.S.A. and China supplying PCB to aircraft manufacturers either directly or indirectly through their qualified components suppliers.

## **FUTURE PROSPECTS**

Despite the challenging economic climate, the Group maintains a positive outlook on future prospects due to its continuous focus on the key sectors of high technology and high value-added PCB which enables the Group to enjoy a strong and long-standing position in mainland China.

With the second half of 2009 showing gradual improvement in the global economy and the Group's recent order bookings situation, the business for export sales is expected to improve in the second half this year.

With China's Renminbi 4 trillion stimulus package, the Chinese government's continued infrastructure spending added momentum to local spending. The third phase of the installation of the td-SCDMA and the next phase of 3G systems set-up are also expected to continue to create demand for high layered PCB in the local China market.

The Group expects that 3G mobile handsets in the mainland China's domestic market will also drive 2+HDI PCB requirements in the second half of 2009.

The Group is closely monitoring the increasing demand in the United States and Europe to source rigid-flex PCB from China, especially in the application of medical devices and data communication appliances, to ensure timely and accurate capacity set-up in the production of rigid-flex PCB in the second half of 2009.

With the restart of GME and MAS, the Group considers current production capacity should be sufficient for the coming year. The Group has continued to freeze capacity expansion except those for technology upgrades and replacement of machinery.

The Group expects to continue generating surplus operational cash flow through business operations and enhanced financial management in the second half of 2009.

Necessary adjustments to business strategies will be made promptly and proactively to cope with the complexities of the global economic climate. In addition, China's telecommunication infrastructure and mobile businesses will continue to be monitored with the utmost prudence.

Barring any unforeseen circumstances, the Group expects to see improved results for the second half of 2009.

## **FINANCIAL REVIEW**

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

For the six months ended 30 June 2009, the Group financed its liquidity requirements by cash generated from operations and bank borrowings.

During the six months ended 30 June 2009, the Group managed to improve the current ratio to 1.30 as at 30 June 2009 (31 December 2008: 1.06). This was primarily due to the reduction in capital expenditures and short-term borrowings as well as better working capital management during the period under review. As at 30 June 2009, the Group's consolidated current assets and consolidated current liabilities stood at approximately HK\$2,559 million (31 December 2008: HK\$2,700 million) and approximately HK\$1,969 million (31 December 2008: HK\$2,543 million) respectively.

As at 30 June 2009, the Group's total bank borrowings decreased to approximately HK\$3,557 million (31 December 2008: HK\$3,636 million), and total cash and bank balances maintained at approximately HK\$894 million (31 December 2008: HK\$890 million). Total equity increased to approximately HK\$3,357 million (31 December 2008: HK\$3,204 million) as contributed by the first six months' profit in 2009, and net gearing ratio (expressed as total net borrowings over total equity) decreased to 0.79 (31 December 2008: 0.86).

As at 30 June 2009, the Group had been granted banking facilities in the total amount of approximately HK\$7,673 million (comprising mainly bank borrowings and bilateral) of which approximately HK\$3,607 million was not yet utilised.

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

The Group's assets were free from charge at 30 June 2009.

### **CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES**

As at 30 June 2009, the Group had outstanding capital commitments in respect of purchases of property, plant and equipment of approximately HK\$290 million (31 December 2008: HK\$358 million). In addition, the Group had commitments in respect of injection of additional capital into certain subsidiaries established in mainland China totalling approximately HK\$404 million (31 December 2008: HK\$655 million), of which approximately HK\$218 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 significant contingent liabilities as at 30 June 2009.

### **EMPLOYEES**

As at 30 June 2009, the Group had a total of approximately 12,100 employees (31 December 2008: approximately 10,200). The increase in headcount was mainly due to the re-start of operations of the two manufacturing plants in GME and MAS in February and March 2009 respectively which had been temporarily suspended from operations starting from December 2008. The Group's staff costs decreased to approximately HK\$373 million for the six months ended 30 June 2009 (for the six months ended 30 June 2008: HK\$391 million).

### **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 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 may 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.

In order to monitor the Group's exposure to foreign exchange rate risks, the Group, during the first half of 2009, entered into certain simple foreign exchange forward contracts to hedge against (i) the financial liabilities representing the contingent consideration of put option payable to Aspocomp Holding Pte. Ltd. in early 2013 and (ii) certain purchases of machineries denominated in foreign currencies. As at 30 June 2009, the notional amount of these contracts was approximately HK\$179 million and their respective fair value was approximately HK\$16 million which was recorded as derivative financial instruments in the condensed consolidated interim statement of financial position.

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

The Group had no significant acquisition or disposal of subsidiaries and associated companies during the six months ended 30 June 2009.

## **REVIEW OF OPERATING RESULTS – SIX MONTHS ENDED 30 JUNE 2009 (“1H 2009”) COMPARED TO SIX MONTHS ENDED 30 JUNE 2008 (“1H 2008”)**

### **Revenue and gross profit**

The Group's revenue declined by 12.6% to approximately HK\$2,365 million in 1H 2009 (1H 2008: HK\$2,705 million) with details as highlighted in the Chairman's Statement. In line with the decline in revenue, gross profit dropped by 11.9% to approximately HK\$469 million (1H 2008: HK\$532 million). However, the Group's gross profit margin sustained at 19.8% in 1H 2009 (1H 2008: 19.7%). This was mainly attributable to price reduction of raw materials and lower energy and commodity costs during 1H 2009. However, the effect was offset by more competitive PCB prices and the relatively higher depreciation of the Group. The Group has also taken various actions since the fourth quarter of 2008, such as salary reduction and wage freezes for high-cost regions, temporary closure of GME and MAS, and freezing capacity related capital expenditures. As a result, the Group was able to efficiently manage both variable and fixed operational expenses during 1H 2009.

### **Other income**

Other income decreased by 32.2% to approximately HK\$59 million in 1H 2009 (1H 2008: HK\$87 million), comprising mainly of sales of scrap amounting to approximately HK\$54 million (1H 2008: HK\$85 million). The lower sales of scrap was primarily attributable to lower PCB production volume and decrease in copper and gold scrap resale unit prices in 1H 2009.

### **Operating profit**

The Group's operating profit declined by 48.2% to approximately HK\$205 million in 1H 2009 (1H 2008: HK\$397 million). The Group's operating performance was negatively impacted by the fixed portion of the selling and distribution expenses and general and administrative expenses, such as employees' expenses, operating expenses, depreciation and audit fees. As a percentage of the Group's revenue, selling and distribution expenses increased to 5.5% (1H 2008: 5.1%) and general and administrative expenses increased to 7.8% (1H 2008: 2.8%). The Group's general and administrative expense in 1H 2009 was much higher than that of 1H 2008 which was mainly attributable to the significant decline in functional foreign exchange gain. In 1H 2008, the Group recorded functional foreign exchange gain of approximately HK\$139 million as a result of Renminbi appreciation but there was no such gain recurred in 1H 2009 as a result of much stabilised Renminbi currency during 1H 2009. The Group's operating profit margin dropped to 8.7% in 1H 2009 (1H 2008: 14.7%).

### **Profit for the period**

The Group's interest income decreased to approximately HK\$0.8 million in 1H 2009 (1H 2008: HK\$2.7 million). The Group's finance costs decreased to approximately HK\$43 million in 1H 2009 (1H 2008: HK\$67 million) which was primarily due to lower bank interest rates in 1H 2009.

The Group's share of net profit of associated companies decreased by 55.0% to approximately HK\$23 million in 1H 2009 (1H 2008: HK\$50 million) which was primarily due to the decline in operational performance of the Group's associates - Guangdong Shengyi Sci. Tech. Co., Ltd. and Suzhou Shengyi Sci. Tech Co., Ltd..

The Group's income tax expense as percentage of the Group's profit before tax (profit before income tax less share of profit of associated companies plus non-cash share award expenses) increased to 23.9% in 1H 2009 (1H 2008: 16.2%). This was because the PCB manufacturing was consolidated in the higher tax rate plants, such as Dongguan Meadville Circuits Limited ("**DMC**"), Dongguan Shengyi Electronics Ltd. ("**SYE**") and Shanghai Meadville Electronics Co., Ltd. after the temporary shut down of GME and MAS plants.

The Group's profit after tax decreased by 55.6% to approximately HK\$145 million in 1H 2009 (1H 2008: HK\$327 million) and the Group's profit margin was at 6.1% (1H 2008: 12.1%).

The Group's profit attributable to equity holders of the Company for 1H 2009 dropped by 65.9% to approximately HK\$95 million (1H 2008: HK\$279 million). Much higher minority shares of profit for 1H 2009 was recorded because after the temporary shut down of GME and MAS plants, more PCB manufacturing was consolidated in DMC and SYE plants, the joint venture companies with minority ownership from which profit was not 100% consolidated to the Group's profit attributable to equity holders of the Company.

### **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 ("**CG Code**") contained in the Listing Rules.

Since 1 January 2009 and up to the date of this announcement, the Company has complied with the code provisions, and to certain extent, the recommended best practices, set out in the CG Code.

### **DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules ("**Model Code**") and all its subsequent amendments. Having made specific enquiry, all directors confirmed that they have complied with the required standards set out in the Model Code during the six months ended 30 June 2009.

### **REVIEW OF INTERIM RESULTS**

The Audit Committee comprises three independent non-executive directors of the Company. The Audit Committee has reviewed the Group's interim report for the six months ended 30 June 2009 and the Company's external auditors, PricewaterhouseCoopers, has conducted a review of the interim financial information of the Group for the six months ended 30 June 2009 in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

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

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed shares during the six months ended 30 June 2009.

### **INTERIM DIVIDEND**

The Board has declared an interim dividend of HK\$0.015 per share (2008: HK\$0.028 per share) for the year ending 31 December 2009, amounting to a total of approximately HK\$29 million (2008: HK\$55 million). The interim dividend will be payable to the shareholders on or around 6 October 2009 whose names appear on the register of members of the Company on 17 September 2009.

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

The register of members of the Company will be closed from 15 September 2009 to 17 September 2009 both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Branch Registrar and Transfer Office in Hong Kong, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on 14 September 2009.

## **PUBLICATIONS**

This announcement has been published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.meadvillegroup.com](http://www.meadvillegroup.com)). The 2009 interim report will be despatched to the shareholders and available on the same websites on or before 30 September 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. I look forward to an improved and profitable second half-year ahead.

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

Hong Kong, 17 August 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.*