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### [MEADVILLE HOLDINGS LIMITED JOINT ANNOUNCEMENT FEBRUARY 11, 2010]

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## TTM Technologies, Inc.

(incorporated in the State of Delaware, United States of America)

### **Top Mix Investments Limited**

**TTM Hong Kong Limited** 

(incorporated in the British Virgin Islands with limited liability)

(incorporated in Hong Kong with limited liability)

# JOINT ANNOUNCEMENT DESPATCH OF THE CIRCULAR

- (1) VERY SUBSTANTIAL DISPOSAL AND VERY SUBSTANTIAL ACQUISITION IN RESPECT OF THE SALE OF THE PCB
  BUSINESS
- (2) MAJOR TRANSACTION AND CONNECTED TRANSACTION IN RESPECT OF THE SALE OF THE LAMINATE BUSINESS

# (3) VOLUNTARY WITHDRAWAL OF LISTING (4) DEREGISTRATION FROM THE CAYMAN ISLANDS AND CONTINUATION IN THE BRITISH VIRGIN ISLANDS

(5) PROPOSED DISTRIBUTION BY WAY OF DIVIDEND
MEADVILLE AUDITED CONSOLIDATED FINANCIAL INFORMATION FOR THE YEARS ENDED 31
DECEMBER 2006, 2007 AND 2008 AND FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2009

Financial Adviser to Meadville Holdings Limited Financial Adviser to TTM Technologies, Inc. and TTM Hong Kong Limited

Merrill Lynch (Asia Pacific) Limited

acific) Limited UBS AG, Hong Kong Branch Financial Adviser to Top Mix Investments Limited

Independent Financial Adviser to the Independent Board Committee of Meadville Holdings Limited

#### ING Bank N.V.

### THE CIRCULAR AND FORM S-4

The Circular and its accompanying Form of Election, Tax Forms and form of proxy will be despatched to the Shareholders on 11 February 2010.

TTM has filed a Registration Statement on Form S-4 with the SEC that includes the U.S. Prospectus in connection with the proposed issuance of new TTM Shares. The SEC in the United States has declared the Form S-4 effective as of 8 February 2010 (Eastern Standard Time). The Form S-4 is available for public viewing on the SEC s website (http://sec.gov/edgar/searchedgar/companysearch.html) and TTM s website

(www.ttmtech.com/investors/investor\_sec.jsp) on 11 February 2010. TTM has mailed the U.S. Prospectus to its stockholders and a copy of the U.S. Prospectus will be mailed to the Shareholders together with the Circular. The Form S-4 contains important information. Before making any voting or investment decision, Shareholders and investors are urged to read the Form S-4 and the U.S. Prospectus carefully.

The EGM will be convened at 10:00 am on Tuesday, 9 March 2010 at Ballroom Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong and Shareholders are requested to attend. The Notice of the EGM is contained in the Circular. For the purpose of the EGM, dealings in Meadville Shares are expected to be suspended from 9:30 am on Tuesday, 9 March 2010 pending the release of the results of the EGM, which is expected to be published no

later than 7:00 pm on the same day. Trading of the Meadville Shares on the Stock Exchange is expected to resume at 9:30 am on Wednesday, 10 March 2010.

Independent Shareholders should read and consider carefully the Circular, including the recommendations of the IBC as set out in the letter from the IBC and the factors, reasons and recommendations in relation to the Proposal as set out in the letter from the IFA before making a decision on the Proposal.

Shareholders and potential investors should be aware that the Proposal is subject to the relevant conditions set out in the Circular being fulfilled (or, if applicable, waived) and may or may not be completed or effected, as the case may be. Shareholders and potential investors are advised to exercise caution when dealing in Meadville Shares.

### MEADVILLE FINANCIAL INFORMATION

For the purposes of the Circular, Meadville was required to prepare audited consolidated financial information of Meadville for the nine months ended 30 September 2009. The Meadville Financial Information as extracted from Appendix VI to the Circular is set out in Appendix 1 to this announcement for Shareholders information.

### AMENDMENT TO PCB AGREEMENT AND LAMINATE AGREEMENT

The parties to the PCB Agreement and the Laminate Agreement, respectively, entered into a side letter on 8 February 2010 to extend the completion of the PCB Sale and the Laminate Sale, respectively, to the date which is ten Business Days following the satisfaction or waiver of all the PCB Sale Conditions and the Laminate Sale Conditions, respectively.

### INTRODUCTION

Reference is made to the joint announcement issued by Top Mix Investments Limited ( **Top Mix** ), TTM Technologies, Inc. ( **TTM** ), TTM Hong Kong Limited ( **TTM HK** ) and Meadville Holdings Limited ( **Meadville** ) in relation to the Proposal on 16 November 2009. Reference is also made to the joint announcement on 4 December 2009 in relation to the extension of time for despatch of the circular to be issued jointly by Meadville, Top Mix, TTM and TTM HK (the **Circular** )

Terms defined in the Circular have the same meaning when used in this announcement unless the context otherwise requires.

### THE CIRCULAR AND FORM S-4

The Circular and its accompanying Form of Election, Tax Forms and form of proxy will be despatched to the Shareholders on 11 February 2010. The Circular contains, among other things, the expected timetable relating to the Proposal, the letter from the Meadville Board, the letter from the IBC, the letter from the IFA and the Notice of EGM. TTM has filed a Registration Statement on Form S-4 with the SEC that includes a combined Proxy Statement and a U.S. prospectus (collectively, the U.S. Prospectus) in connection with the proposed issuance of new TTM Shares. The SEC in the United States has declared the Form S-4 effective as of 8 February 2010 (Eastern Standard Time). The Form S-4 is available for public viewing on the SEC s website (http://sec.gov/edgar/searchedgar/companysearch.html) and TTM s website (www.ttmtech.com/investors/investor sec.jsp) on 11 February 2010. TTM has mailed the U.S. Prospectus to its stockholders and a copy of the U.S. Prospectus will be mailed to the Shareholders together with the Circular. The Form S-4 contains important information. Before

making any voting or investment decision, Shareholders and investors are urged to read the Form S-4 and the U.S. Prospectus carefully.

## RECOMMENDATIONS OF THE IBC AND THE IFA

The IBC was established to advise the Independent Shareholders in connection with, among other things, the Transactions (as a whole), the Laminate Sale (as a connected transaction) and the Withdrawal Proposal and the IFA was appointed to advise the IBC and the Independent Shareholders.

The advice of the IFA and the recommendations of the IBC are set out respectively in the letter from the IBC and the letter from the IFA contained in the Circular.

Independent Shareholders should read and consider carefully the Circular, including the recommendations of the IBC as set out in the letter from the IBC and the factors, reasons and recommendations set out in the letter from the IFA before making a decision on the Proposal.

#### **EGM**

The EGM will be held at 10:00 am on Tuesday, 9 March 2010 at Ballroom, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong. The Notice of EGM is set out in the Circular. For the purpose of the EGM, dealing in the Meadville Shares is expected to be suspended from 9:30 am on Tuesday, 9 March 2010 pending the release of the results of the EGM, which is expected to be published no later than 7:00 pm on the same day. Trading of the Meadville Shares on the Stock Exchange is expected to resume at 9:30 am on Wednesday, 10 March 2010.

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

For the purpose of determining the entitlements of the Shareholders to attend and vote at the EGM, the register of members of the Company will be closed from Thursday, 4 March 2010 to Tuesday, 9 March 2010 (both days inclusive) and during such period, no transfer of Meadville Shares will be effected. The register of members will re-open on Wednesday, 10 March 2010. In order to qualify to vote at the EGM, all duly completed instruments of transfer accompanied by the relevant share certificates must be lodged with the Registrar, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen s Road East, Wan Chai, Hong Kong, by not later than 4:00 pm on Wednesday, 3 March 2010. The latest time for lodging the form of proxy for the EGM is 10:00 am on Sunday, 7 March 2010.

If the resolutions to be proposed at the EGM are duly approved by the Independent Shareholders or Shareholders (as the case may be) attending and voting at the EGM and all other PCB Sale Conditions and Laminate Sale Conditions being fulfilled, the latest time for dealings in Meadville Shares on the Stock Exchange is expected to be Friday, 26 March 2010 and latest time for lodging the Form of Election and the Tax Forms (where applicable) is expected to be 4:00 pm on Monday, 12 April 2010.

The Record Date for the purposes of determining the entitlements of the Shareholders under the Proposed Distribution and the Winding-up Proposal is expected to be Tuesday, 13 April 2010. To qualify for entitlements under the Proposed Distribution and the Winding-up Proposal, all duly completed instruments of transfer, accompanied by the relevant share certificates, must be lodged with the Registrar by not later than 4:00 pm on Wednesday, 31 March 2010.

#### CONDITIONS OF THE PROPOSAL

Shareholders and potential investors should be aware that the Proposal is subject to the relevant conditions set out in the Circular being fulfilled (or, if applicable, waived) and may or may not be completed or effected, as the case may be. Shareholders and potential investors are advised to exercise caution when dealing in Meadville Shares.

If the relevant conditions have not been fulfilled (or, if applicable, waived) on or before the Long Stop Date, the Transactions may be terminated unless the Long Stop Date is extended to a date on or before the Termination Date in accordance with the terms of the PCB Agreement and the Laminate Agreement, respectively. According to the current timetable, it is expected that completion of the Transactions will take place on Friday, 26 March 2010 and an announcement that the Transactions have been completed will be made.

If the Transactions are not completed by the Termination Date, the Proposal will lapse. If the Proposal is not approved or lapses, Meadville Shares will remain listed on the Stock Exchange.

# EXPECTED TIMETABLE

Unless otherwise specified, all time references set out below are to Hong Kong time.

Date of despatch of the Circular	Thursday, 11 February 2010
Latest time for lodging transfers of Meadville Shares to qualify for attending and voting at the EGM	4:00 pm on Wednesday, 3 March 2010
Register of members closed for determination of Shareholders entitled to attend and vote at the EGM	Thursday, 4 March 2010 to Tuesday, 9 March 2010
Latest time for lodging the form of proxy for the EGM (1)	10:00 am on Sunday, 7 March 2010
Suspension of dealings in Meadville Shares	9:30 am on Tuesday, 9 March 2010
EGM	10:00 am on Tuesday, 9 March 2010
Announcement of the results of the EGM	before 7:00 pm on Tuesday, 9 March 2010
Resumption of dealings in Meadville Shares	9:30 am on Wednesday, 10 March 2010
Register of members re-open	Wednesday, 10 March 2010
Special meeting of TTM s stockholders	10:00 am (Pacific Standard Time) on Friday, 12 March 2010
Announcement of fulfillment of all conditions to completion of the Transactions, conditional declaration of the Proposed Distribution by the Meadville Board and the Record Date for the Proposed Distribution and notice of intent to delist (2)	before 9:00 am on Monday, 15 March 2010
Completion of the Transactions (2)	Friday, 26 March 2010
Last day of dealings in Meadville Shares on the Stock Exchange (3)	Friday, 26 March 2010
Latest time for lodging the form of proxy for the EGM (1)  Suspension of dealings in Meadville Shares  EGM  Announcement of the results of the EGM  Resumption of dealings in Meadville Shares  Register of members re-open  Special meeting of TTM s stockholders  Announcement of fulfillment of all conditions to completion of the Transactions, conditional declaration of the Proposed Distribution by the Meadville Board and the Record Date for the Proposed Distribution and notice of intent to delist (2)  Completion of the Transactions (2)	10:00 am on Sunday, 7 March 2010 9:30 am on Tuesday, 9 March 2010 10:00 am on Tuesday, 9 March 2010 before 7:00 pm on Tuesday, 9 March 2010 9:30 am on Wednesday, 10 March 2010 Wednesday, 10 March 2010 10:00 am (Pacific Standard Time) on Friday, 12 March 2010 before 9:00 am on Monday, 15 March 2010 Friday, 26 March 2010

Latest time for lodging transfers of Meadville Shares to qualify for entitlements for the Proposed Distribution and the Winding-up Proposal	4:00 pm on Wednesday, 31 March 2010
Register of members closed for determination of Shareholders entitlement for the Proposed Distribution and the Winding-up Proposal	Thursday, 1 April 2010 onwards
Announcement of the withdrawal of the listing of Meadville Shares on the Stock Exchange	Wednesday, 7 April 2010
Effective date for the withdrawal of listing of Meadville Shares on the Stock Exchange	9:30 am on Thursday, 8 April 2010
Latest time for lodging the Form of Election (4)	4:00 pm on Monday, 12 April 2010
Record Date for the Proposed Distribution and the Winding-up Proposal (5)	Tuesday, 13 April 2010
Effective date on which Meadville is de-registered in the Cayman Islands and continued as a BVI business company in the BVI (6)	on or before Monday, 26 April 2010
Effective date of the Proposed Distribution (7)	Tuesday, 27 April 2010
Latest date for posting of cheques for cash payment pursuant to the Proposed Distribution to the Shareholders <sup>(8)</sup>	Wednesday, 5 May 2010
Long Stop Date (9)	Monday, 31 May 2010
Termination Date (10)	Wednesday, 30 June 2010
Announcement of the average sale price of the TTM Shares sold through the Dealing Facility and the net cash amount to be distributed to Shareholders who elected or who are deemed to have elected option (c) on the Form of Election	on or before Tuesday, 13 July 2010
Latest date for posting of cheques for the net cash amount to be distributed to Shareholders who elected or who are deemed to have elected option (c) on the Form of Election <i>Notes:</i>	Tuesday, 20 July 2010
(1) The form of proxy should be lodged, by hand or by post, with the Registrar, 26th Floor, Tesbury Centre, 28 Queen s Road East, Wan Chai, Hong Kong	

not later than 10:00 am on Sunday, 7 March 2010 or not less than 48 hours before the time appointed for holding any adjournment of the EGM. The completion and return of the form of proxy for the EGM will not preclude a

Shareholder from

- attending the EGM or any adjournment of the EGM and voting in person. In such event, the returned form of proxy will be deemed to have been revoked.
- (2) Assuming the requisite approvals are obtained at the special meeting of TTM s stockholders and all other Laminate Sale Conditions and PCB Sale Conditions have been fulfilled (or, if applicable, waived) on or before the date of the special meeting of TTM s stockholders, the PCB Sale and the Laminate Sale would then proceed to completion and an announcement that the Transactions have been completed will be made. If such other conditions have not then been fulfilled (or, if applicable, waived), the timetable for completion will be delayed and a further announcement will be made.
- (3) There are three Business Days from the last day of dealings in Meadville Shares on the Stock Exchange to the latest time for lodging transfers of Meadville Shares to quality for entitlements for the Proposed Distribution and under the Winding-up Proposal, in order to allow sufficient time for clearing and settlement of dealings in Meadville Shares on the last day of trading to enable purchasers of Meadville Shares on the last day of trading to qualify for the entitlements under the Proposed Distribution and under the Winding-up Proposal.
- (4) The Form of Election must be lodged, by hand or by post, with the Registrar, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen s Road East, Wan Chai, Hong Kong, as soon as possible and in any event no later than the Election Deadline. Any Shareholder who does not return a duly completed and signed Form of Election with the Registrar on or before the Election Deadline will be deemed to have elected option (c) on the Form of Election.
- (5) The Proposed Distribution will not be made and the Winding-up Proposal will not proceed if the Transactions are not completed, or if the listing of Meadville Shares on the Stock Exchange is not withdrawn or the Deregistration and Continuation is not completed.
- (6) An announcement will be made by Meadville when the Deregistration and Continuation is completed.
- (7) This is the date on which the Proposed Distribution is expected to be made and the cheques for cash payment pursuant to the Proposed Distribution will be posted to the Shareholders as soon as possible thereafter but in any event on or before Wednesday, 5 May 2010.
- (8) This assumes that the effective date of the Deregistration and Continuation is Monday, 26 April 2010 and that the cheques will be despatched as soon as possible but in any event within 10 days of this date.
- (9) If the relevant conditions set out in the Circular have not been fulfilled (or, if applicable, waived), by Monday, 31 May 2010, the Transactions may be terminated unless the Long Stop Date is extended. An announcement will be made stating the lapse of the Proposal (if the Transactions are terminated) or, if the Long Stop Date has been extended, the revised Long Stop Date.
- (10) If the Transactions are not completed by Wednesday, 30 June 2010, the Proposal will lapse. If there is a tropical cyclone warning signal number 8 or above or black rainstorm warning in force in Hong Kong before 12:00 noon and no longer in force after 12:00 noon on the relevant date for the lodgment of transfers, the lodgment of the form of proxy for the EGM or the lodgment of the Form of Election, then the latest time will be extended to 4:00 pm on the same day (if the latest time set out above is before 12:00 noon) or if there is a tropical cyclone warning signal number 8 or above or black rainstorm warning in force in Hong Kong between 12:00 noon and 4:00 pm on such date, then the latest time will be extended to 4:00 pm on the following day which does not have either of those warnings in force in Hong Kong (if the latest time set out above is at or after 12:00 noon). If the expected dates set out above changes, further announcement(s) will be made in the event of such change.

Shareholders and potential investors should be aware that the Proposal is subject to the relevant conditions set out in the Circular being fulfilled (or, if applicable, waived) and may or may not be completed or effected, as the case may be. Shareholders and potential investors are advised to exercise caution when dealing in Meadville Shares.

Shareholders and potential investors should also note that the above timetable is subject to change. Further announcement(s) will be made in the event of such change.

### **ACTIONS TO BE TAKEN**

Actions to be taken by all Shareholders

If you are a Shareholder, regardless of whether or not you are able to attend the EGM, you are strongly urged to complete and sign the form of proxy in accordance with the instructions printed on the form of proxy and to lodge it with the Registrar, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen s Road East, Wan Chai, Hong Kong, as soon as possible but in any event not later than 10:00 am on Sunday, 7 March 2010 or not less than 48 hours before the time appointed for any adjournment of the EGM in order for the form of proxy to be valid. The completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment of the EGM. In such event, the returned form of proxy will be deemed to have been revoked. If you are a Shareholder, you are also strongly urged to complete and sign the Form of Election, together with the relevant Tax Form if you elect option (a) or option (b) on the Form of Election, in accordance with the instructions printed on the Form of Election and to lodge it with the Registrar, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen s Road East, Wan Chai, Hong Kong, as soon as possible but in any event on or before the Election Deadline in order for the Form of Election to be valid.

Shareholders are strongly urged to read Appendix I to the Circular before completing the Form of Election. Any Shareholder who does not return a duly completed and signed Form of Election to the Registrar, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen s Road East, Wan Chai, Hong Kong, on or before the Election Deadline will be deemed to have elected option (c) on the Form of Election. As a result, such Shareholder will receive the net cash proceeds of sale of the TTM Shares to which such Shareholder would otherwise have been entitled under the Proposed Distribution sold through the Dealing Facility in lieu of receiving such TTM Shares.

Further details are set out in the sub-section headed Election in relation to TTM Shares of the letter from the Meadville Board set out in the Circular, the section headed Actions to be taken in Appendix I to the Circular and the Form of Election.

Actions to be taken by Beneficial Owners

Any Beneficial Owner who wishes to attend and vote at the EGM personally should contact the Registered Owner (or the appropriate intermediary) directly to make the appropriate arrangements with the Registered Owner to enable such Beneficial Owner to attend and vote at the EGM and, for such purpose, the Registered Owner may appoint such Beneficial Owner as its proxy or such Beneficial Owner must have his/her/its name entered in the register of members of Meadville no later than 4:00 pm on Wednesday, 3 March 2010.

Any Beneficial Owner whose Meadville Shares are registered in the name of any Registered Owner should contact such Registered Owner (or the appropriate intermediary) to give

instructions to and/or to make arrangements with such Registered Owner as to the manner in which the Meadville Shares beneficially owned by such Beneficial Owner should be voted at the EGM and as to the form in which such Beneficial Owner would like to receive the component of the Proposed Distribution comprising TTM Shares. Any Beneficial Owner who instructs the relevant Registered Owner to elect option (a) or option (b) on the Form of Election should return to the Registrar, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen s Road East, Wan Chai, Hong Kong, a duly completed and signed Tax Form on or before the Election Deadline.

Any Beneficial Owner who does not instruct its Registered Owner to complete, sign and return the Form of Election to the Registrar, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen s Road East, Wan Chai, Hong Kong, on or before the Election Deadline will be deemed to have elected option (c) on the Form of Election. As a result, such Beneficial Owner will, through the relevant Registered Owner, receive the net cash proceeds of sale of the TTM Shares to which such Beneficial Owner would otherwise have been entitled under the Proposed Distribution sold through the Dealing Facility in lieu of receiving such TTM Shares.

Any Beneficial Owner whose Meadville Shares are deposited in CCASS and registered under the name of HKSCC Nominees must (unless such Beneficial Owner is a CCASS Investor Participant) contact their broker, custodian or nominee (or other relevant person who is or has in turn deposited such Meadville Shares with a CCASS Clearing Participant or CCASS Custodian Participant) regarding procedures for voting and election to be given to such person if such Beneficial Owner wishes to vote in respect of the Proposal and election instructions to be given to such person if such Beneficial Owner wishes to elect the form in which such Beneficial Owner would like to receive the component of the Proposed Distribution comprising the TTM Shares. CCASS Investor Participants should instruct HKSCC Nominees directly regarding the above.

Further details are set out in the sub-section headed Election in relation to TTM Shares of the letter from the Meadville Board set out in the Circular and the section headed Actions to be taken in Appendix I to the Circular and the Form of Election.

#### **OVERSEAS SHAREHOLDERS**

The Circular has been prepared for the purpose of complying with the laws, regulations and/or rules of Hong Kong and the information disclosed in the Circular may not be the same as that which would have been disclosed if the Circular had been prepared in accordance with the laws, regulations and/or rules of any other jurisdiction. It is the responsibility of any overseas Shareholders wishing to accept the Proposed Distribution to satisfy themselves as to the full observance of the laws of the relevant jurisdiction(s) in connection with such acceptance and the payment of any issue, transfer or other taxes due in any such jurisdiction(s). Further details are set out in the section headed Information for Overseas Shareholders in Appendix I to the Circular.

## MEADVILLE FINANCIAL INFORMATION

For the purposes of the Circular, Meadville was required to prepare audited consolidated financial information of Meadville for the nine months ended 30 September 2009. The audited consolidated financial information for the years ended 31 December 2006, 2007 and 2008 and for the nine months ended 30 September 2009 ( **Meadville Financial Information** ) as extracted from Appendix VI to the Circular is set out in Appendix 1 to this announcement for Shareholders information.

#### AMENDMENT TO PCB AGREEMENT AND LAMINATE AGREEMENT

The parties to the PCB Agreement and the Laminate Agreement, respectively, entered into a side letter on 8 February 2010 to extend the completion of the PCB Sale and the Laminate Sale, respectively, to the date which is ten Business Days following the satisfaction or waiver of all the PCB Sale Conditions and the Laminate Sale Conditions, respectively.

By order of the Board of	By order of the Board of	By order of the Board of	By order of the Board
<b>Top Mix Investments</b>	TTM Technologies, Inc.	TTM Hong Kong	of
Limited		Limited	Meadville Holdings
			Limited
Tang Ying Ming, Mai	Robert E. Klatell	Kenton K. Alder	Tang Chung Yen,
Director	Chairman	Director	Tom
			Executive Chairman

Hong Kong, 11 February 2010

As at the date of this announcement, Mr. Tang Hsiang Chien is the ultimate controlling shareholder of Top Mix. As at the date of this announcement, the directors of Top Mix are Mr. Tang Hsiang Chien, Mr. Tang Chung Yen, Tom and Ms. Tang Ying Ming, Mai.

As at the date of this announcement, the directors of TTM are Mr. Robert E. Klatell, Mr. Kenton K. Alder, Mr. James K. Bass, Mr. Richard P. Beck, Mr. Thomas T. Edman and Mr. John G. Mayer.

As at the date of this announcement, the directors of TTM HK are Mr. Kenton K. Alder and Mr. Steven W. Richards. As at the date of this announcement, the Meadville Directors are:

Executive Directors: Mr. Tang Hsiang Chien, Mr. Tang Chung Yen, Tom, Ms. Tang Ying Ming, Mai and Mr. Chung Tai Keung, Canice.

Independent non-executive Directors: Mr. Eugene Lee, Mr. Leung Kwan Yuen, Andrew and Dr. Li Ka Cheung, Eric. Mr. Tang Hsiang Chien accepts full responsibility for the accuracy of the information contained in this announcement (other than that relating to the Meadville Group and the TTM Group) and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this announcement (other than opinions expressed by the Meadville Group and the TTM Group) have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

The directors of Top Mix jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than that relating to the Meadville Group and the TTM Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement (other than opinions expressed by the Meadville Group and the TTM Group) have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

The directors of TTM jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than that relating to the Meadville Group and Top Mix) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement (other than opinions expressed by the Meadville Group and Top Mix) have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

The directors of TTM HK jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than that relating to the Meadville Group and Top Mix) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement (other than opinions expressed by the Meadville Group and Top Mix) have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

The Meadville Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than that relating to the TTM Group and Top Mix) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement (other than opinions expressed by the TTM Group and Top Mix) have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

# Appendix 1 Meadville Financial Information

The following has been extracted from Appendix VI to the Circular.

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# APPENDIX VI I FINANCIAL INFORMATION CONSOLIDATED INCOME STATEMENTS

		Year ended 31 December		Nine mont		
	Note	2006	2007	2008	2008	2009
		HK\$ 000	HK\$ 000	HK\$ 000	HK\$ 000 (unaudited)	HK\$ 000
Revenue	5	3,140,398	4,490,262	5,626,451	4,269,498	3,700,891
Cost of sales	9,22	(2,486,560)	(3,430,222)	(4,546,027)	(3,426,634)	(2,970,848)
Gross profit		653,838	1,060,040	1,080,424	842,864	730,043
Other income Selling and distribution	6	97,145	177,050	172,495	137,369	98,909
expenses General and	9	(126,467)	(240,182)	(280,422)	(219,237)	(196,220)
administrative expenses	9	(154,349)	(245,152)	(281,565)	(158,676)	(306,479)
Share award expenses	7,9	, , ,	(254,502)	(11,661)	(9,198)	(10,772)
Operating profit Loss on share reform of		470,167	497,254	679,271	593,122	315,481
an associated company	19	(52,237)				
Interest income	10	6,034	27,300	5,095	3,730	1,324
Finance costs Share of net profit of	11	(88,171)	(109,737)	(132,011)	(96,791)	(64,057)
associated companies	19	97,849	107,858	33,577	75,278	50,735
Profit before income tax		433,642	522,675	585,932	575,339	303,483
Income tax expense	12	(48,718)	(72,116)	(77,387)	(81,929)	(53,078)
Profit for the						
year/period	5	384,924	450,559	508,545	493,410	250,405
Attributable to: Equity holders of the						
Company	13	320,017	341,648	402,468	417,642	178,307
Minority interests		64,907	108,911	106,077	75,768	72,098
		384,924	450,559	508,545	493,410	250,405

Earnings per share for profit attributable to equity holders of the Company during the year/period (expressed						
in HK\$ per share) basic and diluted	13	0.21	0.17	0.20	0.21	0.09
Dividends	14		120,000	82,488	54,992	29,460

The notes on pages VI-18 to VI-132 are an integral part of this Financial Information.

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# ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

# CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year end	ded 31 Decemb	er	Nine months ended 30 September		
	2006	2007	2008	2008	2009	
F	HK\$ 000	HK\$ 000	HK\$ 000	HK\$ 000 (unaudited)	HK\$ 000	
Profit for the year/period	384,924	450,559	508,545	493,410	250,405	
Other comprehensive income Exchange differences Fair value (loss)/gain of	50,899	147,073	128,805	159,588	3,235	
available-for-sale financial asset Cash flow hedge			(454)	3,564	(2,921)	
change in fair value of hedging instruments transfer to income statement upon					22,796	
change in fair value of hedged items transfer to property, plant and					(17,226)	
equipment					(178)	
Other comprehensive income for the year/period, net of tax	50,899	147,073	128,351	163,152	5,706	
Total comprehensive income for the year/period	435,823	597,632	636,896	656,562	256,111	
Total comprehensive income attributable to:						
Equity holders of the Company Minority interests	364,816 71,007	469,588 128,044	508,445 128,451	555,889 100,673	183,632 72,479	
2	435,823	597,632	636,896	656,562	256,111	
The notes on pages VI-18 to VI-132 are an integ	gral part of this -VI-5		rmation.			

# APPENDIX VI CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

# ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

At

					30
			at 31 December		September
	Note	2006	2007	2008	2009
	Ivoie	HK\$ 000	HK\$ 000	HK\$ 000	HK\$ 000
Assets					
Non-current assets					
Property, plant and equipment	16	2,030,800	4,121,368	5,290,295	5,166,726
Leasehold land and land use rights	17	114,549	174,420	178,430	175,181
Intangible assets	18	22,561	149,899	22,159	21,292
Interests in associated companies	19	441,409	579,543	620,573	635,563
Available-for-sale financial asset	21		21,089	20,635	17,714
Derivative financial instruments	29				22,358
Deferred tax assets	30		13,124	32,682	42,935
		2,609,319	5,059,443	6,164,774	6,081,769
Current assets					
Inventories	22	373,459	498,000	544,904	545,769
Debtors and prepayments	23	1,241,699	1,597,034	1,243,021	1,171,839
Derivative financial instruments	29	, ,	, ,	, ,	438
Amount due from a minority					
shareholder	36		39,055		
Taxation recoverable		2,220	6,090	21,820	25,537
Cash and bank balances	25	211,150	418,192	889,773	951,865
		1,828,528	2,558,371	2,699,518	2,695,448
Total assets		4,437,847	7,617,814	8,864,292	8,777,217
Equity					
Capital and reserves attributable to					
the equity holders of the Company					
Share capital	26	777,000	1,822,612	1,822,252	1,822,252
Reserves	27	(43,189)	560,901	929,024	1,093,968
	14,				
Proposed final dividend	27		80,000	27,496	

Minority interests in equity	733,811 203,916	2,463,513 359,293	2,778,772 425,167	2,916,220 560,894
Total equity	937,727	2,822,806	3,203,939	3,477,114
	-VI-6-			

	Note	<b>2006</b> HK\$ 000	At 31 December 2007 HK\$ 000	<b>2008</b> HK\$ 000	At 30 September 2009 HK\$ 000
Liabilities					
Non-current liabilities					
Borrowings	28	749,060	1,738,067	2,777,110	2,964,762
Derivative financial instruments	29			17,350	13,944
Deferred tax liabilities	30	14,219	81,483	97,081	92,730
Financial liabilities	31		264,394	151,270	161,758
Long-term other payables	32		115,658	74,564	24,974
		763,279	2,199,602	3,117,375	3,258,168
Current liabilities					
Creditors and accruals	33	800,030	1,428,268	1,467,106	1,183,508
Amount due to a subsidiary of a					
minority shareholder	34	63,359	29,367	16,828	25,848
Amounts due to associated companies	34	120,742	150,669	121,595	140,595
Amounts due to related parties	24	709,598			
Amount due to a minority					
shareholder	36		343	60,466	
Borrowings	28	1,026,247	961,107	858,525	635,911
Derivative financial instruments	29			8,015	2,023
Dividend payable					29,460
Taxation payable		16,865	25,652	10,443	24,590
		2,736,841	2,595,406	2,542,978	2,041,935
Total liabilities		3,500,120	4,795,008	5,660,353	5,300,103
Total equity and liabilities		4,437,847	7,617,814	8,864,292	8,777,217
Net current (liabilities)/assets		(908,313)	(37,035)	156,540	653,513
Total assets less current liabilities		1,701,006	5,022,408	6,321,314	6,735,282

The notes on pages VI-18 to VI-132 are an integral part of this Financial Information. -VI-7-

# ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

# COMPANY STATEMENTS OF FINANCIAL POSITION

	Note	<b>2006</b> HK\$ 000	At 31 December 2007  HK\$ 000	<b>2008</b> HK\$ 000	At 30 September 2009 HK\$ 000
Assets					
Non-current assets					
Investments in subsidiaries	20	777,000	777,000	777,000	777,000
Current assets					
Debtors and prepayments	23	7,532	312	582	235
Amounts due from subsidiaries	35		1,315,749	1,910,604	1,855,731
Taxation recoverable				9	
Cash and bank balances	25		339	542	29,574
		7,532	1,316,400	1,911,737	1,885,540
Total assets		784,532	2,093,400	2,688,737	2,662,540
Equity Capital and reserves attributable to the equity holders of the Company					
Share capital	26	777,000	1,822,612	1,822,252	1,822,252
Reserves	27	(597)	173,464	831,478	802,018
Proposed final dividend	14		80,000	27,496	
Total equity		776,403	2,076,076	2,681,226	2,624,270
Liabilities Current liabilities					
Creditors and accruals	33	1,004	17,324	7,509	8,810
Amounts due to subsidiaries	35	7,125			
Dividend payable				_	29,460
Taxation payable				2	
		8,129	17,324	7,511	38,270

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Total equity and liabilities	784,532	2,093,400	2,688,737	2,662,540
Net current (liabilities)/assets	(597)	1,299,076	1,904,226	1,847,270
Total assets less current liabilities	776,403	2,076,076	2,681,226	2,624,270
The notes on pages VI-18 to VI-132 are an integral par	t of this Financ	cial Information.		

# ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

# CONSOLIDATED STATEMENTS OF CASH FLOWS

Note 2006 2007 2008 2008 2009  HK\$ 000 HK\$ 000 HK\$ 000 HK\$ 000 (unaudited)  Cash flows from operating activities
Cash flows from operating activities (unaudited)
activities
Profit before income tax 433,642 522,675 585,932 575,339 303,483
Adjustments for: Share of net profit of
associated companies (97,849) (107,858) (33,577) (75,278) (50,735)
Loss on share reform of an
associated company 52,237
Interest income $(6,034)$ $(27,300)$ $(5,095)$ $(3,730)$ $(1,324)$
Finance costs 88,171 109,737 132,011 96,791 64,057
Impairment of intangible
assets 55 19,860
Impairment of property,
plant and equipment 10,612 5,419
Amortisation of intangible
assets 1,170 1,337 2,991 2,513 878
Amortisation of leasehold
land and land use rights 2,472 2,904 4,353 3,252 3,297
Depreciation of property,
plant and equipment 208,770 291,760 441,705 322,361 387,084
Dividend income from
available-for-sale financial
asset (1,971)
Negative goodwill from
acquisition of minority
interest in a subsidiary $38(a)$ $(1,108)$
Income on partial disposal
of a subsidiary 38(b) (41)
(Gain)/loss on disposal of
property, plant and
equipment (684) 2,599 22,383 9,430 1,222
Gain on adjustment for
contingent consideration in
relation to business
combination (13,933) (13,425)
Net exchange differences (5,115) (45,043) (141,888) (143,518)
Share award expenses 254,502 11,661 9,198 10,772

		Year	ended 31 Decen	ıber	Nine mont	
	Note	<b>2006</b> <i>HK</i> \$ 000	<b>2007</b> HK\$ 000	<b>2008</b> HK\$ 000	<b>2008</b> <i>HK</i> \$ 000  (unaudited)	<b>2009</b> HK\$ 000
Operating profit before						
working capital changes		675,727	1,015,884	1,026,403	796,358	708,757
Changes in:						
Inventories		(114,271)	(96,759)	(46,904)	(232,236)	(865)
Debtors and prepayments		(272,588)	(139,214)	354,013	(128,156)	71,182
Restricted bank balances		12,075	(2,477)	(1,972)	2,719	(2,524)
Creditors and accruals		204,356	456,466	38,838	110,936	(283,598)
Long-term other payables Amount due from a			115,658	(41,094)	(16,265)	(49,590)
director		20,809				
Amounts due to associated		,				
companies		(23,210)	29,927	(29,074)	(44,085)	19,000
Amounts due from/(to)		, , ,			, ,	
related parties		(39,669)	(9,598)			
Amounts due from/(to)						
minority shareholders			(38,712)	39,055	39,958	
Amount due to a						
subsidiary of a minority						
shareholder		39,565	(33,992)	(12,539)	32,099	9,020
Cash generated from						
operating activities		502,794	1,297,183	1,326,726	561,328	471,382
Interest received		6,034	27,300	5,095	3,730	1,324
Interest paid		(88,171)	(109,737)	(90,770)	(82,653)	(66,768)
Hong Kong profits tax						
paid		(2,900)	(11,900)	(3,285)	(3,275)	(5,605)
Overseas tax paid		(36,396)	(70,741)	(110,034)	(85,341)	(51,625)
Net cash generated from						
operating activities		381,361	1,132,105	1,127,732	393,789	348,708
			VI-10-	•	·	•

		Year	ended 31 Decen	nber	Nine month 30 Septer	
	Note	2006	2007	2008	2008	2009
		HK\$ 000	HK\$ 000	HK\$ 000	HK\$ 000 (unaudited)	HK\$ 000
Cash flows from						
investing activities Purchase of property,						
plant and equipment Purchase of leasehold		(654,442)	(1,387,330)	(1,409,181)	(1,100,129)	(268,216)
land and land use rights		(30,805)				
Proceeds from sale of property, plant and						
equipment Acquisition of a		7,482	3,431	2,644	3,514	1,022
subsidiary, net of bank						
balances and cash acquired	38(c)		(694,715)			
Partial disposal of a subsidiary	38(b)		14,719			
Acquisition of minority			17,717			
interest in a subsidiary Purchase of	38(a)	(6,354)				
available-for-sale financial asset			(21,089)			
Investment in an		(22.205)				
associated company Distribution to equity		(33,305)	(20,750)			
holders Dividends received from		(6,698)				
associated companies Dividend received from		41,112	26,511	27,749	27,749	36,114
available-for-sale financial asset						1,971
Net cash used in investing activities		(683,010)	(2,079,223)	(1,378,788)	(1,068,866)	(229,109)
				(-,- : 5, : 50)	(-,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	(,+/)
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					Nine mont	
			ended 31 Decem		30 Septe	
	Note	<b>2006</b> HK\$ 000	<b>2007</b> HK\$ 000	<b>2008</b> HK\$ 000	<b>2008</b> <i>HK</i> \$ 000 (unaudited)	<b>2009</b> HK\$ 000
Cash flows from financing activities						
New borrowings Repayment of		1,967,787	3,095,406	3,506,676	3,088,152	1,129,480
borrowings		(1,629,011)	(2,186,244)	(2,595,841)	(2,173,344)	(1,138,816)
Repurchase of own shares Proceeds from issuance				(69,855)	(69,855)	
of shares Share issue expenses Partial consideration			1,125,000 (79,388)			
pursuant to the reorganisation	38(d)		(700,000)			
Dividends paid to shareholders Dividends paid to			(40,000)	(134,992)	(134,992)	(27,496)
minority shareholders		(30,174)	(101,630)	(3,127)	(3,127)	(91,361)
Capital contribution by minority shareholders		18,068	114,285			94,199
Net cash generated from/(used in) financing activities		326,670	1,227,429	702,861	706,834	(33,994)
Net increase in cash and cash equivalents Exchange differences on cash and cash		25,021	280,311	451,805	31,757	85,605
equivalents Cash and cash equivalents at		(16,497)	(33,236)	(7,822)	(9,157)	(411)
beginning of the year/period		158,692	167,216	414,291	414,291	858,274
Cash and cash equivalents at end of	29(a)	167 216	414 201	959 27 <i>1</i>	426 VO1	042 469
the year/period	38(e)	167,216	414,291	858,274	436,891	943,468

The notes on pages VI-18 to VI-132 are an integral part of this Financial Information. -VI-12-  $\,$ 

# ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

# CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

# Attributable to the equity holders of the Company

Available-

		fin <b>ah@iqlib</b> alsed		Proposed				
	Share capital HK\$ 000	Metgetangsptication reservereserve	reserve	rederidend	Retained earnings HK\$ 000	Total	Minority interests HK\$ 000	Total equity HK\$ 000
At 1 January 2006	777,000	(549,769)	68,286	22,789	808,482	1,126,788	152,477	1,279,265
Profit for the year Other comprehensive income: Exchange					320,017	320,017	64,907	384,924
differences		2,934	336	41,529		44,799	6,100	50,899
Total comprehensive income for the year ended 31 December 2006  Transactions with equity holders:		2,934	336	41,529	320,017	364,816	71,007	435,823
Capital contribution by minority shareholders Partial consideration pursuant to the reorganisation		(700,000)				(700,000)	18,068	18,068 (700,000)
Distribution to equity holders					(57,793)	(57,793)		(57,793)
Disposal of equity interest by a minority								
shareholder							(7,462)	(7,462)

Dividends Transfer			12,7	73		(12,773)		(30,174)	(30,174)
		(700,000)	12,7	73		(70,566)	(757,793)	(19,568)	(777,361)
At 31 December 2006	777,000	(1,246,835)	81,3	95 VI-1	64,318 13-	1,057,933	733,811	203,916	937,727

# ACCOUNTANT S REPORT ON THE **MEADVILLE GROUP**

Attributable to	the equity	holders of	the Company
Available-			

	Share capital HK\$ 000	finan <b>Ciq</b> lit <b>ah</b> are- M <b>ddgdgilugsptio</b> mpen	sation ( eserve	reserve	xchange reserve d		Retained earnings HK\$ 000	<b>Total</b> <i>HK</i> \$ 000	Minority interests HK\$ 000	e HK
ry 2007	777,000	(1,246,835)		81,395	64,318		1,057,933	733,811	203,916	93′
for the							341,648	341,648	108,911	450
rehensive e: hange ences				713	126,627		600	127,940	19,133	14
rehensive e for the nded 31 nber 2007				713	126,627		342,248	469,588	128,044	591
actions quity rs: al bution by										
ity nolders eds from ce of									128,963	128
;	1,125,000							1,125,000		1,12
issue ses award ses ( <i>Note</i>	(79,388)							(79,388)		(7
		25	54,502					254,502		25
end (Note		(4	40,000)			00.000		(40,000)	(101,630)	(14

(80,000)

80,000

sed	final
nd	(Note

fer				48,461			(48,461)			
	1,045,612		134,502	48,461		80,000	(48,461)	1,260,114	27,333	1,287
nber 2007	1,822,612	(1,246,835)	134,502	130,569	190,945	80,000	1,351,720	2,463,513	359,293	2,822
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# APPENDIX VI

# ACCOUNTANT S REPORT ON THE **MEADVILLE GROUP**

Attributable to the equity holders of the Company Available-

	Share capital HK\$ 000	í	reservees	oit <b>ah</b> a <b>tiom</b> p erve	ensation reserve	reserve	Exchange reserve	Proposed final dividend 0 HK\$ 000	Retained earnings HK\$ 000	Total	Minority interests HK\$ 000
08	1,822,612	(1,246,835)			134,502	130,569	190,945	80,000	1,351,720	2,463,513	359,293
he year									402,468	402,468	106,077
nsive											
e s in fair						649	105,782			106,431	22,374
or-sale sset			(454)							(454)	
nsive the 31 2008			(454)			649	105,782		402,468	508,445	128,451
ns with											
rd Note 7)					11,661					11,661	
Note on upon of					(54,992)			(80,000)		(134,992)	(62,577)
s (Note	(360)			360					(69,855)	(69,855)	
Note					(27,496)	35,388		27,496	(35,388)		

	(360)			360	(70,827)	35,388		(52,504)	(105,243)	(193,186)	(62,577)
2008	1,822,252	(1,246,835)	(454)	360	63,675	166,606	296,727	27,496	1,648,945	2,778,772	425,167
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# ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

# Attributable to the equity holders of the Company Available-

	Share capital	reserve	f Hedging reserve	reservees	pi <b>tsi</b> la p <b>tiom</b> p serve	pensation reserve	reserve	Exchange reserve	dividend	Retained earnings	Total	Minorit interest
	HK\$ 000	HK\$ 00	0 HK\$ 000	HK\$ (14)18	\$ 000	000 HK\$	HK\$ 000	HK\$ 00	0 HK\$ 000	HK\$ 000	HK\$ 000	HK\$ 0
-	1,822,252	(1,246,835)	)	(454)	360	63,675	166,606	296,727	27,496	1,648,945	2,778,772	425,16
										178,307	178,307	72,09
							8	2,846			2,854	38
				(2,921)							(2,921)	
			22,796								22,796	
			(17,226)								(17,226)	
			(178)								(178)	
			5,392	(2,921)			8	2,846		178,307	183,632	72,47

rith												
? 7)						10,772					10,772	
e 						(29,460)			(27,496)		(56,956)	(30,95
/												
							28,183			(28,183)		94,199
						(18,688)	28,183		(27,496)	(28,183)	(46,184)	63,248
9	1,822,252	(1,246,835)	5,392	(3,375)	360	44,987	194,797	299,573		1,799,069	2,916,220	560,894
	The note	es on pages VI-	18 to VI-	132 are an	integi	al part of the		al Informa	tion.			

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Note 7) Note

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# ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

## UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Attributable to the equity holders of the Company

Sha capit <i>HK</i> \$ (	al resences	Available- for-sale financial'a ging rasken erve reservee \$0000HK\$ 00K	serve resei	sed ion Ge rve re	eserve	xchange reserve	Proposed final dividend	Retained earnings HK\$ 000		Minority interests HK\$ 000
1,822,61	12 (1,246,83	5)	134,5	502 13	80,569	190,945	80,000	1,351,720	2,463,513	359,293
								417,642	417,642	75,768
					717	133,966			134,683	24,905
		3,564							3,564	
		3,564			717	133,966		417,642	555,889	100,673
l										
)			9,1	98					9,198	
ı			(54,9	992)			(80,000)		(134,992)	(38,607)
(36	50)		360	1	3,229			(69,855) (13,229)	(69,855)	

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(360) 360 (45,794) 13,229 (80,000) (83,084) (195,649) (38,607)

144,515 324,911

1,686,278 2,823,753

421,359

The notes on pages VI-18 to VI-132 are an integral part of this Financial Information.

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3,564

2008

1,822,252 (1,246,835)

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88,708

## ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

#### II NOTES TO THE FINANCIAL INFORMATION

### 1 General information, reorganisation and basis of preparation

### (a) General information

Meadville Holdings Limited (the Company ) and its subsidiaries (hereinafter collectively referred to as the Group ) are principally engaged in the manufacturing and distribution of printed circuit boards (the PCB Business ) and prepreg and laminate (the 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 (Listing).

This Financial Information are presented in units of Hong Kong dollars (HK\$), unless otherwise stated.

## (b) Reorganisation

Before completion of the reorganisation, the PCB Business and Laminate Business was carried out by Photomask (HK) Limited (formerly known as Meadville Technologies Group Limited) ( PHKL ), the former holding company, and all its subsidiaries except for Qingyi Precision Maskmaking (Shenzhen) Ltd. ( SQM ). SQM was engaged in the research, design and manufacturing of photomasks (the Photomask Business ).

For the preparation of the listing of shares of the Company on the Stock Exchange, the following reorganisation (the Reorganisation ) was carried out to transfer the PCB Business and Laminate Business and its related assets to the Company by way of the following steps:

MTG Investment (BVI) Limited (MTG(INV)) was incorporated in the British Virgin Islands on 23 August 2006 by Mr. Tang Hsiang Chien, a shareholder of MTG(INV). Pursuant to an agreement dated 30 December 2006 entered into between MTG(INV) and PHKL, MTG(INV) acquired the equity interests in the subsidiaries of PHKL engaged in the PCB Business and Laminate Business (including their holding companies) and certain assets and liabilities in relation to the PCB Business and Laminate Business of PHKL for a total consideration of approximately HK\$1,219 million, which was satisfied partly by payment of cash of HK\$700 million and partly by issue of 99,999 shares in MTG(INV). As a result of the transfer, PHKL ceased its operation in the PCB Business and Laminate Business and only conducted the Photomask Business thereafter.

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## ACCOUNTANT S REPORT ON THE MEADVILLE

Pursuant to an agreement dated 30 December 2006, the Company acquired the entire issued capital of MTG(INV) through a share swap, and the Company became the holding company of the companies now comprising the Group. Details of the Company s interests in its subsidiaries and associated companies are set out in Note 20 and Note 19 respectively.

The Reorganisation involved companies under common control, and the Group resulting from the Reorganisation is regarded as a continuing group. Accordingly, the Reorganisation has been accounted for on the basis of merger accounting, under which the consolidated financial statements have been prepared as if the Company had been the holding company of the subsidiaries comprising the Group throughout the year ended 31 December 2006, rather than from the date on which the Reorganisation was completed. The comparative figures as at 1 January 2006 have been presented on the same basis.

As a result of the Reorganisation, all the PCB Business and Laminate Business were transferred to the Company and its subsidiaries now comprising the Group effective 30 December 2006. After the Reorganisation, the PCB Business and Laminate Business were carried out by the Group.

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## ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

### (c) Basis of preparation

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

The preparation of the Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information, are disclosed in Note 4.

(i) The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2009:

	beginning on or after
Presentation of financial statements	1 January 2009
Borrowing costs	1 January 2009
Puttable financial instruments and obligations arising on	1 January 2009
liquidation	
Cost of an investment in a subsidiary, jointly controlled entity	1 January 2009
or associate	
Share-based payment Vesting conditions and cancellations	1 January 2009
Financial instruments: Disclosures	1 January 2009
Operating segments	1 January 2009
Customer loyalty programmes	1 July 2008
Agreements for construction of real estates	1 January 2009
Hedges of a net investment in a foreign operation	1 October 2008
	Borrowing costs Puttable financial instruments and obligations arising on liquidation Cost of an investment in a subsidiary, jointly controlled entity or associate Share-based payment Vesting conditions and cancellations Financial instruments: Disclosures Operating segments Customer loyalty programmes Agreements for construction of real estates

HK(IFRIC) Int 18 Transfer of assets from customers is effective to transfers of assets from customers received on or after 1 July 2009.

The adoption of the above new standards, amendments to standards and interpretations has no significant impact on the results and financial position of the Group.

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Effective for accounting periods

## ACCOUNTANT S REPORT ON THE MEADVILLE

GROUP

In addition, HKICPA also published a number of amendments for the existing standards under its annual improvement project. These amendments are also not expected to have a significant financial impact on the results and financial position of the Group.

(ii) The following new standards, amendments to standards and interpretations have been issued but are not effective for the period beginning on 1 January 2009 and are relevant to the Group s operations and have not been early adopted:

Effective for accounting periods beginning on or after

HKAS 24 (Revised)	Related party disclosures	1 January 2011
HKAS 27 (Revised) Consolidated and separate financial statements		1 July 2009
HKAS 39 (Amendment)	Eligible hedged items	1 July 2009
HKFRS 3 (Revised)	Business combinations	1 July 2009
HKFRS 9	Financial instruments	1 January 2013
HK(IFRIC) Int 9 and	Reassessment of embedded derivatives	30 June 2009
HK AS 30 (Amendments)		

HKAS 39 (Amendments)

HK(IFRIC) Int 17 Distributions of non-cash assets to owners 1 Jul-

1 July 2009

Whether the adoption of HKFRS 3 (Revised) and HKAS 27 (Revised) has any material impact on the results and financial position of the Group will depend on the incidence and timing of business combinations occurring on or after 1 January 2010. The directors are not yet in a position to state whether any substantial changes to the financial statements will be resulted from adopting HKFRS 9. The directors anticipate that the adoption of other new standards, amendments and interpretations to standards will not result in a significant impact on the results and financial position of the Group.

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## ACCOUNTANT S REPORT ON THE MEADVILLE

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(iii) The following new standards, amendments to standards and interpretations have been issued but are not effective for the period beginning on 1 January 2009 and are not relevant to the Group s operations and have not been early adopted:

> **Effective for** accounting periods beginning on or after

HKAS 32 (Amendment)	Classification of right issues	1 February 2010
HKFRS 1 (Revised)	First-time adoption of Hong Kong Financial Reporting	1 July 2009
	Standards	
HKFRS 1 (Amendment)	Additional exemptions for first-time	1 January 2010
	adopters	
HKFRS 2 (Amendment)	Group cash-settled share-based payment	1 January 2010
	transactions	
HK(IFRIC) Int 14	Prepayments of a minimum funding requirement	1 January 2011
(Amendment)		
HK(IFRIC) Int 19	Extinguishing financial liabilities with	1 July 2010
	equity instruments	

(iv) HKICPA s improvements to HKFRS have been published in October 2008 but are not effective for the period beginning on 1 January 2009 and have not been early adopted by the Group. Amendment has been made to the following standard according to the improvements:

> Effective for accounting periods beginning on or after

> > 1 July 2009

**HKFRS 5** Non-current assets held for sale and discontinued operations

> (and consequential amendment to HKFRS 1, First time adoption of Hong Kong Financial Reporting Standards)

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**HKFRS 8** 

HK Int 4 (Revised)

### ACCOUNTANT S REPORT ON THE MEADVILLE

**GROUP** 

Effective for accounting periods beginning

1 January 2010

1 January 2010

(v) HKICPA s improvements to HKFRS have been published in May 2009 but are not effective for the period beginning on 1 January 2009 and have not been early adopted by the Group. Amendments have been made to the following standards according to the improvements:

		on or after
HKAS 1 (Revised)	Presentation of financial statements	1 January 2010
HKAS 7	Statement of cash flows	1 January 2010
HKAS 17	Leases	1 January 2010
HKAS 18	Revenue	1 January 2010
HKAS 36	Impairment of assets	1 January 2010
HKAS 38	Intangible assets	1 July 2009
HKAS 39	Financial instruments: Recognition and measurement	1 January 2010
HKFRS 2	Share-based payment Scope of HKFRS 2 and HKFRS 3 (Revised)	1 July 2009
HKFRS 5	Non-current assets held for sale and discontinued operations	1 January 2010

Leases Determination of the length of lease term in respect of

Reassessment of embedded derivatives 1 July 2009 HK(IFRIC) Int 9 1 July 2009 HK(IFRIC) Int 16 Hedges of a net investment in a foreign operation The directors anticipate that the adoption of the above amendments to HKFRS mentioned in Note 1(c) (iii),

(iv) and (v) will not result in a significant impact on the results and financial position of the Group.

Operating segments

Hong Kong land leases

## **Summary of significant accounting policies**

## (a) Merger accounting for common control combinations

The Financial Information incorporates the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

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## ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties perspective. No amount is recognised in respect of goodwill or excess of acquirers interest in the net fair value of acquiree s identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party s interest.

The consolidated income statement includes the results of the combining entities or businesses from the earliest date presented or since the date when the combining entities first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

A uniform set of accounting policies is adopted by those entities. All intra-group transactions, balances and unrealised gains on transactions between combining entities or businesses are eliminated on consolidation.

## (b) Consolidation

#### (i) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Except for the Reorganisation which has been accounted for as a combination of entities or businesses under common control using merger accounting as explained in Note 1(b), the purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interests. The excess of the cost of acquisition over the fair value of the Group s share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary in the consolidated financial statements to ensure consistency with the policies adopted by the Group.

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## ACCOUNTANT S REPORT ON THE MEADVILLE

GROUP

In the Company s statement of financial position the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

### (ii) Transactions with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the consolidated income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

### (iii) Associated companies

Associated companies are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Interests in associated companies are accounted for using the equity method of accounting and are initially recognised at cost. The Group s interests in associated companies include goodwill identified on acquisition, net of any accumulated impairment loss.

The Group s share of its associated companies post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group s share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group s interest in the associated companies. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associated companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

## (c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the management that makes strategic decisions.

## (d) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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#### ACCOUNTANT S REPORT ON THE MEADVILLE

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Subsequent costs are included in the asset s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged in the consolidated income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, which are summarised as follows:

Buildings
Leasehold improvements
Leasehold improvements

Furniture and equipment

5 - 6 years

Plant, machinery and equipment

Motor vehicles

22 - 25 years

10 - 12 years

5 - 6 years

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Construction in progress represents buildings or leasehold improvements on which construction work has not been completed and plant, machinery and equipment pending installation. It is carried at cost which includes construction expenditures and other direct costs less any impairment losses. On completion, construction in progress is transferred to the appropriate categories of property, plant and equipment at cost less accumulated impairment losses. No depreciation is provided for construction in progress until they are completed and available for use.

An asset s carrying amount is written down immediately to its recoverable amount if the asset s carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are charged to the consolidated income statement.

#### (e) Intangible assets

## (i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary and associated company at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associated companies is included in interests in associated companies. Goodwill is tested for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Impairment losses on goodwill are not reversed.

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## ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

Goodwill is allocated to cash-generating units ( CGUs ) for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose.

### (ii) Technologies fee

The technologies fee is shown at historical cost. The technologies fee has a definite useful life and is carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of technologies fee over its estimated useful life of 10 years.

## (iii) Customer relationship

Customer relationship represents the fair value attributable to customer base or existing contractual bids with customers taken over as a result of business combination. Amortisation is calculated using the straight-line method over the estismated useful life of 10 years.

#### (f) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset s carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated income statement within selling and distribution expenses. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited against selling and distribution expenses in the consolidated income statement.

## (g) Impairment of non-financial assets

Non-financial assets that have an indefinite useful life or have not yet available for use are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset s carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset s fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

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## ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

## (h) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets. They are included in non-current assets unless management intends to dispose of the investment within twelve months of the statement of financial position. Available-for-sale financial assets are stated initially at fair value plus transaction costs and subsequently carried at fair value.

Changes in fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised costs of the security and other changes in the carrying amount of the security. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in equity.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the consolidated income statement. Dividends on available-for-sale equity instruments are recognised in the consolidated income statement when the Group s right to receive payments is established.

If the market for a financial asset is not active (and for unlisted securities), the Group established fair value by using valuation techniques. These include the use of recent arm s length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial asset, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

## (i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, calculated on the weighted average basis, comprises materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

#### (i) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are expensed in the consolidated income statement on a straight line basis over the period of the lease.

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## ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

## (k) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Borrowing costs directly attributable to the acquisition and construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Borrowing costs capitalised are either the actual costs incurred on a specific borrowing or an amount calculated using the weighted average method, considering all borrowing costs incurred on general borrowings outstanding. Other borrowing costs are expensed.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the end of each reporting period.

## (1) Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designed as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either: (i) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge) or (ii) hedges of highly probable forecast transactions (cash flow hedges).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

#### (i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the consolidated income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised through the consolidated income statement over the period to maturity.

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## ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

### (ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement.

Amounts accumulated in hedging reserve are recognised in the consolidated income statement in the periods when the hedged item affects profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, property, plant and equipment), the gains and losses previously deferred in hedging reserve are transferred from hedging reserve and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised as depreciation in case of property, plant and equipment.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in hedging reserve at that time remains in hedging reserve and is recognised when the forecast transaction is ultimately recognised in the consolidated income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in hedging reserve is immediately transferred to the consolidated income statement.

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of these derivative instruments are recognised immediately in the consolidated income statement.

## (m) Current and deferred income tax

The tax expense for the year/period comprises current and deferred tax. Tax is recognised in the consolidated income statement.

The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the end of each reporting period in the countries where the Company and its subsidiaries and associated companies operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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## ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associated companies, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

## (n) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

## (o) Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

## (p) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

## (q) Employee benefits

### (i) Employee leave entitlements

Employee entitlements to annual and long service leaves are recognised when they accrue to employees. Provisions are made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of each reporting period.

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## ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

## (ii) Retirement benefits

The Group pays contributions to separate trustee-administered funds on a mandatory basis. The Group has no further payment obligation once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due and are not reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contribution.

The Group s employees in mainland China are covered by various government sponsored pension plans. These government agencies are responsible for the pension liabilities to these employees. The relevant group companies pay monthly contributions to these pension plans based on certain percentages of the salaries, subject to a certain ceiling. Under these plans, the Group has no legal or constructive obligation to make further payments once the required contributions have been paid. Contributions to these plans are expensed as incurred.

The Group s overseas employees are entitled to participate in a number of defined contribution pension schemes, the assets of which are generally held in separate trustee-administered funds. The pension schemes are generally funded by payments from employees and by the relevant group companies.

## (iii) Bonus plans

Provisions for bonus plan due wholly within twelve months after the end of each reporting period are recognised where contractually obliged or where is a past practice that has created a constructive obligation.

## (iv) Share-based compensation

For shares granted to the employees, the fair value of the employee services received in exchange for the grant of the shares is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares granted. At the end of each reporting period, the Group revises its estimates of the number of shares that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

#### (v) Other benefits

The Group s employees in mainland China are also entitled to participate in various government sponsored medical insurance plan and housing funds. The relevant group companies pay monthly contributions to these funds based on certain percentages of the salaries. The Group s liability in respect of these funds is limited to the contributions paid. Contributions to these plans are expensed as incurred.

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## ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

## (r) Government grants

Grants from government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the consolidated income statement on a straight line basis over the expected lives of the related assets.

## (s) Share capital

Shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the net proceeds.

Where any group company purchases the Company s equity share capital, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company s equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company s equity holders.

## (t) Financial liabilities put option

Financial liabilities are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. The accretion of the discount on the financial liability should be recognised as finance costs in the consolidated income statement. Adjustments to the liability for the contingent consideration other than accretion of discount are recognised against goodwill including revision of cash flow estimates.

## (u) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group s activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

Sales of goods are recognised when a group entity has delivered products to the customer, the customer has accepted the products and collectability of related receivables is reasonably assured.

Dividend income is recognised when the right to receive payment is established.

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## ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

#### (v) Interest income

Interest income is recognised on a time proportion basis, using the effective interest method.

### (w) Foreign currency translation

### (i) Functional and presentation currency

Items included in the financial statements of each of the Group s entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in HK\$ which is the Company s functional and presentation currency.

### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement except when deferred in equity as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated income statement within interest income or finance cost. All other foreign exchange gains and losses are presented in the consolidated income statement within general and administrative expenses.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security, and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount are recognised in equity.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the available-for-sale reserve in equity.

## (iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of reporting period;

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## ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to owners equity. When a foreign operation is partially disposed of or sold, such exchange differences that were recorded in equity are recognised in the consolidated income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

## (x) Dividend distribution

Dividend distribution to the Company s shareholders is recognised as a liability in the Group s financial statements in the period in which the dividends are approved by the Company s shareholders or directors, where appropriate.

## 3 Financial risk management

## (a) Financial risk factors

The Group s activities expose it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk and cash flow and fair value interest-rate risk. The Group s overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group s financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

## (i) Foreign exchange risk

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 (US\$) and Renminbi (RMB). 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 payment of operating costs and maintenance of borrowings at a balanced mix of major currencies.

In addition, the conversion of RMB into foreign currencies is subject to the rules and regulations of the foreign exchange controls promulgated by the Chinese government.

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## ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group s foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

If RMB had weakened/strengthened by 3.5%, 5.0%, 4.0% and 0.1% against the HK\$ with all other variables held constant, post-tax profit for the year/period would have been HK\$9,143,000, HK\$24,451,000, HK\$16,804,000 and HK\$100,000 higher/lower respectively for the years ended 31 December 2006, 2007 and 2008 and nine months ended 30 September 2009 respectively, mainly as a result of foreign exchange losses/gains on translation of RMB-denominated trade receivables and foreign exchange gains/losses on translation of RMB-denominated trade payables and borrowings.

If US\$ had weakened/strengthened by 0.2%, 0.4%, 0.7% and 0.1% against the HK\$ with all other variables held constant, post-tax profit for the year/period would have been HK\$572,000, HK\$2,653,000, HK\$13,460,000 and HK\$1,942,000 higher/lower respectively for the years ended 31 December 2006, 2007 and 2008 and nine months ended 30 September 2009, mainly as a result of foreign exchange losses/gains on translation of US\$-denominated trade receivables and foreign exchange gains/losses on translation of US\$-denominated trade payables and borrowings. There is no significant impact on equity for the years ended 31 December 2006, 2007, 2008 and for the period ended 30 September 2009.

## (ii) Credit risk

The credit risk of the Group mainly arises from cash and cash equivalents and debtors. The carrying amounts of these balances represent the Group s maximum exposure to credit risk in relation to financial assets. At 31 December 2006, 2007 and 2008 and 30 September 2009, all the bank deposits are deposited in high quality financial institutions without significant credit risk.

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# ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

The table below shows the bank deposit balances of the five major banks at 31 December 2006, 2007, 2008 and 30 September 2009. Management does not expect any losses from non-performance by these banks. The Group has no policy to limit the amount of credit exposure to any financial institution.

		A	t 31 December		30 September
		2006	2007	2008	2009
	Rating				
Counterparty	(i)	HK\$ 000	HK\$ 000	HK\$ 000	HK\$ 000
Bank 1	Aa1	79,249	147,178	268,348	230,826
Bank 2	Aa3	10,863	8,756	169,273	125,495
Bank 3	A1	19,941	61,034	162,303	157,753
Bank 4	A1	66,902	106,732	144,979	184,715
Bank 5	Baa1				82,654
Bank 6	A1	10,771	76,187	104,461	
		187,726	399,887	849,364	781,443

*Note (i):* The source of current credit rating is from Moody s.

The table below shows major debtor balances at 31 December 2006, 2007, 2008 and 30 September 2009.

					At 30
		$\mathbf{A}$	t 31 December		September
		2006	2007	2008	2009
Counterparty	Rating	HK\$ 000	HK\$ 000	HK\$ 000	HK\$ 000
Debtors A (ii)	5A3	156,732	297,354	213,849	261,164
Debtors B (ii)	4A3		28,475	27,985	61,645
Debtors C (ii)	3A3	72,349	229,850	180,920	17,605
Debtors D (iii)	AAA			4,287	
Debtors E (iii)	AA-				3,644
Debtors F (iii)	A+	39,883	41,770	6,808	10,914
Debtors G (iii)	A-		6,685	19,337	19,050
Debtors H (iii)	BBB		1,266	10,418	5,592
Debtors I (iii)	BB+	69,679	117,629	77,148	62,106
Debtors J (iii)	B+	19,995	46,736	11,021	14,687
Debtors K (iii)	BB-	9,251	30,386	26,518	25,287
		367,889	800,151	578,291	481,694

*Note (ii):* The source of current credit rating is from Dun & Bradstreet.

Note (iii): The source of current credit rating is from Standard & Poor s.

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## ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

In order to minimise the credit risk to debtors, the Group has delegated a credit control team to be responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

As at 31 December 2006, 2007, 2008 and 30 September 2009, the credit quality of financial assets which include bank balances and debtors are neither past due nor impaired by making reference to the counterparty s default history. The trade debtors have no history of default in recent years.

## (iii) Liquidity risk

Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group finance. Group finance monitors rolling forecast of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance and external regulatory or legal requirements, for example, currency restrictions.

Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group s treasury. Group treasury invests surplus cash in interest bearing current accounts and time deposits to provide sufficient headroom as determined by the above-mentioned forecasts. The table below analyses the Group s financial assets held at 30 September 2009 for managing liquidity risk.

	Within	Between 1 and	Between 2 and	Over 5	
	<b>1 year</b> <i>HK</i> \$ 000	<b>2 years</b> <i>HK</i> \$ 000	<b>5 years</b> <i>HK</i> \$ 000	years HK\$ 000	Total HK\$ 000
At 30 September 2009					
Debtors	1,035,016				1,035,016
Cash and bank balances	943,468				943,468
	1,978,484				1,978,484

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of each reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows, except for the non-interest bearing current liabilities, which are disclosed at their fair values. The difference between the amounts disclosed on the consolidated statement of financial position and the table below represents the derivative financial instruments that are calculated at the net-settled amount, interest elements that have been included in borrowings and long-term other payables

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# ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

which are calculated based on the amounts of the borrowings and long-term other payables held at 31 December 2006, 2007 and 2008 and 30 September 2009 without taking into account of future issues and a floating-rate interest which is estimated using applicable interest rate at respective end of reporting period.

	Within 1 year HK\$ 000	Between 1 and 2 years HK\$ 000	Between 2 and 5 years HK\$ 000	Over 5 years HK\$ 000	Total HK\$ 000
At 31 December 2006					
Creditors and accruals  Amount due to a subsidiary of	800,030				800,030
minority shareholder	63,359				63,359
Amounts due to associated companies	120,742				120,742
Amounts due to related parties	709,598				709,598
Borrowings	1,094,408	301,114	506,801	14,086	1,916,409
	2,788,137	301,114	506,801	14,086	3,610,138
At 31 December 2007					
Creditors and accruals Amount due to a subsidiary of	1,428,268				1,428,268
minority shareholder	29,367				29,367
Amounts due to associated companies	150,669				150,669
Borrowings	1,056,941	527,472	1,338,753		2,923,166
Amount due to a minority shareholder	343				343
Financial liabilities				393,823	393,823
Long-term other payables	2,482	6,081	124,020		132,583
	2,668,070	533,553	1,462,773	393,823	5,058,219
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	Within	Between 1 and	Between 2 and	Over 5	
	<b>1 year</b> <i>HK</i> \$ 000	<b>2 years</b> <i>HK</i> \$ 000	<b>5 years</b> <i>HK</i> \$ 000	years HK\$ 000	Total HK\$ 000
At 31 December 2008					
Creditors and accruals	1,467,106				1,467,106
Derivative financial instruments Amount due to a subsidiary of	12,185	6,491	6,675		25,351
minority shareholder	16,828				16,828
Amounts due to associated companies	121,595				121,595
Borrowings	912,291	565,979	2,277,395		3,755,665
Amount due to a minority shareholder	60,466				60,466
Financial liabilities			190,587		190,587
Long-term other payables	810	15,817	61,064		77,691
	2,591,281	588,287	2,535,721		5,715,289
At 30 September 2009					
Creditors and accruals	1,183,508				1,183,508
Derivative financial instruments Amount due to a subsidiary of	8,084	6,126	2,938		17,148
minority shareholder	25,848				25,848
Amounts due to associated companies	140,595				140,595
Borrowings	716,860	1,247,403	1,802,646		3,766,909
Financial liabilities			196,806		196,806
Long-term other payables	21	23,267	1,780		25,068
	2,074,916	1,276,796	2,004,170		5,355,882
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## ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

The table below analyses the Group's derivative financial instruments held at 30 September 2009 that will be settled on a gross basis into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

		Between	Between		
	Within	1 and	2 and	Over 5	
	<b>1 year</b> <i>HK</i> \$ 000	<b>2 years</b> <i>HK</i> \$ 000	<b>5 years</b> <i>HK</i> \$ 000	<b>years</b> <i>HK</i> \$ 000	<b>Total</b> <i>HK</i> \$ 000
At 30 September 2009 Forward foreign exchange contracts cash					
flow hedges:					
Outflow	(5,114)		(174,541)		(179,655)
Inflow	5,517		196,794		202,311

## (iv) Cash flow and fair value interest-rate risk

The Group s interest-rate risk mainly arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Other than borrowings, the Group has no significant interest-bearing assets and liabilities. Accordingly, the Group s income and operating cash flows, other than finance costs, are substantially independent of changes in market interest rates.

The Group aims to maintain a suitable mixture of fixed rate and floating rate borrowings in order to stabilise interest costs despite rate movements. Interest rate hedging ratio is determined after taking into consideration of general market trend, the Group s cash flow patterns and interest coverage ratio. The Group uses interest rate swaps to hedge exposures or to modify the interest rate characteristics of its borrowings. At 31 December 2008 and 30 September 2009, the Group has interest rate swap contracts to hedge certain of the Group s borrowings amounting to US\$100 million with fixed interest rates.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Group calculates the impact on income statement of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions.

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## ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

Based on the simulations performed, the impact on income statement of a 10 basis-point shift would be a maximum increase of HK\$1,775,000, HK\$2,699,000, HK\$2,895,000 and HK\$2,137,000 or decrease of HK\$1,775,000, HK\$2,699,000, HK\$2,895,000 and HK\$2,137,000, for the years ended 31 December 2006, 2007 and 2008 and nine months period ended 30 September 2009 respectively.

## (b) Capital risk management

The Group s objectives when managing capital are to safeguard the Group s ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group will monitor the operating cash flow generated from operations and available banking facilities to match its capital expenditures and dividend outflow payments.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and bank balances. Total capital is calculated as equity, as shown in the consolidated statements of financial position.

The Group s strategy was to maintain a solid capital base to support the operations and development of its business in the long term. Management considers a gearing ratio of not more than 100% as solid and reasonable. The table below analyses the Group s capital structure at 31 December 2006, 2007, 2008 and 30 September 2009:

				30
	<b>2006</b> HK\$ 000	1 31 December 2007 HK\$ 000	<b>2008</b> HK\$ 000	<b>September 2009</b> <i>HK</i> \$ 000
Total borrowings Less: cash and bank balances ( <i>Note 25</i> )	1,775,307 (211,150)	2,699,174 (418,192)	3,635,635 (889,773)	3,600,673 (951,865)
Net debt	1,564,157	2,280,982	2,745,862	2,648,808
Total capital	937,727	2,822,806	3,203,939	3,477,114
Gearing ratio	167%	81%	86%	76%

The increase in net debt during 2007 resulted primarily from the acquisition of 80% of the issued share capital of Aspocomp Asia Limited and its subsidiaries in November 2007.

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## ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

The increase in net debt during 2008 resulted primarily from the increase in borrowings to finance the purchases of property, plant and equipment.

The decrease in net debt during 2009 resulted primarily from the decrease in borrowings through repayment.

#### (c) Fair value estimation

Effective 1 January 2009, the Group adopted the amendment to HKFRS 7 for financial instruments that are measured in the statement of financial position at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group s assets and liabilities that are measured at fair value at the end of the reporting period.

	At 30 September 2009 HK\$ 000
Assets	
Level 2	
Derivative financial instruments	22,796
Level 3	
Available-for-sale financial asset	17,714
Total assets	40,510

### Liabilities

#### Level 2

Derivative financial instruments

15,967

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

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## ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

If one or more of the significant inputs is not based on observable market data. The instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- (i) The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curve.
- (ii) The fair value of forward foreign exchange contracts is determined using forward exchange rates at the end of reporting period, with the resulting value discounted back to present value.
- (iii) Enterprise value calculation method is used to determine the fair value for the available-for-sale financial asset which use an average of the latest two years earnings before interest, tax and depreciation and amortisation (EBITDA) extracted from the latest unaudited financial results of the security and an enterprise value multiplier of 5.5 times. The enterprise value multiplier used is within the range of the multiplier of similar companies within the same industry.

### 4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

### (a) Useful lives of property, plant and equipment

The Group s management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

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## ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

## (b) Impairment of non-financial assets

Property, plant and equipment, leasehold land and land use rights, and intangible assets (other than goodwill) are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, and goodwill is tested annually for impairment in accordance with accounting policy stated in Note 2(f). The recoverable amounts are determined based on value-in-use calculations or market valuations. These calculations require the use of judgement and estimates.

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset value may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell or net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial position and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to the consolidated income statement.

## (c) Provision for impairment of trade and other receivables

The Group makes provision for impairment of trade and other receivables based on an assessment of the recoverability of these receivables. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of trade and other receivables requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables and provision for impairment losses in the period in which such estimate has been changed.

## (d) Net realisable values of inventories

Inventories are carried at the lower of cost and net realisable value. The cost of inventories is written down to net realisable value when there is an objective evidence that the cost of inventories may not be recoverable. The cost of inventories may not be recoverable if those inventories are damaged, if they have become wholly or partially obsolete, or if their selling prices have declined. The cost of inventories may also not be recoverable if the estimated costs to be incurred to make the sale have increased. The amount written off to the consolidated income statement is the difference between the carrying value and net realisable value of the inventories. In determining whether the cost of inventories can be recoverable, significant judgement is required. In making this judgement, the Group evaluates, among other factors, the duration and extent by all means to which the amount will be recovered.

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## ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

## (e) Present value of financial liabilities

The Group management determines the estimated redemption value of the financial liabilities by using a predetermined formula based on the put option agreement described in Note 31. This formula requires the use of estimates and assumptions which are described in Note 31. Any changes in these assumptions will impact the present value determined and the amount recorded in the consolidated statement of financial position.

## 5 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 information.

Revenue consists of sales of (i) PCB; and (ii) prepreg and laminate. Sales between segements are carried out on terms equivalent to those 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 consolidated 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, amounts due from related parties and cash and bank balances. They exclude items such as interests in associated companies, deferred tax assets and taxation recoverable, which are managed by the head office.

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

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# ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

Information regarding the Group s reportable segments as provided to the Executive Directors for the purposes of resources allocation and assessment of segment performance is set out below:

## Segment results, assets and liabilities

The segment results for the years/periods are as follows:

	Year ended 31 December			Nine months ended 30 September		
	2006 2007		2008	2008	2009	
	HK\$ 000	HK\$ 000	HK\$ 000	HK\$ 000 (unaudited)	HK\$ 000	
Revenue/turnover						
PCB	2,838,773	4,108,638	5,212,437	3,930,212	3,505,389	
Prepreg and laminate	512,466	663,943	759,302	604,195	475,026	
Inter-segment revenue	(210,841)	(282,319)	(345,288)	(264,909)	(279,524)	
Subtotal for Prepreg and laminate	301,625	381,624	414,014	339,286	195,502	
Total revenue/ turnover	3,140,398	4,490,262	5,626,451	4,269,498	3,700,891	
Segment results						
PCB	412,303	448,462	693,667	570,831	294,151	
Prepreg and laminate	57,864	48,792	(14,396)	22,291	21,330	
	470,167	497,254	679,271	593,122	315,481	
Loss on share reform of an						
associated company	(52,237)					
Interest income	6,034	27,300	5,095	3,730	1,324	
Finance costs	(88,171)	(109,737)	(132,011)	(96,791)	(64,057)	
Share of net profit of associated						
companies	97,849	107,858	33,577	75,278	50,735	
Income tax expense	(48,718)	(72,116)	(77,387)	(81,929)	(53,078)	
Profit for the year/period	384,924	450,559	508,545	493,410	250,405	
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# ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

The segment assets and liabilities at the end of the years/period are as follows:

	Α	At 31 December			
	2006			September 2009	
	HK\$ 000	HK\$ 000	<b>2008</b> HK\$ 000	HK\$ 000	
Segment assets					
PCB	3,553,250	6,455,973	7,529,187	7,482,444	
Prepreg and laminate	440,968	563,084	660,030	590,738	
	3,994,218	7,019,057	8,189,217	8,073,182	
Associated companies	441,409	579,543	620,573	635,563	
Deferred tax assets	,	13,124	32,682	42,935	
Taxation recoverable	2,220	6,090	21,820	25,537	
Total assets	4,437,847	7,617,814	8,864,292	8,777,217	
Segment liabilities					
PCB	2,994,694	4,268,289	5,293,837	4,836,369	
Prepreg and laminate	353,600	268,915	137,397	176,359	
	3,348,294	4,537,204	5,431,234	5,012,728	
Associated companies	120,742	150,669	121,595	140,595	
Deferred tax liabilities	14,219	81,483	97,081	92,730	
Dividend payable	11,217	01,103	77,001	29,460	
Taxation payable	16,865	25,652	10,443	24,590	
Total liabilities	3,500,120	4,795,008	5,660,353	5,300,103	
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# ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

Other segment items included in the consolidated income statement are as follows:

	Year ended 31 December			Nine months ended 30 September	
	2006 2007 2008		2008	2009	
	HK\$ 000	HK\$ 000	HK\$ 000	HK\$ 000	HK\$ 000
				(unaudited)	
Capital expenditures					
PCB	665,753	2,119,814	1,357,112	1,058,114	259,637
Prepreg and laminate	19,494	170,288	52,069	42,015	8,579
Total capital expenditures	685,247	2,290,102	1,409,181	1,100,129	268,216
Depreciation of property, plant and					
equipment					
PCB	200,264	278,663	421,325	309,313	363,413
Prepreg and laminate	8,506	13,097	20,380	13,048	23,671
Total depreciation of property, plant					
and equipment	208,770	291,760	441,705	322,361	387,084
Amortisation of leasehold land and land use rights					
PCB	1,876	2,167	3,600	2,688	2,730
Prepreg and laminate	596	737	753	564	567
Total amortisation of leasehold land					
and land use rights	2,472	2,904	4,353	3,252	3,297
Amortisation of intangible assets	1 170	1 227	2.001	2.512	979
PCB Prepreg and laminate	1,170	1,337	2,991	2,513	878
Total amortisation of intangible					
assets	1,170	1,337	2,991	2,513	878
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# ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

	Year ( <b>2006</b> HK\$ 000	ended 31 Dece 2007 HK\$ 000	<b>2008</b> HK\$ 000		ths ended tember 2009 HK\$ 000
Impairment of property, plant and equipment PCB Prepreg and laminate		10,612			5,419
Total impairment of property, plant and equipment		10,612			5,419
Impairment of intangible assets PCB Prepreg and laminate	55		19,860		
Total impairment of intangible assets	55		19,860		
Provision for/ (written-back of) bad and doubtful debts PCB Prepreg and laminate	15,818 192	6,587 149	(1,638) 27	2,754	2,253
Total provision for/ (written-back of) bad and doubtful debts	16,010	6,736	(1,611)	2,754	2,253
Provision for/ (written-back of) inventories PCB Prepreg and laminate	12,264 (81)	12,572 1,026	6,646 997	5,550 361	(2,315) 272
Total provision for/ (written-back of) inventories	12,183 -VI-50	13,598	7,643	5,911	(2,043)

# ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

The Group s revenue by geographical locations (the final destination to where the products are delivered) is as follows:

				Nine mont	hs ended	
	Year	ended 31 Decem	ber	30 September		
	2006	2007	2008	2008	2009	
	HK\$ 000	HK\$ 000	HK\$ 000	HK\$ 000	HK\$ 000	
				(unaudited)		
Mainland China	1,959,283	3,038,429	3,599,620	2,683,361	2,651,399	
Hong Kong	186,272	411,155	481,912	394,698	210,242	
North Asia	447,602	278,155	270,265	213,151	117,861	
North America	182,759	223,689	402,344	319,934	153,565	
Europe	224,517	308,387	467,434	375,891	285,427	
Southeast Asia	139,965	230,447	404,876	282,463	282,397	
Total revenue	3,140,398	4,490,262	5,626,451	4,269,498	3,700,891	

The Group s non-current assets are located in the following geographical areas:

				At 30			
	A	At 31 December					
	2006	2007	2008	2009			
	HK\$ 000	HK\$ 000	HK\$ 000	HK\$ 000			
Non-current assets							
Mainland China	1,879,619	3,791,484	5,119,950	5,023,239			
Hong Kong	288,291	309,356	287,513	297,466			
Finland		301,489	44,738	31,808			
India		64,447	59,318	50,758			
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# ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

#### 6 Other income

			Nine months ended			
	Year	ended 31 Decei	30 Septe	30 September		
	2006	2007	2008	2008	2009	
	HK\$ 000	HK\$ 000	HK\$ 000	HK\$ 000 (unaudited)	HK\$ 000	
Sales of scrap	64,805	129,767	167,961	134,533	91,674	
Dividend received from available-for-sale						
financial asset					1,971	
Investment tax credits	16,317	34,414				
Negative goodwill from acquisition of						
minority interest in a subsidiary (Note						
38(a))	1,108					
Income on partial disposal of a subsidiary						
( <i>Note 38(b)</i> )		41				
Tooling charges	10,146	5,757				
Sundries	4,769	7,071	4,534	2,836	5,264	
	97,145	177,050	172,495	137,369	98,909	

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

#### 7 Share award expenses

In 2007, Su Sih (BVI) Limited (Su Sih), the controlling shareholder of the Company, through its then wholly-owned subsidiary Total Glory Holdings Limited (Total Glory) granted 134,800,000 shares from Total Glory shareholding in the Company to the employees and senior executives of the Group so as to allow them to share in the Group s success and to incentivise and reward them.

Out of the total 134,800,000 shares, 105,448,000 shares are not subject to any vesting conditions whereas 29,352,000 shares were then subject to certain vesting conditions. For the years ended 31 December 2007 and 2008 and nine months periods ended 30 September 2008 and 2009, out of the 29,352,000 shares which are subject to vesting conditions, nil, 4,752,000, 4,239,000 (unaudited) and 5,209,000 shares were forfeited and returned to Total Glory respectively. Accordingly, based on the offer price of HK\$2.25 per share, share award expenses of nil, approximately HK\$5.5 million, HK\$3.7 million (unaudited) and HK\$0.1 million were credited to the consolidated income statement for the years ended 31 December 2007 and 2008 and nine months periods ended 30 September 2008 and 2009

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# ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

respectively. In addition, those granted shares which are subject to the vesting conditions and based on the offer price of HK\$2.25 per share, net share award expenses of HK\$17.2 million, HK\$11.7 million, HK\$9.2 million (unaudited) and HK\$10.8 million were charged to the consolidated income statement for the years ended 31 December 2007 and 2008 and nine months periods ended 30 September 2008 and 2009 respectively.

In respect of 105,448,000 shares granted in 2007 which are not subject to any vesting conditions, all of them were vested in 2007 and HK\$237.3 million was charged to the consolidated income statement for the year ended 31 December 2007. No share award expense was charged to the consolidated income statement for the year ended 31 December 2008 and nine months periods ended 30 September 2008 and 2009 in relation to those granted shares which are not subject to any vesting conditions.

For the share award expenses charged for the years ended 31 December 2006, 2007 and 2008 and nine months periods ended 30 September 2008 and 2009, corresponding amounts were credited as an employee share-based compensation reserve under equity in the financial statements of the Company.

#### 8 Employee benefit expenses (including directors emoluments)

				Nine mont	hs ended	
	Year e	ended 31 Decen	nber	30 September		
	2006	2007	2008	2008	2009	
	HK\$ 000	HK\$ 000	HK\$ 000	HK\$ 000	HK\$ 000	
				(unaudited)		
Wages and salaries	400,923	590,904	753,804	565,545	554,080	
Share award expenses ( <i>Note 7</i> )		254,502	11,661	9,198	10,772	
Retirement benefit costs	18,146	22,927	33,292	24,062	20,263	
	419,069	868,333	798,757	598,805	585,115	

The Group participates in employee social security plans, including pension, medical and other welfare benefits organised by the municipal government in mainland China in accordance with relevant regulations. Contributions are calculated based on certain percentages of the total salary costs of employees, subject to certain ceilings. The assets of the plans are held separately by the municipal government, which is responsible for the entire pension obligations payable to the retired employees. The Group has no other obligations except for making these specific contributions to the plans.

The Group also operates a defined contribution scheme in accordance with the requirements of the Mandatory Provident Fund Ordinance for all eligible employees in Hong Kong. Contributions to the scheme are calculated based on certain percentage of the applicable salary costs or pre-determined fixed sums. The assets of the scheme are held under separate independent trust funds.

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# ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

# (a) Directors emoluments

				Nine mont	ths ended	
	Year	ended 31 Decei	nber	30 September		
	2006	2007	2008	2008	2009	
	HK\$ 000	HK\$ 000	HK\$ 000	HK\$ 000	HK\$ 000	
			(	unaudited)		
Fees	145	1,314	1,200	900	900	
Other emoluments	13,412	173,268	26,966	19,396	15,513	
	13,557	174,582	28,166	20,296	16,413	

The remuneration of every director of the Company for the year ended 31 December 2006 is set out below:

	Share					Employer s contribution to	
Name of director	award expenses HK\$ 000 (Note 7)	<b>Fees</b> <i>HK</i> \$ 000	Salary HK\$ 000	Discretionary bonuses HK\$ 000	Other benefits HK\$ 000	pension scheme HK\$ 000	Total HK\$ 000
Tang Hsiang Chien		73					73
Tang Chung Yen, Tom		36	3,491	1,046	1,042	148	5,763
Tang Ying Ming, Mai		36	3,327			143	3,506
Chung Tai Keung,							
Canice			2,897		1,209	109	4,215
Leung Kwan Yuen, Andrew Lee Eugene Li Ka Cheung, Eric							
		145	9,715	1,046	2,251	400	13,557
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			-VI-54				

# ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

The remuneration of every director of the Company for the year ended 31 December 2007 is set out below:

		Employer s contribution to					
Name of director	award expenses HK\$ 000 (Note 7)	<b>Fees</b> <i>HK</i> \$ 000	Dis Salary HK\$ 000	scretionary bonuses HK\$ 000	Other benefits HK\$ 000	pension scheme HK\$ 000	Total HK\$ 000
Tang Hsiang Chien		75	4,200	300		180	4,755
Tang Chung Yen, Tom		38	6,300			270	6,608
Tang Ying Ming, Mai		38	5,320			228	5,586
Chung Tai Keung,							
Canice	149,400		3,920	1,230	1,680	240	156,470
Leung Kwan Yuen,							
Andrew		349					349
Lee Eugene		465					465
Li Ka Cheung, Eric		349					349
	149,400	1,314	19,740	1,530	1,680	918	174,582

The remuneration of every director of the Company for the year ended 31 December 2008 is set out below:

	Share					Employer s ontribution	
Name of director	award expenses HK\$ 000 (Note 7)	Fees HK\$ 000	D Salary HK\$ 000	iscretionary bonuses HK\$ 000	Other benefits HK\$ 000	pension scheme HK\$ 000	<b>Total</b> <i>HK</i> \$ 000
Tang Hsiang Chien Tang Chung Yen, Tom Tang Ying Ming, Mai Chung Tai Keung,			4,130 6,195 5,231	1,000 1,000 1,000		177 266 224	5,307 7,461 6,455
Canice Leung Kwan Yuen, Andrew Lee Eugene Li Ka Cheung, Eric		360 480 360	3,647	2,000	1,860	236	7,743 360 480 360
		1,200	19,203	5,000	1,860	903	28,166

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# ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

The remuneration of every director of the Company for the nine months ended 30 September 2008 (Unaudited) is set out below:

	Share				(	Employer s contribution to	
Name of director	award expenses HK\$ 000 (Note 7)	Fees HK\$ 000	Salary HK\$ 000	Discretionary bonuses HK\$ 000	Other benefits HK\$ 000	pension scheme HK\$ 000	Total HK\$ 000
Tang Hsiang Chien			2,700	1,000		135	3,835
			4,050	·			· ·
Tang Chung Yen, Tom			*	1,000		203	5,253
Tang Ying Ming, Mai			3,420	1,000		171	4,591
Chung Tai Keung,							
Canice			2,160	2,000	1,380	177	5,717
Leung Kwan Yuen,							
Andrew		270					270
Lee Eugene		360					360
Li Ka Cheung, Eric		270					270
Li Ka Ciculig, Elic							
		900	12,330	5,000	1,380	686	20,296

The remuneration of every director of the Company for the nine months ended 30 September 2009 is set out below:

	Share				•	Employer s contribution to	
Name of director	award expenses HK\$ 000 (Note 7)	Fees HK\$ 000	Salary HK\$ 000	Discretionary bonuses HK\$ 000	Other benefits HK\$ 000	pension scheme HK\$ 000	<b>Total</b> <i>HK</i> \$ 000
Tang Hsiang Chien			2,430	500		122	3,052
Tang Chung Yen, Tom			3,645	500		182	4,327
Tang Ying Ming, Mai			3,078	500		154	3,732
Chung Tai Keung,							
Canice			1,920	1,000	1,320	162	4,402
Leung Kwan Yuen,							
Andrew		270					270
Lee Eugene		360					360
Li Ka Cheung, Eric		270					270

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900 11,073 2,500 1,320 620 16,413

No directors waived or agreed to waive any emoluments during the years ended 31 December 2006, 2007 and 2008 and nine months ended 30 September 2008 and 2009. No incentive payment for joining the Group or compensation for loss of office was paid or payable to any directors during the years ended 31 December 2006, 2007 and 2008 and nine months ended 30 September 2008 and 2009.

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# ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

#### (b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include three, four, four (unaudited) and four directors for the years ended 31 December 2006, 2007 and 2008 and nine months ended 30 September 2008 and 2009, whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two, one, one, one (unaudited) and one individual for the years ended 31 December 2006, 2007 and 2008 and nine months ended 30 September 2008 and 2009 are as follows:

				Nine mon	ths ended	
	Year	ended 31 Dece	mber	30 September		
	2006	2007	2007 2008		2009	
	HK\$ 000	HK\$ 000	HK\$ 000	HK\$ 000	HK\$ 000	
			(	unaudited)		
Basic salaries, bonuses, allowances and						
benefits in kind	4,432	2,380	3,686	2,910	2,337	
Share award expenses (Note 7)		14,500	560	420	268	
Retirement benefit defined contribution						
scheme	65	43	94	71	14	
	4,497	16,923	4,340	3,401	2,619	

The emoluments fell within the following bands:

#### No. of individuals

	No. of individuals					
	Year	ended 31 Dece	ember		ths ended tember	
	2006	2007	2008	2008	2009	
	HK\$ 000	HK\$ 000	HK\$ 000	HK\$ 000	HK\$ 000	
			(ı	ınaudited)		
Emolument bands						
Under HK\$1,000,000						
HK\$1,000,001 - HK\$1,500,000						
HK\$1,500,001 - HK\$2,000,000	1					
HK\$2,000,001 - HK\$2,500,000						
HK\$2,500,001 - HK\$3,000,000	1				1	
HK\$3,000,001 - HK\$3,500,000				1		
Over HK\$3,500,001		1	1			
	2	1	1	1	1	
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# APPENDIX VI 9 Expenses by nature

# ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

	Year ended 31 December			Nine months ended 30 September		
	<b>2006</b> HK\$ 000	<b>2007</b> HK\$ 000	<b>2008</b> HK\$ 000	<b>2008</b> <i>HK</i> \$ 000 (unaudited)	<b>2009</b> HK\$ 000	
Raw materials and consumables						
used	1,568,490	2,254,881	2,825,665	2,209,681	1,767,911	
Employee benefit expenses (Note 8)	419,069	868,333	798,757	598,805	585,115	
Amortisation of intangible assets	1,170	1,337	2,991	2,513	878	
Amortisation of leasehold land and						
land use rights	2,472	2,904	4,353	3,252	3,297	
Depreciation of property, plant and						
equipment	208,770	291,760	441,705	322,361	387,084	
Impairment of property, plant and						
equipment		10,612			5,419	
Impairment of intangible assets	55		19,860			
(Gain)/loss on disposal of property,						
plant and equipment	(684)	2,599	22,383	9,430	1,222	
Provision for/(written-back of) bad						
and doubtful debts	16,010	6,736	(1,631)	2,754	2,253	
Provision for/(written-back of)						
inventories	12,183	13,598	7,643	5,911	(2,043)	
Management fee expense to a						
related company	5,000					
Sales commission	12,367	27,430	37,910	32,215	18,499	
Subcontracting expenses	79,688	90,283	98,987	77,515	27,413	
Auditor s remuneration	2,887	4,661	6,432	4,399	4,078	
Operating lease rental expense						
Land and buildings	3,365	5,010	5,964	4,639	3,619	
Exchange (gain)/loss	(15,479)	(67,203)	(158,174)	(154,469)	11,839	
Others	452,013	657,117	1,006,830	694,739	667,735	
Total cost of sales, selling and distribution expenses, general and						
administrative expenses and share						
award expenses	2,767,376	4,170,058	5,119,675	3,813,745	3,484,319	
инии опропосо	2,707,370	7,170,000	5,117,075	J,01J,77J	5,707,517	
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## APPENDIX VI 10 Interest income

## ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

	Year	ended 31 Dece	mber	Nine mon 30 Sep	
	<b>2006</b> HK\$ 000	<b>2007</b> HK\$ 000	<b>2008</b> HK\$ 000	<b>2008</b> <i>HK</i> \$ 000 unaudited)	<b>2009</b> HK\$ 000
Interest income from banks Interest income from related parties Interest income from deposits relating to	2,291 3,743	13,317	5,095	3,730	1,324
share subscription during the global offering		13,983			
	6,034	27,300	5,095	3,730	1,324

#### 11 Finance costs

	Year	ended 31 Decer	nber	Nine montl 30 Septe	
	2006	2007	2008	2008	2009
	HK\$ 000	HK\$ 000	HK\$ 000	HK\$ 000 (unaudited)	HK\$ 000
Interest expenses on bank loans, overdrafts and other short-term loans wholly repayable within five years	88,171	109,737	141,014	100,091	69,838
Less: amounts capitalised in property, plant and equipment ( <i>Note</i> )	00,171	102,70	(24,879)	(17,438)	(12,468)
	00 171	100 727	116 125	92 452	57 270
Interest on accretion of discount of	88,171	109,737	116,135	82,653	57,370
financial liabilities			15,876	14,138	6,687
	88,171	109,737	132,011	96,791	64,057
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#### ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

Note: Interest expenses of nil, nil, approximately HK\$24,879,000, approximately HK\$17,438,000 (unaudited) and approximately HK\$12,468,000 arising on borrowings for the construction and acquisition of qualifying assets were capitalised during the years ended 31 December 2006, 2007 and 2008 and nine months ended 30 September 2008 and 2009 respectively and are included in Additions under property, plant and equipment. A capitalisation rate of nil, nil, 3.9%, 3.8% (unaudited) and 2.0% per annum was used for the years ended 31 December 2006, 2007 and 2008 and nine months ended 30 September 2008 and 2009, representing the interest rate of the loans used to finance the projects.

#### 12 Income tax expense

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

	Year	Year ended 31 December			Nine months ended 30 September	
	<b>2006</b> HK\$ 000	<b>2007</b> HK\$ 000	<b>2008</b> HK\$ 000	2008 HK\$ 000 (unaudited)	<b>2009</b> HK\$ 000	
Current income tax						
Hong Kong profits tax	3,151	5,859	3,532	2,664	4,408	
Overseas taxation	44,875	73,472	78,675	89,706	63,268	
Deferred income tax (Note 30)	692	(7,215)	(4,820)	(10,441)	(14,598)	
	48,718	72,116	77,387	81,929	53,078	

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%, 17,5%, 16.5%, 16.5% and 16.5% on the estimated assessable profit for the years ended 31 December 2006, 2007 and 2008 and nine months ended 30 September 2008 and 2009 respectively. The rates applicable for income tax in mainland China is 33%, 33%, 25%, 25% and 25% for the years ended 31 December 2006, 2007 and 2008 and nine months ended 30 September 2008 and 2009 respectively. 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.

The new Corporate Income Tax Law increases the corporate income tax rate for foreign investment enterprises from previous preferential rates to 25% with effect from 1 January 2008. Companies established in mainland China before 16 March 2007 and previously taxed at the rate lower than 25% may be offered a gradual increase of tax rate to 25% within 5 years.

Certain subsidiaries of the Company established in mainland China will enjoy preferential income tax rate from 2008 to 2011 and be taxed at the rate of 25% from 2012 or when the preferential treatment expires.

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#### ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

The taxation of the Group s profit before income tax and share of net profit of associated companies differs from the theoretical amount that would arise using the applicable tax rate, being the weighted average of tax rates prevailing in the territories in which the Group operates, as follows:

	Year ended 31 December			Nine months ended 30 September		
	2006	2007	2008	2008	2009	
	HK\$ 000	HK\$ 000	HK\$ 000	HK\$ 000 (unaudited)	HK\$ 000	
Profit before income tax and share of						
net profit of associated companies	335,793	414,817	552,355	500,061	252,748	
Tax calculated at domestic						
applicable tax rate	116,031	164,723	130,468	117,520	65,723	
Effect of change in tax rate	,	(10,940)	(15,296)	(1,088)	,	
Effect of relief on income tax	(87,477)	(133,516)	(40,090)	(45,866)	(59,588)	
Expenses not deductible for taxation	, ,	, ,	, ,	, ,	,	
purposes	43,258	73,134	43,970	41,225	39,179	
Income not subject to taxation	(27,863)	(31,042)	(54,475)	(45,536)	(11,067)	
Unrecognised tax loss utilised during						
the year/period		(15,900)	(1,086)	(4,678)	(4,486)	
Tax losses for which no deferred						
income tax recognised	4,769	25,657	13,896	20,352	23,317	
Income tax expense	48,718	72,116	77,387	81,929	53,078	
meente uix expense	10,710	72,110	77,507	01,727	23,070	
Weighted average domestic	24.6~	20.5%	22.6~	22.5~	260~	
applicable tax rate	34.6%	39.7%	23.6%	23.5%	26.0%	

The change in weighted average domestic applicable tax rates above is mainly caused by a change in mix of profit earned in different tax jurisdictions and changes in respective tax rates as mentioned above.

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# ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

#### 13 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 years/periods. In determining the weighted number of shares in issue, a total of 1,500,000,000 shares were deemed to be in issue since 1 January 2006 and in issue for 2007 as if the Reorganisation was completed on 1 January 2006.

	Year	ended 31 Decen	ıber	Nine mont 30 Sept	
	2006	2007	2008	2008 (unaudited)	2009
Profit attributable to equity holders of the Company (HK\$\\$000)	320,017	341,648	402,468	417,642	178,307
Weighted average number of shares in issue (shares in thousands)	1,500,000	1,956,164	1,987,360	1,995,232	1,964,000
Basic earnings per share (HK\$ per share)	0.21	0.17	0.20	0.21	0.09

#### (b) Diluted

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

During the years ended 31 December 2006, 2007, 2008 and nine months ended 30 September 2008 and 2009 there were no potential dilutive shares outstanding.

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## APPENDIX VI 14 Dividends

# ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

				Nine mont	ths ended		
	Year	Year ended 31 December			30 September		
	2006	2007	2008	2008	2009		
	HK\$ 000	HK\$ 000	HK\$ 000	HK\$ 000	HK\$ 000		
				(unaudited)			
Interim dividend paid		40,000	54,992	54,992	29,460		
Proposed final dividend		80,000	27,496				
		120,000	82,488	54,992	29,460		

The dividend per share during the years/periods is as follows:

	Year ei	nded 31 Dece	mber	Nine mont 30 Sept	
	2006	2007	<b>2008</b> (1	<b>2008</b> <i>unaudited)</i>	2009
Interim dividend paid (HK\$ per share) Proposed final dividend (HK\$ per share)		0.020 0.040	0.028 0.014	0.028	0.015
		0.060	0.042	0.028	0.015
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# ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

## 15 (Loss)/profit attributable to equity holders of the Company

The (loss)/profit attributable to equity holders of the Company is dealt with in the financial statements of the Company for the years ended 31 December 2006, 2007 and 2008 and nine months ended 30 September 2008 and 2009 as follows:

				Nine mont	hs ended	
	Year ended 31 December			30 September		
	2006	2007	2008	2008	2009	
	HK\$ 000	HK\$ 000	HK\$ 000	HK\$ 000 (unaudited)	HK\$ 000	
(Loss)/profit attributable to equity holders of the Company	(597)	39,559	798,336	800,920	(10,772)	

# 16 Property, plant and equipment Group

	]	Leasehold	Furniture and	Plant, machinery and	Motor Co	onstruction in	
	Buildingsmpr HK\$ 000	rovements HK\$ 000	equipment HK\$ 000	equipment HK\$ 000	vehicles HK\$ 000	progress HK\$ 000	<b>Total</b> <i>HK</i> \$ 000
At 1 January 2006 Cost Accumulated depreciation and accumulated	496,435	18,780	82,511	1,558,211	17,549	194,534	2,368,020
impairment	(91,605)	(8,237)	(41,109)	(679,328)	(11,775)		(832,054)
Net book amount	404,830	10,543	41,402	878,883	5,774	194,534	1,535,966
Year ended 31 December 2006 Opening net book							
amount Exchange	404,830	10,543	41,402	878,883	5,774	194,534	1,535,966
differences	13,056		1,064	38,849	179	3,269	56,417
Additions	9,447	560	16,378	221,779	4,549	401,729	654,442
Reclassification	46,985	42	8,131	431,402		(486,560)	
Disposals	(823)	(1,913)	(226)	(3,809)	(25)	(2)	(6,798)
Distribution to	(201)				(66)		(455)
equity holders	(391)	(1.400)	(12.176)	(165.020)	(66)		(457)
Depreciation	(26,842)	(1,490)	(12,176)	(165,820)	(2,442)		(208,770)

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Closing net book

amount 446,262 7,742 54,573 1,401,284 7,969 112,970 2,030,800

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# ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

	l Buildin <del>iga</del> pr <i>HK</i> \$ 000	Leasehold rovements HK\$ 000	Furniture and equipment HK\$ 000	Plant, machinery and equipment HK\$ 000	vehicles	Construction in progress HK\$ 000	Total HK\$ 000
At 31 December 2006 Cost Accumulated depreciation and	566,448	13,857	103,917	2,203,193	20,416	112,970	3,020,801
accumulated impairment	(120,186)	(6,115)	(49,344)	(801,909)	(12,447)		(990,001)
Net book amount	446,262	7,742	54,573	1,401,284	7,969	112,970	2,030,800
Year ended 31 December 2007 Opening net book							
amount Exchange	446,262	7,742	54,573	1,401,284	7,969	112,970	2,030,800
differences Additions Acquisition through business combination (Note	30,449 8,950	864	4,454 22,055	106,326 298,404	401 5,372	43,760 1,051,685	185,390 1,387,330
38 (c)) Reclassification	160,233 28,338	562	4,998 49,845	298,651 156,857	127	362,241 (235,602)	826,250
Disposals Depreciation Impairment	(173) (31,820)	(19) (451)	(191) (28,835) (579)	(5,034) (227,377) (10,033)	(3,277)	(613)	(6,030) (291,760) (10,612)
Closing net book amount	642,239	8,698	106,320	2,019,078	10,592	1,334,441	4,121,368
At 31 December 2007 Cost Accumulated depreciation and	801,977	15,234	226,252	3,028,310	24,564	1,334,441	5,430,778
accumulated impairment	(159,738)	(6,536)	(119,932)	(1,009,232)	(13,972)		(1,309,410)

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Net book amount	642,239	8,698	106,320	2,019,078	10,592	1,334,441	4,121,368
Year ended 31							
December 2008 Opening net book							
amount	642,239	8,698	106,320	2,019,078	10,592	1,334,441	4,121,368
Exchange	-		·		•		
differences	41,748		5,327	124,262	375	54,766	226,478
Additions	6,581	588	19,000	75,471	4,091	1,303,450	1,409,181
Reclassification	489,972		19,993	888,628		(1,398,593)	
Disposals	(19,073)	(1,238)	(158)	(2,970)	(118)	(1,470)	(25,027)
Depreciation	(44,178)	(452)	(36,807)	(356,431)	(3,837)		(441,705)
Closing net book							
amount	1,117,289	7,596	113,675	2,748,038	11,103	1,292,594	5,290,295
			-VI-65	-			

# ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

	I Buildin <del>iga</del> pro <i>HK</i> \$ 000	Leasehold ovements HK\$ 000	Furniture and equipment HK\$ 000	Plant, machinery and equipment HK\$ 000		onstruction in progress HK\$ 000	Total HK\$ 000
At 31 December 2008 Cost Accumulated depreciation and	1,322,248	12,545	271,217	4,101,005	29,108	1,292,594	7,028,717
accumulated impairment	(204,959)	(4,949)	(157,542)	(1,352,967)	(18,005)		(1,738,422)
Net book amount	1,117,289	7,596	113,675	2,748,038	11,103	1,292,594	5,290,295
Nine months ended 30 September 2009 Opening net book amount Exchange differences Additions Reclassification Disposals Depreciation Impairment	1,117,289 629 4,849 95,579 (48,489)	7,596 157 (177)	113,675 24 21,341 8,869 (381) (32,209)	2,748,038 1,790 365 208,804 (1,355) (303,144)	11,103 3 446 (3,065)	1,292,594 516 241,058 (313,252) (508) (5,419)	5,290,295 2,962 268,216 (2,244) (387,084) (5,419)
Closing net book amount	1,169,857	7,576	111,319	2,654,498	8,487	1,214,989	5,166,726
At 30 September 2009 Cost Accumulated depreciation and accumulated impairment	1,423,438 (253,581)	12,702 (5,126)	300,214 (188,895)	4,309,014 (1,654,516)	29,506 (21,019)	1,220,408 (5,419)	7,295,282 (2,128,556)
Net book amount	1,169,857	7,576	111,319	2,654,498	8,487	1,214,989	5,166,726

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# ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

Depreciation expenses for the years ended 31 December 2006, 2007 and 2008 and nine months ended 30 September 2008 and 2009 have been charged to the consolidated income statement as below:

				Nine mont	hs ended
	Year e	ended 31 Decen	ıber	30 September	
	2006	2007	2008	2008	2009
	HK\$ 000	HK\$ 000	HK\$ 000	HK\$ 000	HK\$ 000
				(unaudited)	
Cost of sales	192,229	271,912	414,521	305,247	350,450
Selling and distribution expenses	3,490	3,580	3,716	2,777	3,012
General and administrative expenses	13,051	16,268	23,468	14,337	33,622
	208,770	291,760	441,705	322,361	387,084

Impairment loss of nil, approximately HK\$10,612,000, nil, nil (unaudited) and HK\$5,419,000 has been charged to general and administrative expenses for the years ended 31 December 2006, 2007 and 2008 and nine months ended 30 September 2008 and 2009, respectively.

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# ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

## 17 Leasehold land and land use rights Group

The Group s interest in leasehold land and land use rights represents prepaid operating lease payments and their net book value are analysed as follows:

				At 30	
	$\mathbf{A}$	t 31 December		September	
	2006	2007	2008	2009	
	HK\$ 000	HK\$ 000	HK\$ 000	HK\$ 000	
Beginning of the year/period					
Cost	90,825	124,378	187,691	196,641	
Accumulated amortisation	(7,171)	(9,829)	(13,271)	(18,211)	
Net book amount	83,654	114,549	174,420	178,430	
Opening net book amount	83,654	114,549	174,420	178,430	
Exchange differences	2,562	6,882	8,363	48	
Additions	30,805	0,002	0,505		
Acquisition through business combination ( <i>Note</i>	,				
38(c))		55,893			
Amortisation	(2,472)	(2,904)	(4,353)	(3,297)	
Closing net book amount	114,549	174,420	178,430	175,181	
End of the year/period					
Cost	124,378	187,691	196,641	196,696	
Accumulated amortisation	(9,829)	(13,271)	(18,211)	(21,515)	
Net book amount	114,549	174,420	178,430	175,181	
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# ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

Amortisation of prepaid and operating lease payments for years ended 31 December 2006, 2007 and 2008 and nine months ended 30 September 2008 and 2009 has been charged to the consolidated income statement as below:

				Nin	e months ended	
	Year	ended 31 I	December	3	30 September	
	2006	2007	200	08 20	08 2009	
	HK\$ 000	HK\$ 00	00 HK\$	000 HK\$	000 HK\$ 000	
				(unaudite		
Cost of sales	157	157	1:	57 1	18 118	
General and administrative expenses	2,315	2,747				
	2.472	2.004	4.2	50 0.0	2 207	
	2,472	2,904	4,3:	53 3,2	3,297	
					At	
		44.7	1 D		30	
			1 December	2000	September	
		2006	2007	2008	2009	
	HK	\$ 000	HK\$ 000	HK\$ 000	HK\$ 000	
In Hong Kong held on:						
Leases of leasehold land between 10 to 50 years In mainland China held on:	29	9,388	28,669	27,951	27,412	
Leases of land use rights between 10 to 50 years In India held on:	85	5,161	139,595	144,604	141,991	
Leases of land use rights between 10 to 50 years			6,156	5,875	5,778	
	114	1,549	174,420	178,430	175,181	

In regards with the leasehold land and land use rights owned and occupied by the Group, the Group holds all of the relevant certificates of state-owned land use rights except for a piece of land in mainland China for which the net book value at 31 December 2006, 2007 and 2008 and 30 September 2009 amounted to approximately HK\$9,177,000, HK\$9,637,000, HK\$10,010,000 and HK\$9,850,000 respectively.

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# APPENDIX VI 18 Intangible assets Group

# ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

	Goodwill	Techno- logies fee	<b>Customer</b> relationship	Others	Total
	HK\$ 000 (Note (a))	HK\$ 000	HK\$ 000	HK\$ 000	HK\$ 000
At 1 January 2006 Cost	33,779	11,700		800	46,279
Accumulated amortisation and accumulated impairment	(19,724)	(2,925)		(321)	(22,970)
Net book amount	14,055	8,775		479	23,309
Year ended 31 December 2006 Opening net book amount	14,055	8,775		479	23,309
Exchange differences Impairment	477 (55)	·			477 (55)
Amortisation		(1,170)			(1,170)
Closing net book amount	14,477	7,605		479	22,561
At 31 December 2006 Cost	34,201	11,700		800	46,701
Accumulated amortisation and accumulated impairment	(19,724)	(4,095)		(321)	(24,140)
Net book amount	14,477	7,605		479	22,561
Year ended 31 December 2007	14 477	7.605		470	22.5(1
Opening net book amount Exchange differences Acquisition through business	14,477 1,014	7,605	294	479	22,561 1,308
combination (Note $38(c)$ ) Amortisation	106,738	(1,170)	20,629 (167)		127,367 (1,337)
Closing net book amount	122,229	6,435	20,756	479	149,899
	-V]	I-70-			

# ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

		Techno- logies	Customer		
	Goodwill HK\$ 000 (Note (a))	fee HK\$ 000	relationship HK\$ 000	Others HK\$ 000	Total HK\$ 000
At 31 December 2007 Cost	141,953	11,700	20,931	800	175,384
Accumulated amortisation and accumulated impairment	(19,724)	(5,265)	(175)	(321)	(25,485)
Net book amount	122,229	6,435	20,756	479	149,899
Year ended 31 December 2008 Opening net book amount Exchange differences Impairment	122,229 9,253	6,435	20,756 925 (19,860)	479	149,899 10,178 (19,860)
Adjustment for change in estimate of contingent consideration ( <i>Note</i> ( <i>b</i> )) Amortisation	(115,067)	(1,170)	(1,821)		(115,067) (2,991)
Closing net book amount	16,415	5,265		479	22,159
At 31 December 2008 Cost Accumulated amortisation and	36,139	11,700	22,260	800	70,899
accumulated impairment	(19,724)	(6,435)	(22,260)	(321)	(48,740)
Net book amount	16,415	5,265		479	22,159
Nine months ended 30 September 2009 Opening net book amount Exchange differences Amortisation	16,415 11	5,265 (878)		479	22,159 11 (878)
Closing net book amount	16,426	4,387		479	21,292
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# ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

		Techno- logies	Customer		
	Goodwill HK\$ 000 (Note (a))	<b>fee</b> HK\$ 000	relationship HK\$ 000	Others HK\$ 000	Total HK\$ 000
At 30 September 2009					
Cost	36,150	11,700	22,260	800	70,910
Accumulated amortisation and accumulated impairment	(19,724)	(7,313)	(22,260)	(321)	(49,618)
Net book amount	16,426	4,387		479	21,292

Amortisation of approximately HK\$1,170,000, HK\$1,337,000, HK\$2,991,000, HK\$2,513,000 (unaudited) and HK\$878,000 has been included in general and administrative expenses in the consolidated income statement for the years ended 31 December 2006, 2007 and 2008 and nine months ended 30 September 2008 and 2009, respectively. Impairment charge of approximately HK\$55,000, nil, HK\$19,860,000, nil (unaudited) and nil has been included in general and administrative expenses in the consolidated income statement for the years ended 31 December 2006, 2007 and 2008 and nine months ended 30 September 2008 and 2009, respectively.

Notes:

#### (a) Impairment test for goodwill

Goodwill is allocated to the Group s CGUs identified according to the country of operation. The allocation by country of operation is presented below:

				At 30	
	A	At 31 December			
	2006	2007	2008	September 2009	
	HK\$ 000	HK\$ 000	HK\$ 000	HK\$ 000	
Mainland China	14,477	122,229	16,415	16,426	

For the purposes of impairment reviews, the recoverable amount of goodwill is determined based on value-in-use calculations. The value-in-use calculations use cash flow projections based on the extrapolation of the latest unaudited financial results of each CGU to a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. There are a number of assumptions and estimates involved for the preparation of cash flow projections for the year/period.

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# ACCOUNTANT S REPORT ON THE MEADVILLE

Key assumptions used for value-in-use calculations for goodwill for the following five years of each of the years ended 31 December 2006, 2007 and 2008 and nine months ended 30 September 2009 are presented below:

		At 31 December		
	2006	2007	2008	September 2009
Gross margin	21.0%	23.0%	19.2%	19.7%
Growth rate	16.8%	20.0%	10.0%	10.0%
Discount rate	10.0%	8.3%	6.1%	6.1%

These assumptions have been used for the analysis of each CGU within the business segment. The directors prepared the financial budgets reflecting actual and prior year performance and market development expectations. The growth rates used are consistent with the industry growth estimates. The directors estimate discount rate using pre-tax rates that reflect market assessments of the time value of money of the Group for each of the years ended 31 December 2006, 2007 and 2008 and nine months ended 30 September 2009. Judgement is required to determine key assumptions adopted in the cash flow projections and changes to key assumptions can significantly affect these cash flow projections.

## (b) Adjustment for change in estimate of contingent consideration

At 31 December 2008 and 30 September 2009, the present value of the put option which represents a contingent consideration due in 2013 in relation to the acquisition of Meadville Aspocomp (BVI) Holdings Limited (MAH) (Note 38(c)), has been decreased by approximately HK\$129,000,000 and has been increased by approximately HK\$3,801,000 respectively. In connection with the adjustments made for the year ended 31 December 2008, relevant goodwill has been reduced by approximately HK\$115,067,000 and the excess credit of approximately HK\$13,933,000 has been recognised in the consolidated income statement. In connection with the adjustments made for the period ended 30 September 2009, no adjustment was made to relevant goodwill and the excess credit of approximately HK\$13,425,000 has been recognised in the consolidated income statement while an amount of approximately HK\$17,226,000 has been debited to the hedging reserve in the consolidated statement of changes in equity.

#### 19 Interests in associated companies Group

	<b>2006</b> HK\$ 000	At 31 December 2007 HK\$ 000	<b>2008</b> HK\$ 000	At 30 September 2009 HK\$ 000
Share of net assets Goodwill	440,782 627	578,871 672	619,859 714	634,849 714
	441,409	579,543	620,573	635,563
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# ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

The movements of share of net assets and goodwill of associated companies are as follows:

	A	At 30 September		
	<b>2006</b> <i>HK</i> \$ 000	<b>2007</b> HK\$ 000	<b>2008</b> HK\$ 000	<b>2009</b> <i>HK</i> \$ 000
Beginning of the year/period	389,947	441,409	579,543	620,573
Exchange differences	13,657	36,037	35,202	369
Additional investments in an associated company	33,305	20,750		
Loss on share reform of an associated company				
(Note)	(52,237)			
Share of associated companies results				
net profit after income tax	97,849	107,858	33,577	50,735
dividend received	(41,112)	(26,511)	(27,749)	(36,114)
End of the year/period	441,409	579,543	620,573	635,563

Note: Guangdong Shengyi Sci. Tech Co., Ltd. (GSST) is listed on the Shanghai Stock Exchange. The Group's shares in GSST carrying at cost at 31 December 2005 of HK\$70.1 million were promoter shares, which were restricted and could not be freely traded on the public market till 9 March 2007. On 19 January 2006, GSST approved to convert all restricted shares to unrestricted shares by paying 3.3 shares to the shareholders of every 10 unrestricted shares (the Share Reform). Immediately after the Share Reform, the number of shares and percentage of equity held by the Group decreased from 165,305,000 shares to 141,525,000 and from 25.91% to 22.18% respectively and such share become gradually tradable effective from 9 March 2007. Pursuant to this Share Reform, the Group's share of net assets value in GSST had decreased by an amount of HK\$52,237,000 and was charged to the consolidated income statement for the year ended 31 December 2006.

The aggregate amounts of each of current assets, non-current assets, current liabilities, non-current liabilities, income and expenses related to the Group s interests in associated companies are as follows:

		At 31 December		At 30 September		
	2006					
	HK\$ 000	HK\$ 000	HK\$ 000	<b>2009</b> HK\$ 000		
Assets						
Non-current assets	365,549	578,155	636,153	655,825		
Current assets	537,867	788,048	675,439	747,223		
	903,416	1,366,203	1,311,592	1,403,048		
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# ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

	At 31 December			At
	<b>2006</b> HK\$ 000	<b>2007</b> <i>HK</i> \$ 000	<b>2008</b> HK\$ 000	30 September 2009 HK\$ 000
Liabilities				
Non-current liabilities	84,094	128,369	127,470	158,249
Current liabilities	378,540	658,963	564,263	609,950
	462,634	787,332	691,733	768,199
Net assets	440,782	578,871	619,859	634,849
Share of net assets of:				
A listed associated company	355,901	458,911	509,056	522,632
An unlisted associated company	84,881	119,960	110,803	112,217
	440,782	578,871	619,859	634,849

	Year ended 31 December		Nine months ended 30 September		
	2006	2007	2008	2008	2009
	HK\$ 000	HK\$ 000	HK\$ 000	HK\$ 000	HK\$ 000
				(unaudited)	
Income	917,130	1,197,411	1,294,194	717,489	819,154
Expenses	(819,281)	(1,089,553)	(1,260,617)	(642,211)	(768,419)
Profit after income tax	97,849	107,858	33,577	75,278	50,735

The Group s interests in its associated companies as at 30 September 2009 are as follows:

Name	Place of establishment	Principal activities	Percentage of equity held
GSST	Mainland China	Manufacturing of prepreg and laminate	22.18
	Mainland China		41.64

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Suzhou Shengyi Sci. Tech Co., Ltd. ( SSST ) Manufacturing of prepreg and laminate

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Unlisted investment, at cost

# ACCOUNTANT S REPORT ON THE MEADVILLE

HK\$ 000

777,000

**GROUP** 

HK\$ 000

777,000

Based on the market price of the un-restricted shares of GSST, the market value of the Group s shares at 31 December 2006, 2007, 2008 and 30 September 2009 was approximately as follows:

At 31 December			At	
<b>2006</b> HK\$ 000	<b>2007</b> HK\$ 000	<b>2008</b> HK\$ 000	30 September 2009 HK\$ 000	
1,736,981	3,604,569	1,114,503	2,023,420	
			At 30	
200			September 2009	
	<b>2006</b> <i>HK</i> \$ 000 1,736,981	2006 2007 HK\$ 000 HK\$ 000 1,736,981 3,604,569 At 31 Decem	2006       2007       2008         HK\$ 000       HK\$ 000       HK\$ 000         1,736,981       3,604,569       1,114,503    At 31 December	

HK\$ 000

777,000

HK\$ 000

777,000

The following is a list of the principal subsidiaries at 30 September 2009:

Name	Place of incorporation/ establishment	Principal activities and place of operation	Issued and fully paid up share capital/ registered capital	Proportion of issued and fully paid share capital/ registered capital held by the Company directly/ indirectly
ACP Electronics Co., Ltd. <sup>2</sup> ( ACPE )	Mainland China	Manufacturing and sales of high precision PCB/Mainland China	US\$51,400,000	80.00
Aspocomp Chin-Poon Holdings Limited <sup>3</sup> ( ACPH )	British Virgin Islands (BVI)	Investment holding/ BVI	US\$54,300,000	80.00
Aspocomp Electronics India Private Limited <sup>3</sup> ( ACI )	India	Manufacturing of PCB/ India	INR100,000	80.00
Dongguan Meadville Circuits Limited <sup>2</sup>	Mainland China	Manufacturing of PCB/Mainland China -VI-76-	US\$78,000,000	80.00

# ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

Name	Place of incorporation/establishment	Principal activities and place of operation	Issued and fully paid up share capital/ registered capital	Proportion of issued and fully paid share capital/ registered capital held by the Company directly/ indirectly
Dongguan Shengyi Electronics Ltd. <sup>2</sup>	Mainland China	Manufacturing, sales and distribution of PCB/Mainland China	US\$89,420,000	70.20
Guangzhou Meadville Electronics Co., Ltd. <sup>2</sup>	Mainland China	Manufacturing of PCB/Mainland China	US\$60,000,000	100.00
OPC Manufacturing Limited <sup>3</sup>	Hong Kong	Manufacturing of PCB/Hong Kong	HK\$8,000,000	100.00
Meadville Innovations (Shanghai) Co., Ltd. <sup>2</sup>	Mainland China	Provision of PCB design services/Mainland China	US\$1,000,000	100.00
Meadville International Trading (Shanghai) Co., Ltd. <sup>2</sup>	Mainland China	Trading of PCB and liaison office/ Mainland China	US\$500,000	100.00
Meadville Enterprises (HK) Limited <sup>3</sup>	Hong Kong	Administration and treasury/ Hong Kong	HK\$1	100.00
Mica-Ava (No.3) Limited <sup>3</sup> (MA3)	BVI	Investment holding/ BVI		93.71
Mica-Ava China Limited <sup>3</sup>	Hong Kong	Investment holding/Hong Kong	HK\$2,200,000,000	100.00
Mica-AVA (Guangzhou) Material Company Ltd. <sup>2</sup> ( MAGL )	Mainland China	Manufacturing of prepreg and laminate/Mainland China	US\$42,000,000	93.71
Mica-Ava (Far East) Industrial Limited <sup>3</sup>	Hong Kong	Manufacturing of prepreg and laminate/Hong Kong	HK\$13,088	93.71

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Meadville Aspocomp (BVI) Holdings Limited <sup>3</sup>	BVI	Investment holding/ BVI	80.00
MTG Investment (BVI) Limited <sup>1</sup> , <sup>3</sup>	BVI	Investment holding/ BVI	100.00
MTG(PCB) No.2 (BVI) Limited <sup>3</sup> ( MTG(PCB2) )	BVI	Investment holding/ BVI -VI-77-	100.00

# ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

Name	Place of incorporation/ establishment	Principal activities and place of operation	Issued and fully paid up share capital/ registered capital	Proportion of issued and fully paid share capital/ registered capital held by the Company directly/ indirectly
Oriental Printed Circuits Limited <sup>3</sup>	Hong Kong	Sales and distribution of PCB/ Hong Kong	HK\$90,000,000	100.00
Shanghai Kaiser Electronics Co., Ltd. <sup>2</sup>	Mainland China	Provision of PCB drilling service/Mainland China	US\$16,420,000	100.00
Shanghai Meadville Electronics Co., Ltd. <sup>2</sup>	Mainland China	Manufacturing of PCB/Mainland China	US\$67,500,000	100.00
Shanghai Meadville Science & Technology Co., Ltd. <sup>2</sup>	Mainland China	Research and development of high-end multi-layer PCB / Mainland China	US\$48,000,000	100.00

- Direct subsidiary
- Foreign investment enterprise
- 3 Limited liability company

No change in the percentage of beneficial interest of the above principal subsidiaries attributable to the Group during the years ended 31 December 2006, 2007, 2008 and nine months ended 30 September 2009, except for the following subsidiaries:

				At 30
	At	31 December		September
	2006	2007	2008	2009
	%	%	%	%
ACPE		80.00	80.00	80.00
ACPH		80.00	80.00	80.00
ACI		80.00	80.00	80.00

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MA3 MAGL MAH MTG(PCB2)	100.00 100.00	93.71 93.71 80.00 100.00	93.71 93.71 80.00 100.00	93.71 93.71 80.00 100.00
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# ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

#### 21 Available-for-sale financial asset Group

	At 31 December			At 30 September
	<b>2006</b> HK\$ 000	<b>2007</b> HK\$ 000	<b>2008</b> HK\$ 000	<b>2009</b> HK\$ 000
Unlisted equity security Beginning of the year/period Addition		21,089	21,089	20,635
Less: fair value loss recognised directly in available-for-sale financial asset reserve			(454)	(2,921)
End of the year/period		21,089	20,635	17,714

The fair value of unlisted equity security is based on enterprise value calculation which uses an average of the latest two years—earnings before interest, tax and depreciation and amortisation (EBITDA) extracted from the unaudited financial results of this security and an enterprise value multiplier of 5.5 times at 31 December 2007, 2008 and 30 September 2009.

### 22 Inventories Group

	A	t 31 December		At 30 September
	2006	2007	2008	2009
	HK\$ 000	HK\$ 000	HK\$ 000	HK\$ 000
Raw materials	136,733	162,314	201,606	204,809
Work in progress	93,488	133,448	124,109	148,250
Finished goods	139,644	201,203	216,812	187,988
Consumable stocks	3,594	1,035	2,377	4,722
	373,459	498,000	544,904	545,769
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### ACCOUNTANT S REPORT ON THE **MEADVILLE GROUP**

The cost of inventories recognised as expenses and included in cost of sales is as follows:

	Year o	Year ended 31 December			hs ended ember
	2006	2007	2008	2008	2009
	HK\$ 000	HK\$ 000	HK\$ 000	HK\$ 000 (unaudited)	HK\$ 000
Cost of inventories	2,474,377	3,416,624	4,538,384	3,420,723	2,972,891

Provision for/(written-back of) inventories amounted to approximately to HK\$12,183,000, HK\$13,598,000 and HK\$7,643,000, HK\$5,911,000 (unaudited) and HK\$(2,043,000) which have also been included in cost of sales in the consolidated income statement for the years ended 31 December 2006, 2007 and 2008 and nine months ended 30 September 2008 and 2009, respectively.

### 23 Debtors and prepayments

#### Group

				At 30
	A	At 31 December		
	2006	2007	2008	2009
	HK\$ 000	HK\$ 000	HK\$ 000	HK\$ 000
Debtors	1,124,995	1,471,542	1,058,029	1,035,016
Prepayments and other receivables	116,704	125,492	184,992	136,823
	1,241,699	1,597,034	1,243,021	1,171,839
The carrying amounts of debtors and pre	payments approximate the	heir fair values.		

## ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

During the years/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:

				At 30
	A	t 31 December		September
	2006	2007	2008	2009
	HK\$ 000	HK\$ 000	HK\$ 000	HK\$ 000
Within credit period	827,403	977,641	768,021	839,100
0 - 30 days	171,962	235,108	190,703	108,337
31 - 60 days	61,396	138,175	37,824	43,190
61 - 90 days	26,449	72,902	41,262	25,202
Over 90 days	37,785	47,716	20,219	19,187
	1,124,995	1,471,542	1,058,029	1,035,016

At 31 December 2006, 2007, 2008 and 30 September 2009, debtors of approximately HK\$60,841,000, HK\$32,284,000, HK\$40,854,000 and HK\$15,611,000 were impaired. The amount of the provision was HK\$35,049,000, HK\$24,936,000, HK\$15,160,000 and HK\$12,670,000 at 31 December 2006 2007, 2008 and 30 September 2009. The individually impaired receivables mainly relate to customers, which are in unexpected difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered.

At 31 December 2006, 2007, 2008 and 30 September 2009, debtors of approximately HK\$271,800,000, HK\$486,553,000, HK\$264,314,000 and HK\$192,975,000 were past due but not considered impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these debtors is as follows:

	A	t 31 December		At 30 September
	2006	2007	2008	2009
	HK\$ 000	HK\$ 000	HK\$ 000	HK\$ 000
0 - 30 days	171,962	235,108	190,703	108,337
31 - 60 days	61,396	138,175	37,824	43,190
61 - 90 days	14,552	67,748	21,794	24,517
Over 90 days	23,890	45,522	13,993	16,931
	271,800	486,553	264,314	192,975
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# ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

The carrying amounts of the Group s debtors and prepayments are denominated in the following currencies:

				30
	$\mathbf{A}$	At 31 December		
	2006	2007	2008	2009
	HK\$ 000	HK\$ 000	HK\$ 000	HK\$ 000
HK\$	130,531	24,440	19,597	19,872
US\$	467,004	783,160	628,890	702,277
RMB	639,607	785,117	572,953	409,876
EUR	2,866	2,257	21,540	32,565
Other currencies	1,691	2,060	41	7,249
	1,241,699	1,597,034	1,243,021	1,171,839

Movements on the provision for impairment of debtors are as follows:

	A	t 31 December		At 30 September
	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
	HK\$ 000	HK\$ 000	HK\$ 000	HK\$ 000
Beginning of the year/period Exchange differences Provision for impairment of receivables	35,535	35,049	24,936	15,160
	773	999	484	10
	17,127	12,240	7,685	5,125
Receivables written off during the year/period as uncollectible Unused amounts reversed	(17,269)	(17,848)	(8,629)	(4,753)
	(1,117)	(5,504)	(9,316)	(2,872)
End of the year/period	35,049	24,936	15,160	12,670

The creation and release of provision for impaired receivables have been included in selling and distribution expenses in the consolidated income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The other classes within debtors and prepayments do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security.

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# ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

#### **Company**

				At	
				30	
	A	at 31 Decembe	er	September	
	2006	2007	2008	2009	
	HK\$ 000	HK\$ 000	HK\$ 000	HK\$ 000	
Prepayments and other receivables	7,532	312	582	235	

The carrying amounts of prepayments and other receivables of the Company approximate their fair values and are denominated in following currencies.

	A	at 31 Decembe	er	At 30 September
	<b>2006</b> HK\$ 000	<b>2007</b> HK\$ 000	<b>2008</b> HK\$ 000	<b>2009</b> HK\$ 000
HK\$	7,532	251	517	220
US\$	,	61	65	15
	7,532	312	582	235

#### 24 Amounts due to related parties

The amounts due to related parties were unsecured, interest-free and repayable on demand. The carrying amounts of these amounts approximated their fair values. The amounts due to related parties at 31 December 2006 were denominated in HK\$.

#### 25 Cash and bank balances

#### Group

				At 30
	$\mathbf{A}$	t 31 December		September
	2006	2007	2008	2009
	HK\$ 000	HK\$ 000	HK\$ 000	HK\$ 000
Cash in hand	1,960	404	536	393
Bank balances	209,190	417,788	889,237	951,472
	211,150	418,192	889,773	951,865
	VII 02			

# ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

At

8,397

Cash and bank balances are denominated in the following currencies:

				30
		t 31 December		September
	2006	2007	2008	2009
	HK\$ 000	HK\$ 000	HK\$ 000	HK\$ 000
HK\$	5,801	20,941	25,468	60,354
RMB	73,309	203,620	394,097	565,301
US\$	118,831	139,293	427,032	299,722
Other currencies	13,209	54,338	43,176	26,488
	211,150	418,192	889,773	951,865
Cash and bank balances include the following:				
				At
	1	At 31 December	•	30 September
	2006	2007	2008	2009
	HK\$ 000	HK\$ 000	HK\$ 000	HK\$ 000

Some of the Group s bank balances denominated in RMB are deposited with banks in mainland China. The remittance of funds out of these bank accounts is subject to the rules and regulations of foreign exchange control by the Chinese Government.

1,424

3,901

5,873

#### **Company**

Restricted bank balances

				At 30
	A	At 31 Decembe	er	September
	2006	2007	2008	2009
	HK\$ 000	HK\$ 000	HK\$ 000	HK\$ 000
Bank balances		339	542	29,574

All of the bank balances held by the Company are unrestricted and denominated in HK\$ at 31 December 2007, 2008 and 30 September 2009.

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# ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

### 26 Share capital

	Number of shares	Nominal value of shares HK\$ 000	Share premium <i>HK</i> \$ 000	Total HK\$ 000
Authorised Shares of HK\$0.1 each upon incorporation (Note (a)) Sub-division of issued shares (Note (b)(i))	3,800,000 34,200,000	380		380
Increase in authorised share capital of HK\$0.01 each $(Note\ (b)(ii))$	38,000,000 19,962,000,000	380 199,620		380 199,620
At 31 December 2006, 2007, 2008 and 30	19,902,000,000	199,020		199,020
September 2009	20,000,000,000	200,000		200,000
Issued and fully paid Shares of HK\$0.1 each issued (Note (a)) Sub-division of issued shares (Note (b)(i))	1 9			
	10			
Shares issued to Tang Hsiang Chien credited as fully paid of HK\$0.01 each ( <i>Note</i> ( <i>b</i> )( <i>iii</i> )) Shares issued to Su Sih credited as fully paid of	235,305,000	2,353	119,535	121,888
HK\$0.01 each (Note (b)(iii))	1,264,694,990	12,647	642,465	655,112
At 31 December 2006 Shares issued by global offering as fully paid of	1,500,000,000	15,000	762,000	777,000
HK\$0.01 each ( $Note(c)$ )	500,000,000	5,000	1,040,612	1,045,612
At 31 December 2007 Cancellation upon repurchase of own shares	2,000,000,000	20,000	1,802,612	1,822,612
(Note $(d)$ )	(36,000,000)	(360)		(360)
At 31 December 2008 and 30 September 2009	1,964,000,000	19,640	1,802,612	1,822,252

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# ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

Notes:

- (a) As at the date of incorporation of the Company, its authorised share capital was HK\$380,000 divided into 3,800,000 shares of HK\$0.10 each. On 28 August 2006, one subscriber s share of HK\$0.10 in the Company was allotted and issued to the initial subscriber and was transferred by the initial subscriber on the same day to Tang Hsiang Chien, a director of the Company, for cash at par.
- (b) Pursuant to a written resolution of the sole shareholder of the Company passed on 30 December 2006,
  - (i) Each of the then issued and unissued shares of HK\$0.10 each in the share capital of the Company was subdivided into 10 shares of HK\$0.01 each so that the authorised and issued share capital of the Company comprises shares of HK\$0.01 each;
  - (ii) The authorised share capital of the Company was increased from HK\$380,000 to HK\$200,000,000 by the issue of an additional 19,962,000,000 shares. On 30 December 2006, Tang Hsiang Chien transferred 10 shares to Su Sih, a company wholly owned by Tang Hsiang Chien for cash at par value; and
  - (iii) On 30 December 2006, the Company issued and allotted, credited as fully paid, 235,305,000 shares to Tang Hsiang Chien (in his capacity as the trustee of Mein et Moi Trust (MEM Trust) and 1,264,694,990 shares to Su Sih respectively in consideration of a total of 100,000 shares representing the entire issued shares of MTG(INV) transferred to the Company by Tang Hsiang Chien (in his capacity as the trustee of MEM Trust) and Su Sih pursuant to a sale and purchase agreement entered into by the Company as purchaser and Tang Hsiang Chien (in his capacity as the trustee of MEM Trust) and Su Sih as the vendor.
- (c) On 2 February 2007, the Company completed a global offering of 500,000,000 shares with a par value of HK\$0.01 each at a price of HK\$2.25 per share and raised HK\$1,125,000,000 share proceeds. All these shares rank pari passu in respect with the then existing shares. The Company s shares commenced trading on the Stock Exchange on 2 February 2007. The listing proceeds of the aforementioned shares, net of direct listing expenses of approximately HK\$79,388,000, amounted to approximately HK\$1,045,612,000. The resulting share premium amounted to approximately HK\$1,040,612,000.
- (d) The Company repurchased 36,000,000 of its own shares through purchases on the Stock Exchange during the year ended 31 December 2008. The total amount paid to repurchase the shares, including relevant direct costs of HK\$431,000, was HK\$69,855,000 and has been deducted from retained earnings (Note 27).

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# ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

### 27 Reserves

Group

Employee Available-for- Capitakhare-based sale									
	Mer <del>gla</del> dg	_	<b>rial</b> empti sset	<b>@D</b> M]	pensation	General E	Exchange	Retained	
	reser <b>ve</b> se HK\$ HORG Note (i)				reserve HK\$ 000 Note (iii)	reserve HK\$ 000 Note (iv)	reserve HK\$ 000	earnings HK\$ 000	<b>Total</b> <i>HK</i> \$ 000
At 1 January 2006 Exchange	(549,769)					68,286	22,789	808,482	349,788
differences Profit for the year Partial consideration pursuant to the	2,934					336	41,529	320,017	44,799 320,017
Reorganisation Distribution to	(700,000)								(700,000)
equity holders (Note (ii)) Transfer						12,773		(57,793) (12,773)	(57,793)
At 31 December 2006 Exchange	(1,246,835)					81,395	64,318	1,057,933	(43,189)
differences Profit for the year						713	126,627	600 341,648	127,940 341,648
Share award expenses ( <i>Note 7</i> ) Interim dividend					254,502				254,502
(Note 14) Proposed final					(40,000)				(40,000)
dividend ( <i>Note 14</i> ) Transfer					(80,000)	48,461		(48,461)	(80,000)
At 31 December 2007 Exchange	(1,246,835)				134,502	130,569	190,945	1,351,720	560,901
differences Profit for the year					11,661	649	105,782	402,468	106,431 402,468 11,661

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Share award								
expenses (Note 7)								
Interim dividend								
(Note 14)				(54,992)				(54,992)
Proposed final								
dividend (Note 14)				(27,496)				(27,496)
Cancellation upon								
repurchase of own								
shares (Note 26)			360				(69,855)	(69,495)
Change in fair								
value of								
available-for-sale								
financial asset		(454)						(454)
Transfer					35,388		(35,388)	
At 31								
December 2008	(1,246,835)	(454)	360	63,675	166,606	296,727	1,648,945	929,024
			* 7*	. 0.7				
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# ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

### Employee Available-forCapitahare-based sale

	Merger	Hedging f	ina <b>rada</b> m asset	p <b>tėom</b> į	ensation	General F	Exchange	Retained	
	reserve HK\$ 000 Note (i)		reservee	\$ 000	reserve HK\$ 000 Note (iii)	reserve HK\$ 000 Note (iv)	reserve HK\$ 000	earnings HK\$ 000	Total HK\$ 000
At 1 January 2009	(1,246,835)		(454)	360	63,675	166,606	296,727	1,648,945	929,024
Exchange differences Profit for the						8	2,846		2,854
period Share award								178,307	178,307
expenses ( <i>Note 7</i> ) Interim dividend					10,772				10,772
(Note 14)					(29,460)				(29,460)
Cash flow hedge Change in fair value of hedging instrument Transfer to income statement upon change in		22,796							22,796
fair value of hedged item Transfer to		(17,226)							(17,226)
property, plant and equipment Change in fair		(178)							(178)
value of available-for-sale financial assets Transfer			(2,921)			28,183		(28,183)	(2,921)
At 30 September 2009	(1,246,835)	5,392	(3,375)	360	44,987	194,797	299,573	1,799,069	1,093,968
Unaudited At 1 January 2008 Exchange	(1,246,835)				134,502	130,569	190,945	1,351,720	560,901
differences						717	133,966	417,642	134,683 417,642

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Profit for the								
period								
Share award								
expenses (Note 7)				9,198				9,198
Interim dividend								
(Note 14)				(54,992)				(54,992)
Cancellation upon								
repurchase of								
own shares			360				(69,855)	(69,495)
Change in fair								
value of								
available-for-sale								
financial asset		3,564						3,564
Transfer					13,229		(13,229)	
At 30	(1.0.1.6.00.5)	2 7 6 4	2.60	00.500		22424	4 606 000	1 001 701
September 2008	(1,246,835)	3,564	360	88,708	144,515	324,911	1,686,278	1,001,501
			NII O	0				
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### ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

Notes:

- (i) The merger reserve of the Group represents the difference between the nominal amount of the share capital issued by the Company and the nominal amount of the share capital of the subsidiaries transferred to the Company pursuant to the Reorganisation.
- (ii) The reduction during the year ended 31 December 2006 represented the assets and liabilities related to the Photomask Business which were excluded from the Group as a result of the Reorganisation. The above reduction is reflected as a distribution made to the equity holders of the Company.
- (iii) The employee share-based compensation reserve relates to the share award expenses, details of which are described in Note 7.
- (iv) As stipulated by regulations in mainland China, the Company s subsidiaries established and operated in mainland China are required to appropriate a portion of their after-tax profit (after offsetting prior year losses) to the general reserve, at rates determined by their respective boards of directors. The general reserve can be utilised to offset prior year losses or be utilised for the issuance of bonus shares. During the years ended 31 December 2006, 2007 and 2008 and nine months ended 30 September 2008 and 2009, the boards of directors of certain of the Company s subsidiaries established in mainland China appropriated an aggregate amount of approximately HK\$12,773,000, HK\$48,461,000 HK\$35,388,000, HK\$13,229,000 (unaudited) and HK\$28,183,000 to the general reserve respectively.

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# ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

### Company

	Capital redemption	Employee share-based compensation	Retained profit/ (accumulated	Proposed final	
	reserve HK\$ 000	reserve HK\$ 000	loss) HK\$ 000	dividend HK\$ 000	Total HK\$ 000
At 1 January 2006 Loss for the year ( <i>Note 15</i> )			(597)		(597)
At 31 December 2006 Profit for the year ( <i>Note 15</i> ) Share award expenses ( <i>Note 7</i> ) Interim dividend ( <i>Note 14</i> ) Final dividend ( <i>Note 14</i> )		254,502 (40,000) (80,000)	(597) 39,559	80,000	(597) 39,559 254,502 (40,000)
At 31 December 2007 Profit for the year ( <i>Note 15</i> ) Share award expenses ( <i>Note 7</i> ) Cancellation upon repurchase of		134,502 11,661	38,962 798,336	80,000	253,464 798,336 11,661
own shares ( <i>Note 26</i> ) Interim dividend ( <i>Note 14</i> ) Final dividend ( <i>Note 14</i> )	360	(54,992) (27,496)	(69,855)	(80,000) 27,496	(69,495) (134,992)
At 31 December 2008 Loss for the period ( <i>Note 15</i> ) Share award expenses ( <i>Note 7</i> ) Interim dividend ( <i>Note 14</i> )	360	63,675 10,772 (29,460)	767,443 (10,772)	27,496 (27,496)	858,974 (10,772) 10,772 (56,956)
At 30 September 2009	360	44,987	756,671		802,018
Unaudited At 1 January 2008 Profit for the period ( <i>Note 15</i> ) Share award expenses ( <i>Note 7</i> ) Interim dividend ( <i>Note 14</i> ) Cancellation upon repurchess of		9,198 (54,992)	38,962 800,920	80,000 (80,000)	253,464 800,920 9,198 (134,992)
Cancellation upon repurchase of own shares ( <i>Note 26</i> )	360		(69,855)		(69,495)

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At 30 September 2008 360 88,708 770,027 859,095

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# ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

### 28 Borrowings Group

	A	At 31 December		At 30 September
	2006	2007	2008	2009
	HK\$ 000	HK\$ 000	HK\$ 000	HK\$ 000
Non-current				
Long-term bank loans (Note (a))	749,060	1,738,067	2,777,110	2,964,762
Current				
Current portion of long-term bank loans (Note				
(a))	166,200	394,334	364,022	472,996
Short-term bank loans (Note (b))	817,537	566,773	468,877	162,915
Bank overdrafts (Note (b))	42,510		25,626	
	1,026,247	961,107	858,525	635,911
				At 30
		At 31 December	2000	September
	<b>2006</b> HK\$ 000	<b>2007</b> HK\$ 000	<b>2008</b> HK\$ 000	<b>2009</b> HK\$ 000
Long-term bank loans	915,260	2,132,401	3,141,132	3,437,758
Less: current portion included under current liabilities	(166,200)	(394,334)	(364,022)	(472,996)
Long-term portion under non-current liabilities	749,060	1,738,067	2,777,110	2,964,762

All long-term bank loans are unsecured and repayable in equal quarterly or semi-annual instalments up to 2013. The long-term bank loans carry interests that were above Hong Kong Interbank Offered Rate, London Interbank Offered Rate or Singapore Interbank Offered Rate in the range of 0.75%-1.20%, 0.67%-1.20%, 0.65%-1.50% and 0.67%-2.00% for the years ended 31 December 2006, 2007 and 2008 and nine months ended 30 September 2009, respectively.

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# ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

(a) The carrying amounts and fair values of the long-term bank loans are as follows:

				At	
	At 31 December			30 September	
	2006	2007	2008	2009	
	HK\$ 000	HK\$ 000	HK\$ 000	HK\$ 000	
Long-term bank loans					
Carrying amounts	915,260	2,132,401	3,141,132	3,437,758	
Fair values	927,277	2,192,181	3,439,069	3,444,471	

The fair values of non-current borrowings are estimated based on discounted cash flow approach using the prevailing market rates of interest available to the Group of 5.09%, 4.08%, 0.50% and 2.05% per annum for financial instruments with substantially the same terms and characteristics for the years ended 31 December 2006, 2007 and 2008 and nine months ended 30 September 2009, depending on the types and currencies of borrowings.

- (b) The carrying amounts of the short-term bank loans and bank overdrafts approximate their fair values. All short-term bank loans are unsecured.
- (c) The carrying amounts of bank borrowings are denominated in the following currencies:

				At 30
	A	at 31 December		September
	2006	2007	2008	2009
	HK\$ 000	HK\$ 000	HK\$ 000	HK\$ 000
RMB	593,846	570,494	493,893	249,634
HK\$	569,918	1,093,492	728,564	717,833
US\$	610,932	966,217	2,413,178	2,633,206
EUR	611	45,718		
Japanese Yen ( JPY )		23,253		
	1,775,307	2,699,174	3,635,635	3,600,673
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# ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

(d) The effective interest rates (per annum) at the dates of statement of financial position are as follows:

		At 31	December 200	06	
	RMB	HK\$	US\$	JPY	EUR
Long-term loans	5.58%	5.11%	6.51%		
Short-term loans	5.09%	4.95%	6.32%		5.63%
Bank overdrafts	5.58%	7.75%	0.3270		3.0370
		A + 21 1	December 200	7	
	RMB	HK\$	US\$	JPY	EUR
	KWD	$HK\phi$	$OS \psi$	JI I	LOK
Long-term loans	5.73%	4.20%	6.23%		
Short-term loans	6.34%	4.35%	6.14%	3.03%	5.43%
		At 31	December 20	08	
	RMB	HK\$	US\$	JPY	EUR
Long-term loans	6.36%	4.10%	4.33%		
Short-term loans	5.79%		3.71%		
Bank overdrafts	5.10%				
		At 30	September 20	009	
	RMB	HK\$	US\$	JPY	EUR
Long-term loans	5.06%	0.99%	1.48%		
Short-term loans	4.90%		1.75%		
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# ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

(e) All short-term bank loans and bank overdrafts will mature within one year. The maturity of long-term bank loans is as follows:

	2006	At 31 December 2007	2008	At 30 September 2009
	HK\$ 000	HK\$ 000	HK\$ 000	HK\$ 000
Within one year	166,200	394,334	364,022	472,996
Between one and two years	263,736	466,225	530,265	1,190,800
Between two and five years	471,524	1,271,842	2,246,845	1,773,962
Wholly repayable within five years Over five years	901,460 13,800	2,132,401	3,141,132	3,437,758
	915,260	2,132,401	3,141,132	3,437,758

(f) The Group has the following undrawn borrowing facilities:

	<b>2006</b> <i>HK</i> \$ 000	at 31 December 2007 HK\$ 000	<b>2008</b> HK\$ 000	At 30 September 2009 HK\$ 000
Fixed rate expiring within one year	382,293	408,472	631,289	1,090,642
Floating rate expiring within one year	1,148,817	2,026,269	1,646,924	2,373,958
	1,531,110	2,434,741	2,278,213	3,464,600

At 31 December 2006, 2007, 2008 and 30 September 2009, the facilities were subject to annual review at various dates.

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# ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

(g) The exposure of the Group s borrowings to interest rate changes and the contractual repricing dates at the end of each reporting period are as follows:

Changes in interest rates 6 months or less over 6 months and up to 12 months  1,775,307  2,699,174  3,635,635  3,600,673  29 Derivative financial instruments  At 30  At 31 December 2006  2007  2008  2421,105  421,105  2,025,113  2,256,814  3,179,568					At 30
HK\$ 000		At	31 December		September
$ \begin{array}{c ccccccccccccccccccccccccccccccccccc$					
6 months or less over 6 months and up to 12 months 869,260 2,025,113 1,378,821 3,179,568 2,025,113 2,256,814 3,179,568 2,025,113 2,256,814 3,179,568 3,600,673 2,699,174 3,635,635 3,600,673 2,699,174 3,635,635 3,600,673 2,699,174 3,635,635 3,600,673 3,600,673 2,699,174 3,635,635 3,600,673 3,600,673 2,699,174 3,635,635 3,600,673 3,600,673 2,699,174 3,635,635 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,673 3,600,6		HK\$ 000	HK\$ 000	HK\$ 000	HK\$ 000
over 6 months and up to 12 months       869,260       2,025,113       2,256,814       3,179,568         1,775,307       2,699,174       3,635,635       3,600,673         29 Derivative financial instruments       Group         At 31 December 2006 2007 2008 HK\$ 000 HK\$ 000 HK\$ 000 HK\$ 000       2009 HK\$ 000 HK\$ 000 HK\$ 000         Assets       Forward foreign exchange contracts (Note (ii))       22,796 (438)         Less: current portion included under current assets       22,358         Liabilities       Interest rates swap contracts (Note (iii))       25,365       15,967					
1,775,307 2,699,174 3,635,635 3,600,673  29 Derivative financial instruments Group  At 31 December September 2006 2007 2008 2009  HK\$ 000 HK\$ 000 HK\$ 000 HK\$ 000  Assets Forward foreign exchange contracts (Note (i)) Less: current portion included under current assets  Liabilities Interest rates swap contracts (Note (ii))  25,365 15,967	6 months or less	906,047	674,061	1,378,821	421,105
29 Derivative financial instruments Group  At 31 December September 2006 2007 2008 2009 $HK\$$ 000 $HK\$$ 0	over 6 months and up to 12 months	869,260	2,025,113	2,256,814	3,179,568
Assets Forward foreign exchange contracts (Note (i)) Less: current portion under non-current assets  Liabilities Interest rates swap contracts (Note (ii))  At 31 December September 2006 2007 2008 2009 $HK\$$ 000 $HK\$$		1,775,307	2,699,174	3,635,635	3,600,673
At 31 December September 2006 2007 2008 2009 $HK\$$ 000	29 Derivative financial instruments Group				
Assets Forward foreign exchange contracts (Note (i)) Less: current portion included under current assets  Liabilities Interest rates swap contracts (Note (ii))  2006 2007 2008 2009 HK\$ 000 HK\$ 000 HK\$ 000  22,796 22,796 22,358  22,358					
Assets Forward foreign exchange contracts (Note (i)) Less: current portion included under current assets  Liabilities Interest rates swap contracts (Note (ii))  HK\$ 000 HK\$ 000 HK\$ 000 HK\$ 000 HK\$ 000  HK\$ 000 HK\$ 000 HK\$ 000  22,796  22,358  22,358			At 31 Decemb	er	September
Assets Forward foreign exchange contracts (Note (i)) Less: current portion included under current assets  Long-term portion under non-current assets  Liabilities Interest rates swap contracts (Note (ii))  22,796 22,796 22,358		2006	2007	2008	
Forward foreign exchange contracts (Note (i))  Less: current portion included under current assets  Liabilities  Interest rates swap contracts (Note (ii))  22,796  22,796  223,796  223,796  2438)  223,358		HK\$ 000	HK\$ 000	HK\$ 000	HK\$ 000
Less: current portion included under current assets  (438)  Long-term portion under non-current assets  22,358  Liabilities  Interest rates swap contracts (Note (ii))  25,365  15,967					
Long-term portion under non-current assets  22,358  Liabilities Interest rates swap contracts (Note (ii))  25,365  15,967					•
Liabilities Interest rates swap contracts ( <i>Note</i> (ii))  25,365  15,967	Less: current portion included under current assets				(438)
Liabilities Interest rates swap contracts ( <i>Note</i> (ii))  25,365  15,967	Long-term portion under non-current assets				22,358
Interest rates swap contracts ( <i>Note</i> (ii)) 25,365 15,967					,
				25 265	15 067
Less. current portion included under current habilities (8,013) (2,023)					
	Less. current portion included under current habilitie	58		(0,013)	(2,023)
Long-term portion under non-current liabilities 17,350 13,944	Long-term portion under non-current liabilities			17,350	13,944
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# ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

#### Note:

(i) At 30 September 2009, the Group entered into certain forward foreign exchange contracts to buy EUR17,523,720 and JPY48,000,000 (equivalent to approximately HK\$202,311,000) and to sell US\$23,179,838 (equivalent to approximately HK\$179,655,000). These outstanding forward foreign exchange contracts were mainly entered into to hedge against the foreign exchange risk in relation to the financial liabilities denominated in EUR which will mature in 2013 and payables denominated in EUR and JPY for property, plant and equipment which will mature within twelve months from date of statement of financial position.

(ii) At 31 December 2008 and 30 September 2009,

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the aggregate notional principal amounts of the outstanding swap contracts were HK\$774,990,000 and HK\$775,050,000 respectively, of which the Group pays fixed interest at 2.72% or 3.43% per annum and receives variable rates to hedge against interest rate risk in relation to the bank borrowings and will be matured between 19 November 2009 and 30 July 2012.

### 30 Deferred income tax Group

Deferred income tax assets and liabilities are offset when there is legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same tax jurisdication. The offset amounts are as follows:

	2006 HK\$ 000	at 31 December 2007 HK\$ 000	2008 HK\$ 000	At 30 September 2009 HK\$ 000
Deferred tax assets:  Deferred tax assets to be recovered after more than 12 months		(13,124)	(32,682)	(42,935)
Deferred tax liabilities:  Deferred tax liabilities to be settled after more than 12 months	14,219	81,483	97,081	92,730
Deferred tax liabilities net	14,219	68,359	64,399	49,795
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# ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

The gross movement of deferred income tax account is as follows:

				At 30
	A	t 31 December	•	September
	2006	2007	2008	2009
	HK\$ 000	HK\$ 000	HK\$ 000	HK\$ 000
Beginning of the year/period	13,642	14,219	68,359	64,399
Exchange differences Recognised in the consolidated income statement		(57)	860	(6)
(Note 12)	692	(7,215)	(4,820)	(14,598)
Acquisition through business combination ( <i>Note</i> $38(c)$ )		61,412		
Distribution to equity holders ( <i>Note 27(ii)</i> )	(115)			
End of the year/period	14,219	68,359	64,399	49,795
Representing:				
Accelerated tax depreciation	24,329	28,774	33,378	30,343
Tax losses	(10,110)	(9,726)	(11,034)	(18,376)
Valuation adjustment resulting from acquisition of a subsidiary		78,203	67,633	62,104
Decelerated tax depreciation		(27,210)	(38,206)	(43,529)
Others		(1,682)	12,628	19,253
	14,219	68,359	64,399	49,795
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# ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

The movement in deferred tax assets and liabilities during the years ended 31 December 2006, 2007 and 2008 and nine months ended 30 September 2009 without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax assets:

	Decelerated			
	tax			
		Tax		
	depreciation	losses	Others	Total
	HK\$ 000	HK\$ 000	HK\$ 000	HK\$ 000
At 1 January 2006		(4,902)		(4,902)
Recognised in the consolidated income statement		(5,208)		(5,208)
At 31 December 2006		(10,110)		(10,110)
Exchange differences	(754)	(10,110)	(3)	(757)
Recognised in the consolidated income statement	(12,360)	384	699	(11,277)
Acquisition through business combination ( <i>Note</i>	(12,300)	304	099	(11,277)
38(c))	(14,096)		(2,378)	(16,474)
	(2= 2.10)	(0. == 0)		(20.510)
At 31 December 2007	(27,210)	(9,726)	(1,682)	(38,618)
Exchange differences	(1,806)		(134)	(1,940)
Recognised in the consolidated income statement	(9,190)	(1,308)	(4,050)	(14,548)
At 31 December 2008	(38,206)	(11,034)	(5,866)	(55,106)
Exchange differences	(29)	(1)	(5)	(35)
Recognised in the consolidated income statement	(5,294)	(7,341)	(168)	(12,803)
At 30 September 2009	(43,529)	(18,376)	(6,039)	(67,944)
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# ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

Deferred tax liabilities:

	Valuation adjustment resulting from acquisition of a subsidiary $HK$ \$ 000	Accelerated tax depreciation HK\$ 000	Others HK\$ 000	Total HK\$ 000
At 1 January 2006 Recognised in the consolidated income statement Distribution to equity holder ( <i>Note 27(ii)</i> )		18,544 5,900 (115)		18,544 5,900 (115)
At 31 December 2006 Exchange differences Recognised in the consolidated income statement Acquisition through business combination ( <i>Note</i> $38(c)$ )	700 (383) 77,886	24,329 4,445		24,329 700 4,062 77,886
At 31 December 2007 Exchange differences Recognised in the consolidated income statement	78,203 2,801 (13,371)	28,774 4,604	(1) 18,495	106,977 2,800 9,728
At 31 December 2008 Exchange differences Recognised in the consolidated income statement	67,633 20 (5,549)	33,378 (3,035)	18,494 9 6,789	119,505 29 (1,795)
At 30 September 2009	62,104	30,343	25,292	117,739

Pursuant to the new Corporate Income Tax Law with effect from 1 January 2008, a 5% withholding tax is levied on dividends distributed to foreign investors by the foreign investment enterprises established in mainland China. The requirement applies to earnings accumulated after 31 December 2007. At 31 December 2008 and 30 September 2009, approximately HK\$10,807,000 and HK\$17,033,000 deferred tax liabilities have been recognised by the Group respectively.

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## ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

Deferred income tax assets are recognised for tax losses carry forwards to the extent that the realisation of the related benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets of approximately HK\$49,748,000, HK\$60,766,000, HK\$83,230,000 and HK\$97,845,000 in respect of accumulated tax losses amounting to approximately HK\$183,851,000, HK\$262,536,000, HK\$357,907,000 and HK\$403,486,000 at 31 December 2006, 2007, 2008 and 30 September 2009, respectively that can be carried forward against future taxable income. At 31 December 2006, 2007, 2008 and 30 September 2009, these accumulated tax losses amounting to approximately HK\$114,952,000, HK\$194,777,000, HK\$283,094,000 and HK\$366,549,000 respectively will be expired in five years. There is no expiry period for the other tax losses.

#### 31 Financial liabilities Group

				At 30
		At 31 Decembe	r	September
	2006	2007	2008	2009
	HK\$ 000	HK\$ 000	HK\$ 000	HK\$ 000
Put option		264,394	151,270	161,758

#### Note:

In November 2007, the Company entered into a contract with Aspocomp Group OYJ (Aspocomp), an independent third party, to acquire 80% of the equity interest in MAH. The Company and Aspocomp also entered into a put and call option agreement (Option Deed) as part and parcel of the MAH acquisition. Under the Option Deed, the Company was granted a call, to buy the remaining 20% equity interests in MAH and Aspocomp was granted a put option to sell its remaining 20% equity interests in MAH in the period from 2013 to 2023.

The put option granted under the Option Deed was recognised as financial liabilities in the consolidated financial statements of the Group at the present value of the redemption amount.

For the purposes of determining the present value of the put option, the put option is determined based on the greater of (i) enterprise value calculation which uses EBITDA projections based on the extrapolation of the latest unaudited consolidated financial results of MAH to a four-year period and an enterprise value multiplier of 5.5 times or (ii) net asset value based on the extrapolation of the latest unaudited consolidated financial results of MAH at end of the financial year 2012; or (iii) the minimum price of approximately EUR15.38 million plus interest which will accrue at the rate of 2.5% per annum, compounding annually for a five-year period up to financial year ending 31 December 2012.

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## ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

There are a number of assumptions and estimates involved in the preparation of EBITDA projections for the years/periods. Key assumptions used for enterprise value calculation for put option of each of the years ended 31 December 2007 and 2008 and nine months ended 30 September 2009 are presented as below:

				Nine months ended 30
	Year e	ended 31 Dece	mber	September
	2006	2007	2008	2009
Gross margin		17.8%	19.2%	19.7%
Growth rate		25.0%	10.0%	10.0%
Discount rate		8.3%	6.1%	6.1%

The directors prepared the financial budgets reflecting actual and prior year performance and market development expectations. The growth rates used are consistent with the industry growth estimates. The directors estimate discount rate using pre-tax rates that reflect market assessments of the time value of money of the Group for the years ended 31 December 2007 and 2008 and nine months ended 30 September 2009. Judgement is required to determine key assumptions adopted in the EBITDA projections and changes to key assumptions can significantly affect these EBITDA projections.

The value of put option at 31 December 2008 and 30 September 2009 represents the present value of the minimum price which was the highest possible value under the put option. (Note 18(b))

### 32 Long-term other payables Group

The balances represent payable for purchase of property, plant and equipment and will be settled after twelve months.

The balances are denominated in the following currencies:

	1	At 31 Decembe	r	At 30 September
	2006	2007	2008	2009
	HK\$ 000	HK\$ 000	HK\$ 000	HK\$ 000
HK\$				1,257
US\$		87,862	44,349	23,717
JPY		26,272	13,039	
EUR		1,524	17,176	
		115,658	74,564	24,974
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# ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

# 33 Creditors and accruals Group

				At 30
	A	At 31 December		
	2006	2007	2008	2009
	HK\$ 000	HK\$ 000	HK\$ 000	HK\$ 000
Creditors	382,330	675,853	711,895	655,170
Accruals	417,700	752,415	755,211	528,338
	800,030	1,428,268	1,467,106	1,183,508

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

During the years/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>2006</b> HK\$ 000	At 31 December 2007 HK\$ 000	<b>2008</b> HK\$ 000	At 30 September 2009 HK\$ 000
Within credit period	286,059	435,324	431,516	482,243
0 - 30 days	58,823	136,473	193,084	116,768
31 - 60 days	21,214	60,111	62,425	38,099
61 - 90 days	9,629	25,042	10,600	6,324
Over 90 days	6,605	18,903	14,270	11,736
	382,330	675,853	711,895	655,170
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EUR

JPY

# ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

The carrying amounts of the Group s creditors and accruals are denominated in the following currencies:

	2006	t 31 December 2007	2008	At 30 September 2009
	HK\$ 000	HK\$ 000	HK\$ 000	HK\$ 000
HK\$ RMB US\$	266,815 356,555 162,127 3,338	244,018 659,374 366,513 91,365	182,414 789,154 443,314 39,963	152,490 753,153 230,235 33,233
EUR JPY	5,338 9,854	46,480	12,020	13,238
Other currencies	1,341	20,518	241	1,159
Company	800,030	1,428,268	1,467,106	1,183,508
	<b>2006</b> HK\$ 000	At 31 Decembe 2007 HK\$ 000	er <b>2008</b> <i>HK</i> \$ 000	At 30 September 2009 HK\$ 000
Accruals	1,004	17,324	7,509	8,810
The carrying amounts of the Company s acco	ruals are denominated 2006	d in the followin  At 31 December 2007	g currencies: er 2008	At 30 September 2009
	HK\$ 000	HK\$ 000	HK\$ 000	HK\$ 000
HK\$ RMB US\$	1,004	16,651 267 392	7,165 283 60	8,526 283

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1,004

4

10

17,324

1

7,509

1

8,810

# ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

#### 34 Amounts due to a subsidiary of a minority shareholder/associated companies

The amounts due to a subsidiary of a minority shareholder/associated companies are unsecured, interest-free and repayable within normal trade credit terms. The carrying amounts of the amounts due to a subsidiary of a minority shareholder/associated companies approximate their fair values.

The carrying amount of the amount due to a subsidiary of a minority shareholder is denominated in HK\$. The carrying amounts of the amounts due to associated companies are denominated in the following currencies:

				At
				30
	$\mathbf{A}$	At 31 December		
	2006	2007	2008	2009
	HK\$ 000	HK\$ 000	HK\$ 000	HK\$ 000
RMB	23,727		43,633	72,418
US\$	97,015	150,669	77,962	68,177
	100 710	1.00.000	101 505	4.40.707
	120,742	150,669	121,595	140,595

#### 35 Amounts due from/(to) subsidiaries

The amounts due from/(to) subsidiaries are unsecured, interest-free and repayable on demand. The carrying amounts of the amounts due from/(to) subsidiaries approximate their fair values and are denominated in HK\$.

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# ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

### 36 Amounts due from/(to) a minority shareholder

The amounts due from/(to) a minority shareholder are unsecured, interest-free and repayable on demand. The carrying amount of amount due to a minority shareholder approximates its fair value and is denominated in RMB.

The carrying amount of the amount due from a minority shareholder was denominated in the following currencies:

				At
				30
	A	At 31 Decembe	er	September
	2006	2007	2008	2009
	HK\$ 000	HK\$ 000	HK\$ 000	HK\$ 000
US\$		2,529		
EUR		36,526		
		39,055		

#### 37 Commitments

#### (a) Capital commitments

Capital commitments in respect of property, plant and equipment at the dates of statement of financial position are as follows:

	At 31 December			At 30 September
	<b>2006</b> HK\$ 000	<b>2007</b> HK\$ 000	<b>2008</b> HK\$ 000	<b>2009</b> <i>HK</i> \$ 000
Contracted but not provided for	271,270	658,567	347,543	279,249
Authorised but not contracted for	6,998	123,153	10,880	2,173
	278,268	781,720	358,423	281,422

At 31 December 2006, 2007, 2008 and 30 September 2009, the Group had commitment in respect of the injection of additional capital into certain subsidiaries established in mainland China totalling approximately HK\$433,700,000, HK\$808,565,000, HK\$654,574,000 and HK\$186,012,000 respectively.

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# ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

### (b) Operating lease commitments

The future aggregate minimum lease expense under non-cancellable operating leases in respect of land and buildings is payable as follows:

	A	at 31 December	r	At 30 September
	2006	<b>2007</b>	2008	<b>2009</b>
	HK\$ 000	HK\$ 000	HK\$ 000	HK\$ 000
Within one year	3,387	3,055	2,391	3,713
One to five years	2,035	3,908	2,992	4,018
More than five years	5,027	18,956	18,695	18,507
	10,449	25,919	24,078	26,238
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acquiree s identifiable assets, liabilities and contingent liabilities over

cost.

# ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

### 38 Notes to the consolidated statements of cash flows

### (a) Acquisition of minority interest in a subsidiary

On 20 September 2005, Goalink Industrial Ltd. (Goalink) invested US\$500,000 in Shanghai Kaiser Electronics Co., Ltd which represented 10% of its new registered share capital.

On 27 July 2006, the Group acquired 10% equity interest in Shanghai Kaiser Electronics Co., Ltd. from Goalink at a consideration of US\$815,000 (approximately HK\$6,354,000).

Details of the net assets acquired and goodwill are as follows:

	Acquiree s carrying amount 2006 HK\$ 000
	$m_{\psi}$ 000
Net assets acquired comprised of:	
Property, plant and equipment	69,646
Land use right	2,242
Inventories	857
Debtors and prepayments	9,283
Cash and bank balances	5,237
Creditors and accruals	(10,187)
Balances with group companies	(2,461)
Net assets value	74,617
Additional share of net assets value (10%)	7,462
Less: Consideration paid	(6,354)
Negative goodwill credited to consolidated income statement ( <i>Note 6</i> )	1,108
Note: Negative	
goodwill	
represents	
excess of	
acquirers	
interest in the	
net fair value of	

### ACCOUNTANT S REPORT ON THE MEADVILLE

GROUP

### (b) Partial disposal of a subsidiary

In April 2007, the Group disposed of 6.29% equity interest in a subsidiary, MA3, at a consideration of US\$1,887,000 (approximately HK\$14,718,600), to a minority shareholder of a subsidiary.

Details of the net assets disposed of are as follows:

	Acquiree s carrying amount 2007 HK\$ 000
Net assets disposed of:	
Property, plant and equipment	3,579
Land use right	8,596
Debtors and prepayments	29,039
Cash and bank balances	200,651
Creditors and accruals	(248)
Balances with group companies	(8,267)
Net assets value	233,350
Disposal of share of net assets value (6.29%) Income on partial disposal of a subsidiary ( <i>Note 6</i> )	14,678 41
Total consideration	14,719
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### ACCOUNTANT S REPORT ON THE MEADVILLE

**GROUP** 

### (c) Acquisition of a subsidiary through business combination

On 30 November 2007, the Group acquired 80% of the equity interest of MAH from a third party, Aspocomp, for a consideration of approximately HK\$724,166,000.

Details of the net assets acquired and goodwill are as follows:

HK\$ 000

Purchase consideration:

Cash paid	707,666
Financial liabilities put option ( <i>Note 31</i> )	264,394
Direct costs relating to the acquisition	16,500

Total purchase consideration		988,560
Fair value of net assets acquired	shown as below	(881,822)

Goodwill (*Note 18*) 106,738

The goodwill is attributable to the workforce of the acquired business and the significant synergies expected to arise after the Group s acquisition of MAH.

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# ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

The assets and liabilities at 30 November 2007 arising from the acquisition are as follows:

	Acquiree s carrying amount before	Fair value	Acquiree s fair
	acquisition	adjustment	amount
	HK\$ 000	HK\$ 000	HK\$ 000
Net assets acquired comprised of:			
Property, plant and equipment (Note 16)	568,776	257,474	826,250
Leasehold land and land use rights (Note 17)	21,099	34,794	55,893
Intangible assets (Note 18)		20,629	20,629
Inventories	27,782		27,782
Debtors and prepayments	216,121		216,121
Deferred tax assets	16,474		16,474
Cash and bank balances	29,451		29,451
Creditors and accruals	(171,772) (3,905)		(171,772) (3,905)
Tax payable Borrowings	(57,215)		(57,215)
Deferred tax liabilities	(37,213)	(77,886)	(77,886)
Deferred tax habilities		(77,000)	(77,000)
	646,811	235,011	881,822
Goodwill (Note 18)			106,738
			000.500
			988,560
Satisfied by:			
Cash consideration			724,166
Financial liabilities (Note 31)			264,394
			000.500
			988,560
Net cash outflow arising on acquisition			
Cash consideration			724,166
Bank balances and cash acquired			(29,451)
Ni a confirma for all and a color in the col			
Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary			694,715
1			,

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## ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

#### (d) Partial consideration pursuant to the reorganisation

The balance represents the partial consideration paid pursuant to an agreement dated 30 December 2006 entered into between MTG(INV) and PHKL, the former holding company, for the purpose of preparation of the listing of shares of the Company on the Stock Exchange to PHKL, to acquire the equity interest in the subsidiaries of PHKL which are engaged in the PCB, prepreg and laminate business.

#### (e) Analysis of cash and cash equivalents

	At 31 December			At 30 September		
	2006	2007	2008	2008	2009	
	HK\$ 000	HK\$ 000	HK\$ 000	HK\$ 000	HK\$ 000	
				(unaudited)		
Cash and bank balances (Note 25)	211,150	418,192	889,773	463,856	951,865	
Bank overdrafts (Note 28)	(42,510)		(25,626)	(25,782)		
	168,640	418,192	864,147	438,074	951,865	
Less: restricted bank balances (Note 25)	(1,424)	(3,901)	(5,873)	(1,183)	(8,397)	
Cash and cash equivalents	167,216	414,291	858,274	436,891	943,468	
Cash and Cash equivalents	107,210	+1+,291	030,274	450,691	2 <del>4</del> 2, <del>4</del> 00	

#### 39 Related party transactions

The Directors regard Su Sih (BVI) Limited, a company incorporated in the British Virgin Islands, as being the ultimate holding company of the Group.

Parties are considered to be related if one party has the ability, directly or indirectly control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control.

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### ACCOUNTANT S REPORT ON THE **MEADVILLE GROUP**

The Group regularly conducts transactions in the normal course of business with the associated companies and related parties, details of which during the years/periods are:

### (a) Purchases of raw materials (Note i)

	Year e	ended 31 Decen	nber	Nine mont 30 Sept	
	2006	2007	2008	2008	2009
	HK\$ 000	HK\$ 000	HK\$ 000	HK\$ 000	HK\$ 000
				(unaudited)	
Associated companies					
GSST	304,836	421,549	406,840	340,560	225,458
SSST	34,280	37,272	30,047	17,690	42,498
A subsidiary of a minority shareholder Hitachi Chemical Co. (Hong Kong) Limited	176,922	156,910	225,838	206,150	101,014
(b) Purchases of finished goods (Note i)					
	Ye	ar ended 31 De	cember		nths ended etember
	2006	2007	2008	2008	2009

				Nine mon	ths ended	
	Year	ended 31 Dece	mber	30 Sept	tember	
	2006	2006 2007		2008	2009	
	HK\$ 000	HK\$ 000	HK\$ 000	HK\$ 000	HK\$ 000	
			(unaudited)			
A subsidiary of a minority shareholder						
Hitachi Chemical Co. (Hong Kong) Limited	2,361	1,869	3,221	2,815	1,337	

### (c) Sales of finished goods (Note ii)

	Year	ended 31 Dece	mber	Nine mont	
	<b>2006</b> HK\$ 000	<b>2007</b> HK\$ 000	<b>2008</b> HK\$ 000	2008 HK\$ 000 (unaudited)	<b>2009</b> HK\$ 000
A subsidiary of a minority shareholder Hitachi Chemical Co. (Hong Kong) Limited	27,230	75,471	136,031	114,930	52,739
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# ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

### (d) Commissions (Note iii)

	Year e <b>2006</b> <i>HK</i> \$ 000	ended 31 Decen 2007 HK\$ 000	mber 2008 <i>HK</i> \$ 000	Nine mon 30 Sept 2008 HK\$ 000 (unaudited)	
A subsidiary of a minority shareholder Hitachi Chemical Co. (Hong Kong) Limited	22,810	19,379	20,872	16,891	12,310
(e) Interest income (Note iv)	<b>Y</b> 7	1 121 D	,		nths ended
	Y ear 2006	ended 31 Dece 2007	ember 2008	30 September 2008 2009	
	HK\$ 000	HK\$ 000	HK\$ 000		HK\$ 000
Companies beneficially owned by directors of the Company Su Sih Enterprises Limited Le Baron International Ltd.	714 1,275				
A director Tang Hsiang Chien	1,754				
(f) Management fee expenses (Note v)					
	<b>Year</b> <b>2006</b> <i>HK</i> \$ 000	ended 31 Decc 2007 HK\$ 000	ember <b>2008</b> <i>HK</i> \$ 000	30 Sep 2008	nths ended tember 2009 HK\$ 000
Companies controlled by directors of the Company Su Sih Enterprises Limited	5,000				

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# ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

### (g) Amounts due from/(to) related parties

					At 30
	N		t 31 December	2000	September
	Note	<b>2006</b> HK\$ 000	<b>2007</b> HK\$ 000	<b>2008</b> HK\$ 000	<b>2009</b> HK\$ 000
A minority shareholder Non-trade balance Aspocomp Group OYJ	36		39,055		
Related parties Non-trade balances Companies controlled by directors of the Company	24				
Qingyi Precision Maskmaking (Shenzhen) Ltd		5			
PHKL		(709,603)			
		(709,598)			
A subsidiary of a minority shareholder Trade balance Hitachi Chemical Co. (Hong Kong) Limited	34	(63,359)	(29,367)	(16,828)	(25,848)
Associated companies Trade balance GSST SSST		(110,026) (10,716)	(146,062) (4,607)	(109,257) (12,338)	(122,344) (18,251)
	34	(120,742)	(150,669)	(121,595)	(140,595)
A minority shareholder Dividend payable GSST	36		(343)	(60,466)	
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# ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

#### (h) Key management compensation

				Nine mont	ths ended	
	Year	Year ended 31 December			ember	
	2006	2007	2008	2008	2009	
	HK\$ 000	HK\$ 000	HK\$ 000	HK\$ 000	HK\$ 000	
	(Unaudited)					
Basic salaries, allowances and benefits in						
kind	31,219	39,956	51,826	33,657	34,140	
Share award expenses (Note 7)		171,831	4,367	3,276	3,276	
Bonuses	5,919	11,559	14,417	13,215	7,050	
	37,138	223,346	70,610	50,148	44,466	

#### Notes:

- (i) Purchases of raw materials/finished goods from associated companies and a subsidiary of a minority shareholder of a subsidiary are made at prices and terms comparable to those charged by and contracted with other third party suppliers of the Group.
- (ii) Sales of finished goods are made at prices and terms comparable to those sold by and contracted with other third party customers of the Group which are due within normal credit terms.
- (iii) Commission on sales of finished goods are based on terms of the underlying agreement.
- (iv) Interest income from a controlling shareholder and a director are calculated at prime rate and 5.30% per annum on the amount receivable, respectively.
- (v) Management fee expense is subject to the terms of an agreement signed by the parties at a fixed monthly fee for the provision of management services and consultancy services by the controlling shareholder. The service contract expired on 31 October 2006.

#### 40 Events after the end of reporting period

On 16 November 2009, the Company and MTG(INV), entered into stock purchase agreement ( PCB Agreement ) with TTM Technologies, Inc. ( TTM ), TTM Technologies International, Inc. ( TTM International ) and TTM Hong Kong Limited ( TTM HK ), pursuant to which MTG(INV) has conditionally agreed to sell, and TTM HK has conditionally agreed to purchase, the PCB Business of the Company for a consideration of approximately US\$114.0 million in cash and 36,334,000 new TTM s shares ( the PCB Transaction ). TTM, TTM International and TTM HK are independent third parties to the Group. The completion of the PCB Transaction is subject to various conditions as stated in the PCB Agreement.

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# ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

On the same day, MTG(INV) and Top Mix Investment Limited ( Top Mix ) entered into a sale and purchase agreement (the Laminate Agreement ) pursuant to which MTG(INV) has conditionally agreed to sell, Top Mix has conditionally agreed to purchase, the Laminate Business for a consideration of approximately HK\$2,783.8 million (the Laminate Transaction ). If AVA International Limited ( AVA ), a wholly-owned subsidiary of the Company in the Laminate Business, sells any of its shareholding in GSST, an associated company of AVA, listed on the Shanghai Stock Exchange, prior to the completion date of the Laminate Transaction at a sale price per GSST share above the GSST Reference Price (as defined in the Laminate Agreement), the Company will propose the distribution of the incremental net amount (after any applicable transaction expenses and taxes) of the sale price per GSST share that is sold above the GSST Reference Price (Incremental Net Amount ), subject to the fulfillment of the conditions precedent to making such distribution, to the shareholders of the Company as dividends. Top Mix is a connected person of the Company. The completion of the Laminate Transaction is subject to various conditions as stated in the Laminate Agreement.

On 3 and 4 February 2010, AVA disposed of totally 47,000,000 of its GSST shares (GSST Shares), representing approximately 4.91% of the current issued share capital of GSST to certain independent third parties, for a total cash consideration of RMB518,750,000. The consideration on the disposal of GSST Shares after netting off the carrying value of the disposed GSST Shares and relevant expenses and taxes directly attributable to the disposed GSST Shares will be recognised as a gain in the consolidated income statement for the year ending 31 December 2010. Immediately after the disposal of the GSST Shares as aforementioned, the number of shares and percentage of equity held by AVA decreased from 212,288,109 shares to 165,288,109 shares and from approximately 22.18% to approximately 17.27% respectively of the current entire issued share capital of GSST.

Subject to the fulfilment of certain conditions (including the completions of the PCB Transaction and Laminate Transaction), the Company will make a distribution of the entire amount of the considerations of PCB Transaction and Laminate Transaction (including the Incremental Net Amount, if any, arising from the disposal of GSST shares) by way of the dividend to the shareholders of the Company.

### (a) The PCB Business of Meadville Holdings Limited

The PCB Business has historically been conducted by various subsidiaries directly or indirectly controlled by the Company. Therefore, the accompanying combined income statements, statements of financial position and statements of cash flows were prepared by combining the assets, liabilities, revenues, expenses and cash flows that were directly applicable to the PCB Business and operations for the years/periods presented.

The combined income statements of the PCB Business includes all the historical actual costs of the PCB Business and an allocation of certain general corporate expenses of the Company. These corporate expenses primarily relate to share award expenses in connection with shares that were granted by the controlling shareholder of the Company, Su Sih to senior executives of the Company

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# ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

who are involved in the PCB Business and Laminate Business. For those expenses for which a specific identification method was not practicable, the expenses were allocated based on estimates that management considered as a reasonable reflection of the utilisation of services provided to, or benefits received by the PCB Business.

In relation to share award expenses, for shares that are granted to the employees of the PCB Business, the related expenses of approximately HK\$86,070,000, HK\$10,461,000, HK\$8,297,000 (unaudited) and HK\$9,632,000 for the years ended 31 December 2007, 2008 and nine months ended 30 September 2008 and 2009, respectively, are recorded based on the actual expenses of those employees. For shares which are granted to corporate level management, share award expenses of HK\$140,027,000, HK\$140,000, HK\$107,000 (unaudited) and HK\$265,000 for the years ended 31 December 2007, 2008 and nine months ended 30 September 2008 and 2009, respectively, are allocated based on revenue of the PCB Business to the Group.

While the expenses allocated to the PCB Business are not necessarily indicative of the expenses that the PCB Business would have incurred if the PCB Business had been a separate, independent entity during the years/periods presented, management believes that the foregoing presents a reasonable basis of estimating what the PCB Business expenses would have been on a historical basis.

The Company earned interest income on the deposits from the share subscriptions during the Listing in 2007. Interest income of nil, HK\$12,038,000, nil, nil (unaudited) and nil for the years ended 31 December 2006, 2007 and 2008 and nine months ended 30 September 2008 and 2009 respectively are reflected in the PCB Business income statement based on specific identification of the use of the Listing proceeds.

The combined income statements, combined statements of financial position and combined statements of cash flows of the PCB Business for the years ended 31 December 2006, 2007, 2008 and the nine months ended 30 September 2008 and 2009 are as follows:

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# ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

### (i) Combined income statements

	Year	Year ended 31 December			hs ended ember
	<b>2006</b> HK\$ 000	<b>2007</b> HK\$ 000	<b>2008</b> HK\$ 000	2008 HK\$ 000 (unaudited)	<b>2009</b> HK\$ 000
Revenue Cost of sales	2,838,773 (2,261,374)	4,108,638 (3,150,277)	5,212,437 (4,205,020)	3,930,212 (3,156,792)	3,505,389 (2,844,527)
Gross profit Other income Selling and distribution expenses General and administrative expenses Share award expenses	577,399 87,226 (118,899) (129,493)	958,361 161,330 (199,790) (200,869) (226,097)	1,007,417 158,810 (227,397) (259,762) (10,601)	773,420 125,233 (179,097) (140,314) (8,404)	660,862 91,733 (164,209) (276,255) (9,897)
Operating profit Interest income Finance costs	416,233 5,871 (77,974)	492,935 28,507 (104,311)	668,467 17,440 (129,359)	570,838 13,010 (94,503)	302,234 5,192 (63,759)
Profit before income tax Income tax expense	344,130 (41,577)	417,131 (64,193)	556,548 (72,895)	489,345 (76,927)	243,667 (45,002)
Profit for the year/period	302,553	352,938	483,653	412,418	198,665
Attributable to: Equity holders of the PCB Business Minority interests	239,762 62,791	246,094 106,844	376,071 107,582	336,258 76,160	127,245 71,420
	302,553	352,938 -VI-118-	483,653	412,418	198,665
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# ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

### (ii) Combined statements of financial position

				At 30
	A	at 31 December		September 50
	2006	2007	2008	2009
	HK\$ 000	HK\$ 000	HK\$ 000	HK\$ 000
Assets				
Non-current assets				
Property, plant and equipment	1,893,672	3,821,412	4,941,778	4,840,601
Leasehold land and land use rights	83,045	143,042	147,256	144,567
Intangible assets	22,561	149,899	22,159	21,292
Available-for-sale financial asset		21,089	20,635	17,714
Derivative financial instruments				22,358
Deferred tax assets	155	13,124	32,517	42,437
Loan to a fellow subsidiary			41,074	10,076
	1,999,433	4,148,566	5,205,419	5,099,045
Current assets				
Inventories	266,565	398,420	427,053	457,569
Debtors and prepayments	1,114,910	1,480,853	1,163,672	1,083,759
Derivative financial instruments	-, ,,, - ,	-,,	-,,	438
Amounts due from fellow subsidiaries		244,296	390,242	13,889
Amount due from intermediate holding		,		,
company		40,177		
Amount due from a minority shareholder		39,055		
Taxation recoverable	1,129	3,500	19,269	23,752
Cash and bank balances	164,964	402,822	797,874	849,012
	1,547,568	2,609,123	2,798,110	2,428,419
	1,5 17,500	2,007,123	2,770,110	2,120,117
Total assets	3,547,001	6,757,689	8,003,529	7,527,464
Equity				
Capital and reserves	433,621	1,524,327	1,371,198	1,779,298
Minority interests in equity	197,475	335,728	405,411	534,598
Total equity	631,096	1,860,055	1,776,609	2,313,896

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				At 30
	A	at 31 December		September
	2006	2007	2008	2009
	HK\$ 000	HK\$ 000	HK\$ 000	HK\$ 000
Liabilities				
Non-current liabilities				
Borrowings	667,600	1,679,147	2,763,230	2,954,662
Derivative financial instruments			17,350	13,944
Deferred tax liabilities		65,183	79,520	74,779
Financial liabilities		264,394	151,270	161,758
Long-term other payables		115,658	74,564	24,974
	667,600	2,124,382	3,085,934	3,230,117
Current liabilities				
Creditors and accruals	711,257	1,270,757	1,388,419	1,060,395
Amounts due to fellow subsidiaries	66,454	99,838	88,481	97,952
Amount due to immediate holding company		290,000	643,961	49,492
Amount due to a related party	417,859			
Amount due to a minority shareholder	119,918	173,677	169,659	122,334
Amount due to a subsidiary of a minority				
shareholder	10,716	5,040	12,338	18,251
Borrowings	905,236	908,288	823,013	609,794
Derivative financial instruments			8,015	2,023
Taxation payable	16,865	25,652	7,100	23,210
	2,248,305	2,773,252	3,140,986	1,983,451
Total liabilities	2,915,905	4,897,634	6,226,920	5,213,568
Total equity and liabilities	3,547,001	6,757,689	8,003,529	7,527,464
Net current (liabilities)/assets	(700,737)	(164,129)	(342,876)	444,968
Total assets less current liabilities	1,298,696	3,984,437	4,862,543	5,544,013
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# ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

### (iii) Combined statements of cash flows

	Vear	ended 31 Decei	nher	Nine months ended 30 September	
	2006	2007	2008	2008	2009
	HK\$ 000	HK\$ 000	HK\$ 000	HK\$ 000 (unaudited)	HK\$ 000
Cash flows from operating activities					
Profit before income tax	344,130	417,131	556,548	489,345	243,667
Adjustments for:					
Finance costs	77,974	104,311	129,359	94,503	63,759
Interest income	(5,871)	(28,507)	(17,440)	(13,010)	(5,192)
Impairment of intangible assets	55	, , ,	19,860	, , ,	, ,
Impairment of property, plant and			•		
equipment		10,612			5,419
Amortisation of intangible assets	1,170	1,337	2,991	2,513	878
Amortisation of leasehold land and	•	•	•	•	
land use rights	1,876	2,167	3,600	2,688	2,730
Depreciation of property, plant and	•	•	•	•	,
equipment	200,264	278,664	420,885	309,313	363,980
Dividend income from	,	,	,	,	,
available-for-sale financial asset					(1,971)
Negative goodwill from acquisition of					( ) ,
minority interest in a subsidiary	(1,108)				
(Gain)/loss on disposal of property,	( ) ,				
plant and equipment	(780)	2,563	19,493	6,540	735
Gain on adjustment for contingent	()	,	- <b>,</b>	-,-	
consideration in relation to business					
combination			(13,933)		(13,425)
Net exchange differences	(7,849)	(48,270)	(138,453)	(139,271)	74
Share award expenses	(-,)	226,097	10,601	8,404	9,897
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	Year	Year ended 31 December			Nine months ended 30 September		
	2006	2007	2008	2008	2009		
	HK\$ 000	HK\$ 000	HK\$ 000	HK\$ 000 (unaudited)	HK\$ 000		
Operating profit before working							
capital changes	609,861	966,105	993,511	761,025	670,551		
Changes in:							
Inventories	(56,692)	(104,073)	(28,633)	(136,445)	(30,516)		
Debtors and prepayments	(235,328)	(149,822)	317,181	(135,694)	79,913		
Restricted bank balances	12,075	(2,477)	(1,972)	2,719	(2,524)		
Creditors and accruals	202,160	387,728	117,662	167,349	(328,024)		
Long-term other payables	,	115,658	(41,094)	(16,266)	(49,590)		
Amounts due from/(to) fellow		,	, , ,	, , ,	, , ,		
subsidiaries	(53,667)	(210,912)	(157,303)	(153,013)	112,359		
Amount due from intermediate	(= - ) )	( - )- /	( ) )	( , ,	,		
holding company		(40,177)	40,177	40,177			
Amount due to immediate holding		(10,-11)	,	,			
company		290,000	353,961	353,187	(54,884)		
Amount due to a related party	(26,340)	(7,859)	223,701	333,107	(51,001)		
Amounts due from/(to) minority	(20,510)	(1,00)					
shareholders	(3,240)	14,704	(25,429)	(17,499)	13,141		
Amount due to a subsidiary of a	(3,240)	14,704	(23,427)	(17,177)	13,141		
minority shareholder	1,686	(5,676)	7,298	3,968	5,913		
minority shareholder	1,000	(3,070)	7,296	3,906	3,913		
Cash generated from operating							
activities	450,515	1,253,199	1,575,359	869,508	416,339		
Interest received	5,871	28,507	17,440	13,010	5,192		
Interest paid	(77,974)	(104,311)	(88,118)	(80,365)	(66,470)		
Hong Kong profits tax paid	(2,627)	(4,451)	(3,226)	(3,275)	(,,		
Overseas tax paid	(36,396)	(70,693)	(110,083)	(85,341)	(48,015)		
O versous tant parte	(00,000)	(,0,0,0)	(110,000)	(60,011)	(10,010)		
Net cash generated from operating							
activities	339,389	1,102,251	1,391,372	713,537	307,046		
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	Voor	ended 31 Decen	Nine months ended 30 September		
	2006 2007 2008			2008	2009
	HK\$ 000	HK\$ 000	HK\$ 000	HK\$ 000 (unaudited)	HK\$ 000
Cash flows from investing activities					
Purchase of property, plant and					
equipment	(643,282)	(1,218,320)	(1,347,624)	(1,058,114)	(269,023)
Purchase of leasehold land and land	(0.0,202)	(1,210,020)	(1,0 17,02 1)	(1,000,111)	(=0),0=0)
use rights	(22,473)				
Proceeds from sale of property,					
plant and equipment	6,627	3,370	2,650	3,497	2,878
Acquisition of minority interest in a	(5 <b>2 7</b> 1)				
subsidiary	(6,354)				
Acquisition of a subsidiary, net of bank balances and cash acquired		(694,715)			
Purchase of available-for-sale		(094,713)			
financial asset		(21,089)			
Dividend from available-for-sale		(==,===)			
financial asset					1,971
Net cash used in investing activities	(665,482)	(1,930,754)	(1,344,974)	(1,054,617)	(264,174)
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	Year	Year ended 31 December			Nine months ended 30 September		
	<b>2006</b> HK\$ 000	<b>2007</b> HK\$ 000	<b>2008</b> HK\$ 000	2008 HK\$ 000 (unaudited)	<b>2009</b> HK\$ 000		
Cash flows from financing activities							
New borrowings	1,743,682	3,030,033	3,355,784	2,965,040	1,086,128		
Repayment of borrowings	(1,433,973)	(2,030,992)	(2,382,602)	(2,013,526)	(1,082,289)		
Capital contribution from	(=, ===,, = )	(=,===,=,=)	(=,= ==,= ==)	(=,===,===)	(-,,,		
immediate holding company		826,612					
Loan to a fellow subsidiary			(41,074)	(41,227)			
Repayment of loan to a fellow							
subsidiary					30,998		
Dividend paid to shareholders		(290,000)	(600,100)	(600,100)			
Dividend paid to a minority							
shareholder	(29,227)	(101,630)			(91,361)		
Capital contribution by a minority	10.060	114.205			00.240		
shareholder	18,068	114,285			88,349		
Distribution to a shareholder		(410,000)					
Net cash generated from financing							
activities	298,550	1,138,308	332,008	310,187	31,825		
Net (decrease)/increase in cash	(07.542)	200.005	270 406	(20,002)	74.607		
and cash equivalents	(27,543)	309,805	378,406	(30,893)	74,697		
Exchange differences on cash and	(9.220)	(22.767)	(10.052)	(12 122)	(457)		
cash equivalents Cash and cash equivalents at	(8,229)	(32,767)	(10,952)	(13,123)	(457)		
beginning of the year/period	157,655	121,883	398,921	398,921	766,375		
beginning of the year, period	137,033	121,003	370,721	370,721	700,575		
Cash and cash equivalents at end							
of the year/period	121,883	398,921	766,375	354,905	840,615		
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# ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

#### (b) The Laminate Business of Meadville Holdings Limited

The Laminate Business has historically been conducted by various subsidiaries directly or indirectly controlled by the Company. Therefore, the accompanying combined income statements, statements of financial position and statements of cash flows were prepared by combining the assets, liabilities, revenues, expenses and cash flows that were directly applicable to the Laminate Business and operations for the years/periods presented.

The combined income statements of the Laminate Business include all the historical actual costs of the Laminate Business and an allocation of certain general corporate expenses of the Company. These corporate expenses primarily relate to share award expenses in connection with shares that were granted by the controlling shareholder of the Company, Su Sih to senior executives of the Company who are involved in the PCB Business and Laminate Business. For those expenses for which a specific identification method was not practicable, the expenses were allocated based on estimates that management considered as a reasonable reflection of the utilisation of services provided to, or benefits received by the Laminate Business.

In relation to share award expenses, for shares that are granted to the employees of the Laminate Business, the related expenses of approximately HK\$5,777,000, HK\$1,036,000, HK\$777,000 (unaudited) and HK\$838,000 for the years ended 31 December 2007, 2008 and nine months ended 30 September 2008 and 2009, respectively, are recorded based on the actual expenses of those employees. For shares which are granted to corporate level management, share award expenses of HK\$22,628,000, HK\$24,000, HK\$17,000 (unaudited) and HK\$37,000 for the years ended 31 December 2007, 2008 and nine months ended 30 September 2008 and 2009, respectively, are allocated based on revenue of the Laminate Business to the Group.

While the expenses allocated to the Laminate Business are not necessarily indicative of the expenses that the Laminate Business would have incurred if the Laminate Business had been a separate, independent entity during the years/periods presented, management believes that the foregoing presents a reasonable basis of estimating what the Laminate Business expenses would have been on a historical basis.

The Company earned interest income on the deposits from the share subscriptions during the Listing in 2007. Interest income of nil, HK\$1,945,000, nil, nil (unaudited) and nil for the years ended 31 December 2006, 2007 and 2008 and nine months ended 30 September 2008 and 2009 respectively are reflected in the Laminate Business income statement based on specific identification of the use of the Listing proceeds.

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# ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

The combined income statements, combined statements of financial position and combined statements of cash flows of the Laminate Business for the years ended 31 December 2006, 2007, 2008 and nine months ended 30 September 2008 and 2009 are as follows:

(i) Combined income statements

	Year e	Year ended 31 December		Nine months ended 30 September	
	2006	2007	2008	2008	2009
	HK\$ 000	HK\$ 000	HK\$ 000	HK\$ 000 (unaudited)	HK\$ 000
Revenue	512,466	663,943	759,302	604,195	475,026
Cost of sales	(438,632)	(563,726)	(688,079)	(535,847)	(406,730)
Gross profit	73,834	100,217	71,223	68,348	68,296
Other income	13,161	17,183	15,470	13,232	8,061
Selling and distribution expenses	(7,568)	(40,392)	(53,026)	(40,140)	(32,011)
General and administrative expenses	(24,890)	(44,280)	(29,866)	(18,355)	(22,141)
Share award expenses		(28,405)	(1,060)	(794)	(875)
Operating profit Loss on share reform of an associated	54,537	4,323	2,741	22,291	21,330
company Share of net profit of associated	(52,237)				
companies	97,849	107,858	33,577	75,278	50,735
Interest income	361	5,398	315	221	55
Finance costs	(10,395)	(12,109)	(15,312)	(11,789)	(4,221)
Profit before income tax	90,115	105,470	21,321	86,001	67,899
Income tax expense	(7,141)	(7,924)	(3,252)	(5,000)	(9,314)
Profit for the year/period	82,974	97,546	18,069	81,001	58,585
Attributable to:					
Equity holders of the Laminate	00.050	0.5.450	40.774	04.202	
Business	80,858	95,479	19,574	81,393	57,907
Minority interests	2,116	2,067	(1,505)	(392)	678
	82,974	97,546	18,069	81,001	58,585

# ACCOUNTANT S REPORT ON THE MEADVILLE GROUP

### (ii) Combined statements of financial position

				At 30
	2006	At 31 December 2007	2008	September 2009
	HK\$ 000	HK\$ 000	HK\$ 000	HK\$ 000
Assets				
Non-current assets	125 120	200.056	220 600	226.127
Property, plant and equipment	137,128	299,956	339,699	326,125
Leasehold land and land use rights	31,504 441,409	31,378 579,543	31,174	30,614
Interests in associated companies Deferred tax assets	441,409	379,343	620,573 165	635,563 498
	610,041	910,877	991,611	992,800
Current assets				
Inventories	106,894	99,580	117,851	88,200
Debtors and prepayments	126,388	115,859	79,500	87,833
Amounts due from fellow subsidiaries	66,454	99,838	88,481	97,952
Amounts due from associated companies	9,892	27,705		
Taxation recoverable	1,091	2,590	2,542	1,785
Cash and bank balances	46,186	15,031	91,357	73,279
	356,905	360,603	379,731	349,049
Total assets	966,946	1,271,480	1,371,342	1,341,849
Equity				
Capital and reserves	300,793	689,713	556,024	1,095,879
Minority interests in equity	6,441	23,565	19,756	26,296
Total equity	307,234	713,278	575,780	1,122,175
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	<b>2006</b> HK\$ 000	At 31 December 2007 HK\$ 000	<b>2008</b> HK\$ 000	At 30 September 2009 HK\$ 000
Liabilities				
Non-current liabilities Borrowings	81,460	58,920	13,880	10,100
Deferred tax liabilities	14,374	16,300	16,323	17,951
Loan from a fellow subsidiary	,	•	41,074	10,076
	95,834	75,220	71,277	38,127
Current liabilities				
Creditors and accruals	87,770	156,500	78,298	114,303
Amount due to a subsidiary of a minority shareholder	63,358	29,367	16,828	25,848
Amount due to immediate holding company	,		200,000	
Amounts due to fellow subsidiaries Amounts due to related parties	291,739	244,296	390,242	13,889
Amounts due to associated companies	271,737		64	10
Borrowings	121,011	52,819	35,512	26,117
Taxation payable			3,341	1,380
	563,878	482,982	724,285	181,547
Total liabilities	659,712	558,202	795,562	219,674
Total equity and liabilities	966,946	1,271,480	1,371,342	1,341,849
Net current (liabilities)/assets	(206,973)	(122,379)	(344,554)	167,502
Total assets less current liabilities	403,068	788,498	647,057	1,160,302
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### (iii) Combined statements of cash flows

	Year ended 31 December			Nine months ended 30 September	
	2006 2007 2008		2008	2009	
	HK\$ 000	HK\$ 000	HK\$ 000	HK\$ 000	HK\$ 000
	$IIK\phi$ 000	ΠΚΦ 000	$IIK\phi$ 000	(unaudited)	ΠΚΦ 000
				(unananea)	
Cash flows from operating activities					
Profit before income tax	90,115	105,470	21,321	86,001	67,899
Adjustments for:					
Share of net profit of associated					
companies	(97,849)	(107,858)	(33,577)	(75,278)	(50,735)
Loss on share reform of an associated					
company	52,237				
Finance costs	10,395	12,109	15,312	11,789	4,221
Interest income	(361)	(5,398)	(315)	(221)	(55)
Amortisation of leasehold land and					
land use rights	596	737	753	564	567
Depreciation of property, plant and					
equipment	8,507	13,097	20,252	13,049	23,671
Gain on partial disposal of a subsidiary		(41)			
Loss on disposal of property, plant and					
equipment	76	36	2,890	2,890	487
Net exchange differences	2,734	3,228	(3,435)	(4,246)	(74)
Share award expenses		28,405	1,060	794	875
Operating profit before working capital					
changes	66,450	49,785	24,261	35,342	46,856
Changes in:	,	•	,	•	•
Inventories	(57,539)	7,314	(18,271)	(95,791)	29,651
Debtors and prepayments	(36,860)	10,529	36,359	7,508	(8,333)
Creditors and accruals	1,193	68,730	(78,202)	(55,828)	36,005
Amounts due to associated companies	(21,655)	(17,813)	27,769	9,404	(54)
Amounts due from/(to) fellow		, , ,	,	•	,
subsidiaries	69,667	210,912	157,303	153,013	94,761
Amount due from/(to) immediate	,	,	,	,	,
holding company			200,000	200,000	(200,000)
Amounts due from/(to) related parties	3,720	(1,739)	,	•	, , ,
Amount due to a subsidiary of a	,	, , ,			
minority shareholder	39,564	(33,991)	(12,539)	32,100	9,020
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	Year ended 31 December			Nine months ended 30 September	
	2006	2007	2008	2008	2009
	HK\$ 000	HK\$ 000	HK\$ 000	HK\$ 000 (unaudited)	HK\$ 000
Cash generated from operating activities	64,540	293,727	336,680	285,748	7,906
Interest received	361	5,398	315	221	55
Interest paid	(10,395)	(12,109)	(15,312)	(11,789)	(4,221)
Hong Kong profits tax paid	(273)	(7,448)	(51)	, , ,	(5,611)
Overseas tax (paid)/refund	( 1 - )	(48)	50		(3,610)
Net cash generated from/(used in)					
operating activities	54,233	279,520	321,682	274,180	(5,481)
Cash flows from investing activities Purchase of property, plant and equipment	(11,162)	(169,009)	(52,178)	(42,015)	(11,259)
Purchase of leasehold land and land use					
rights	(8,332)				
Proceeds from sales of property, plant					
and equipment	875	60		16	825
Partial disposal of a subsidiary		14,719			
Investment in an associated company Dividends received from associated	(33,305)	(20,750)			
companies Capital contribution to previous	41,112	26,511	27,749	27,749	36,114
shareholders		(290,000)			
Not such (wood in)/gave-roted from					
Net cash (used in)/generated from	(10.912)	(429, 460)	(24.420)	(14.250)	25 690
investing activities	(10,812)	(438,469)	(24,429)	(14,250)	25,680
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	Year ended 31 December			Nine months ended 30 September	
	2006 2007 2008			2008 2009	
	HK\$ 000	HK\$ 000	HK\$ 000	HK\$ 000 (unaudited)	HK\$ 000
Cash flows from financing activities					
New borrowings	224,105	65,373	150,893	123,112	43,352
Repayment of borrowings Loan from parent company	(195,038) (16,000)	(155,252)	(213,240)	(159,818)	(56,527)
Loan from a fellow subsidiary			41,074	41,227	(30,998)
Proceeds from issuance of shares		219,000			
Dividend paid to shareholders			(200,000)	(200,000)	
Dividend paid to minority shareholders Capital contribution by minority	(946)		(3,127)	(3,127)	
shareholders					5,850
Net cash generated from/(used in) financing activities	12,121	129,121	(224,400)	(198,606)	(38,323)
Net increase/(decrease) in cash and cash equivalents	55,542	(29,828)	72,853	61,324	(18,124)
Exchange differences on cash and cash equivalents	(8,932)	(474)	3,473	3,967	46
Cash and cash equivalents at beginning of the year /period	(1,277)	45,333	15,031	15,031	91,357
Cash and cash equivalents at end of the year/period	45,333	15,031	91,357	80,322	73,279
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### III Subsequent financial statements

No audited financial statements have been prepared by the Company or its subsidiaries in respect of any period subsequent to 30 September 2009 up to the date of this report. Save as disclosed in Events after the end of reporting period in Note 40 of Section II of this report, no dividend or distribution has been declared or made by the Company or any of its subsidiaries in respect of any period subsequent to 30 September 2009.

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#### **Important Information Relating to the Proposed Transaction**

This document does not constitute an offer to sell or the solicitation of an offer to buy any securities of Meadville Holdings Limited (Meadville) or TTM Technologies, Inc. (TTM) or a solicitation of any vote or approval. In connection with the proposed transactions described in this document, TTM will file relevant materials with the U.S. Securities and Exchange Commission (the SEC) at <a href="https://www.sec.gov">www.sec.gov</a>, and Meadville will publish certain relevant materials on the websites of the Securities and Futures Commission at <a href="https://www.sfc.hk">www.sfc.hk</a> and The Stock Exchange of Hong Kong at <a href="https://www.sec.gov">www.sfc.hk</a> and The Stock Exchange of Hong Kong at <a href="https://www.sec.gov">www.sfc.hk</a> and The Stock Exchange of Hong Kong at <a href="https://www.sec.gov">www.sfc.hk</a> and The Stock Exchange of Hong Kong at <a href="https://www.sec.gov">www.sfc.hk</a> and The Stock Exchange of Hong Kong at <a href="https://www.sec.gov">www.sec.gov</a>, or by directing any voting or investment decision, TTM and a U.S. prospectus for Meadville and the shareholders of Meadville. Before making any voting or investment decision, TTM and Meadville shareholders and investors are urged to read the circular and proxy statement/U.S. prospectus regarding such transactions when they become available because they will contain important information. The proxy statement/U.S. prospectus and other documents that are and will be filed by TTM with the SEC are available free of charge at the SEC s website, www.sec.gov, or by directing a request when such a filing is made to TTM, 2630 S. Harbor Blvd., Santa Ana, CA 92704, Attention: Investor Relations.

### **Participants in Solicitation**

TTM, its directors and certain of its executive officers may be considered participants in the solicitation of proxies in connection with the transactions described in this document. Information about the directors and executive officers of TTM is set out in TTM s definitive proxy statement, which was filed with the SEC on March 26, 2009. Investors may obtain additional information regarding the interests of such participants by reading the proxy statement/U.S. prospectus which TTM will file with the SEC when it becomes available.