



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

INTERIM REPORT 2008



CONTENTS

Corporate Information	2
Chairman's Statement	3
Management Discussion and Analysis	8
Report on Review of Interim Financial Information	13
Condensed Consolidated Interim Profit and Loss Account	14
Condensed Consolidated Interim Balance Sheet	15
Condensed Consolidated Interim Cash Flow Statement	17
Condensed Consolidated Interim Statement of Changes in Equity	18
Notes to the Condensed Consolidated Interim Financial Information	20
Corporate Governance and Other Information	39

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Tang Hsiang Chien
(Honourary Founding Chairman)
Mr. Tang Chung Yen, Tom
(Executive Chairman and
Group Managing Director)
Ms. Tang Ying Ming, Mai (Vice Chairman)
Mr. Chung Tai Keung, Canice
(Chief Executive Officer)

Independent Non-executive Directors

Mr. Lee, Eugene
Mr. Leung Kwan Yuen, Andrew
Dr. Li Ka Cheung, Eric

AUDIT COMMITTEE

Mr. Lee, Eugene (Chairman)
Mr. Leung Kwan Yuen, Andrew
Dr. Li Ka Cheung, Eric

REMUNERATION COMMITTEE

Dr. Li Ka Cheung, Eric (Chairman)
Mr. Lee, Eugene
Mr. Leung Kwan Yuen, Andrew
Ms. Tang Ying Ming, Mai
Mr. Chung Tai Keung, Canice

NOMINATION COMMITTEE

Mr. Leung Kwan Yuen, Andrew
(Chairman)
Mr. Lee, Eugene
Dr. Li Ka Cheung, Eric
Ms. Tang Ying Ming, Mai
Mr. Chung Tai Keung, Canice

EXECUTIVE COMMITTEE

Mr. Tang Chung Yen, Tom (Chairman)
Mr. Tang Hsiang Chien
Ms. Tang Ying Ming, Mai
Mr. Chung Tai Keung, Canice

AUTHORISED REPRESENTATIVES

Ms. Tang Ying Ming, Mai
Mr. Chung Tai Keung, Canice
Ms. Ng Sai Yee

COMPANY SECRETARY

Ms. Ng Sai Yee

LEGAL ADVISER

Woo Kwan Lee & Lo

COMPLIANCE ADVISER

The Hongkong and Shanghai Banking
Corporation Limited

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
Bank of China Limited

REGISTERED OFFICE

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Grand Cayman, Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Grand Cayman, Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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WEBSITE

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STOCK CODE

3313

FINANCIAL CALENDAR

Book closure dates : from 16 September 2008
to 18 September 2008
Interim dividend
payment date : 26 September 2008

CHAIRMAN'S STATEMENT

The first half year of 2008 was a period of record results for the Group despite the fact that the general business environment was significantly tougher than that in the corresponding period of 2007.

During the first half of this year, the subprime mortgage crisis in the U.S. led to an economic slowdown in the U.S., Europe and Asia. Moreover, rising oil prices and the higher cost of commodities across the board fuelled inflation and thereby adversely impacted manufacturers worldwide.

Nevertheless, Meadville was able to continuously grow year-on-year during the first six months of 2008. High technology focus, robust market positioning in China and exceptionally strong customer relationships, as well as continued efforts in upgrading plant production capabilities and expanding capacities, enabled the Group to sustain business growth during the period and successfully meet increasing domestic and international outsourcing demands for high value-added PCBs.

Business Review

During the first six months of 2008, the demand for consumer products was impacted by the global economic slowdown brought on by the subprime mortgage crisis in the U.S.. Despite the unstable demand for high-end handsets, the sales of lower cost handsets to emerging markets continued to grow, thus benefiting China handset manufacturers. Meanwhile, the outsourcing into China of high-end PCB products with applications in telecommunication infrastructure, systems servers and other high technology end-products became even more active as original equipment manufacturers ("**OEMs**") in different high technology industries strove for further cost savings during the global economic slowdown.

Focusing on high technology products, the Group's revenue for the first six months of 2008 amounted to HK\$2,705 million, representing a year-on-year increase of 36.0%.

The Group's PCB sales during the period under review grew by 36.8% to HK\$2,481 million versus HK\$1,814 million in the first half year of 2007. In line with this sales growth, the Group's total prepreg and laminate sales to both external and internal customers amounted to HK\$423 million, a rise of 32.6% over the corresponding period of 2007.

Despite the continued price erosion of commodity type and lower technology PCBs, the Group's blended average selling price for PCBs rose to US\$26.6 per square foot in the first half year of 2008 as compared to US\$24.4 per square foot in the same period of 2007. The average layer count for the Group's PCBs increased to 7.6 layers during the period under review as compared to 7.4 layers in the first six months of 2007.

CHAIRMAN'S STATEMENT (Continued)

Business Review (Continued)

Sales of conventional PCBs, high density interconnect (“**HDI**”) PCBs, integrated circuit (“**IC**”) substrates and value-added services accounted for 64.6%, 28.1%, 3.7% and 3.6% of PCB revenue in the first half year of 2008 versus 68.4%, 25.7%, 3.6% and 2.3% over the corresponding period of 2007. Additionally, sales of the highest average selling price PCBs, such as QTA PCBs, HDI PCBs and IC substrates, grew the most for the first six months of 2008.

With regard to production capacity expansion during the period under review, Meadville successfully completed the construction of a new production plant in Guangzhou (“**MAGL**”) for prepreg and laminate manufacturing. Phase I of MAGL commenced pilot production in March 2008 and is expected to be fully operational by the fourth quarter of 2008. The Group's high technology and high performance prepreg and laminate production capacity will be increased by 14.6 million and 3.5 million square feet per month respectively when Phase I becomes fully operational.

Construction of another new production plant in Guangzhou (“**GME**”) for HDI PCB manufacturing was also completed. This new operation will allow the Group to increase its 2+ copper filled via HDI PCB capacity by about 200,000 square feet per month. Phase I of GME commenced pilot production in April 2008 and is expected to be fully operational by the fourth quarter of 2008.

As of 30 June 2008, the Group's annualised production capacity was at 17.6 million square feet for conventional PCBs (including QTA PCBs), 7.9 million square feet for HDI PCBs, 1.0 million square feet for IC substrates, 75.0 million square feet for laminate products and 347.0 million square feet for prepreg products. These represented respective year-on-year growths of 18.7%, 49.0%, 17.6%, 89.7% and 115.1%.

Despite tougher business environment, the Group is able to maintain its expanded PCB capacities at a utilisation of about 97% in average during the first six months of the period under review.

The Group's gross profit for the first six months of 2008 grew by 18.6% to HK\$532 million as compared to HK\$449 million in the first half year of 2007. Regardless of the efforts in developing high valued-added business, the Group's gross profit margin declined during the period under review. This was mainly due to the initial start-up operating losses of MAGL's and GME's operations, which totalled HK\$62 million (for the six months ended 30 June 2007: HK\$7 million) as a result of their relatively low output in the operation start-up stage. Of these initial start-up operating losses, net HK\$36 million (for the six months ended 30 June 2007: Nil) was related to the cost of sales, which affected the gross profit margin, and the balance was related to other expenses, which affected the operating profit margin. Other factors attributable to the gross profit margin decline included the surge in raw material costs, Renminbi appreciation, as well as higher energy and labour costs as a result of high general inflation.

CHAIRMAN'S STATEMENT (Continued)

Business Review (Continued)

As disclosed in Meadville's prospectus dated 22 January 2007, a total of 134.8 million shares were awarded to the Group's employees and a consultant by the controlling shareholder at the time of the initial public offering on 2 February 2007 as a token of appreciation for their contribution and past services. The share award charges for the first half year of 2008 were HK\$8.6 million versus HK\$245.9 million for the first six months of 2007. Remaining share award expenses to be charged are about HK\$8.6 million, HK\$17.2 million, HK\$9.9 million and HK\$4.4 million for the second half year of 2008 and financial years 2009, 2010 and 2011 respectively.

As explained in the Group's previous interim and annual reports, these share award expenses had no impact on the Group's net asset value as the corresponding entries were credited to the Group's employee share-based compensation reserve account.

The Group's operating profit and profit for the period under review were HK\$397 million and HK\$327 million versus HK\$71 million and HK\$49 million respectively in the first half year of 2007, representing respective increments of 455.5% and 568.4%. Operating profit margin and profit margin for the period were 14.7% and 12.1% respectively versus 3.6% and 2.5% in the corresponding period of 2007.

However, by excluding the effects of non-cash share award expenses (for the six months ended 30 June 2008: HK\$8.6 million and for the six months ended 30 June 2007: HK\$245.9 million) and the initial start-up operating losses of the MAGL and GME plants (for the six months ended 30 June 2008: HK\$62 million and for the six months ended 30 June 2007: HK\$7 million), the Group's operating profit and profit for the period under review would have been HK\$467 million and HK\$398 million (HK\$325 million and HK\$302 million respectively in the first half year of 2007) while the relevant operating profit margin would have further expanded to 17.6% (16.3% for the first half year in 2007) and profit margin would have been stagnated at 15.0% (15.2% for the first half year in 2007).

As of 30 June 2008, Meadville's net asset value increased to HK\$3,201 million (at 31 December 2007: HK\$2,823 million), which was mainly attributable to the profit generated for the six months ended 30 June 2008.

Future Prospects

It remains uncertain whether the global economy has faced the worst with regard to the subprime mortgage crisis in the U.S. and additional risks that have surfaced in the form of high oil and commodity prices, as well as a generally high level of inflation globally. Global economists are predicting that the business environment in the second half year of 2008 will remain difficult.

CHAIRMAN'S STATEMENT (Continued)

Future Prospects (Continued)

Domestically, though China was also impacted by the subprime mortgage crisis, it is predicted that capital expenditures in relation to the reconstruction of Sichuan and the restructuring of the telecommunication industry will be substantial enough to continue the robust growth of the Chinese economy after the Olympic Games in Beijing. With regard to the latter, the network coverage for TD-SCDMA mobile handsets is currently being implemented nationwide and will likely generate demand for base-station and infrastructure type high-technology and high-layered PCBs. This, in turn, will lead to the demand for 2+ HDI PCBs, in line with TD-SCDMA mobile handset requirements.

Despite continued uncertainty as to how quickly the global economy will recover from the subprime mortgage crisis, it is expected that the outsourcing trend of high-layered and higher valued-added PCBs into China will continue to be aggressive as OEMs aim to tighten cost control during the economic slowdown.

PCB production bookings are expected to follow seasonal trends for the second half year of 2008. As the book-to-bill ratio has bounced back since July 2008, the Group's July production capacity is able to be fully utilised. In this endeavour, the GME plant was expected to reach about 130,000 square feet of production output in July 2008 and is expected to be in operational break-even condition in the fourth quarter of 2008.

Customers' demand for rigid-flex PCBs is rising. Therefore, the Group has recruited a team of flexible PCBs expertise for developing rigid-flex PCB market. With eight months of hard work, we saw results in receiving the first sizable mass volume rigid-flex PCB order in August 2008. Furthermore, commencement of flexible PCB manufacturing in Guangzhou in the fourth quarter of 2008 is expected to be on schedule.

With regard to production capacity expansion, the Group has acquired a new site in Dongguan that spans approximately 1.9 million square feet of land and will be used to expand the conventional PCB business from 2009 onwards. Construction of the plant premises began in the fourth quarter of 2007 and is progressing according to plan. The building will be furnished with the necessary equipment in phases, with Phase I operations expected to start around in the first quarter of 2009.

Through the acquisition of Aspocomp group's operations in India and China in November 2007, the Group acquired a long lease of a new site in India that spans approximately 650,000 square feet of land as well as a plant in Suzhou.

While there is still no solid plan as to when construction of the India plant will commence, the Group has adopted a prudent approach to revise down the future 5 years projection of the acquired India and Suzhou operations. This has allowed the Group to reduce its financial liabilities in relation to the fair value of the put option of this acquisition by about HK\$112 million as at 30 June 2008 and for the same reason, the Group's goodwill of this acquisition has also been reduced by the same amount. There was no impact on the Group's income statement for the six months ended 30 June 2008 nor its net asset value as at 30 June 2008.

CHAIRMAN'S STATEMENT (Continued)

Future Prospects (Continued)

The Suzhou plant has had a monthly HDI PCB production capacity of about 150,000 square feet since its procurement. The Group plans to expand this production capacity with the used equipment acquired from Aspocomp's Salo plant in Finland. Installation of the used equipment began recently and the HDI PCB production capacity of the Suzhou plant is expected to ramp up to about 350,000 square feet per month by early 2009.

The Group also has plans underway to expand the IC substrate production capacity of the Shanghai plant from 100,000 to 200,000 square feet per month by the third quarter of 2009. The construction of the plant began in July 2008 and is expected to be completed by the second quarter of 2009.

On the research and development ("R&D") front, the Group has smoothly completed the consolidation of R&D operations by merging the Finland, China, Japan and U.S. R&D talents. This larger R&D organisation is working cohesively on various advanced projects pertaining to HDI PCBs, rigid-flex PCBs, IC substrates and high performance prepreg and laminate products, as well as continually improving the Group's PCB manufacturing processes.

As a policy, the Group will continue to closely monitor the effect of the subprime mortgage crisis on both the American and global economies. Should there be any adverse economic impact in the second half year of 2008 or 2009 that might dampen high technology PCB demand and industry growth, the Group will regulate its capacity expansion plans to cope with business availability.

As long as American and European economies do not enter a period of recession, and barring unforeseen circumstances, the Group is confident of maintaining growth in the second half year of 2008 despite being in the midst of a much more challenging business environment.

On behalf of the Board, I would like to take this opportunity to express my thanks to the shareholders and business associates for their continuing support, and appreciation to all employees who have made contributions to our results. I look forward to another successful second half year ahead.

Tang Chung Yen, Tom

Executive Chairman and Group Managing Director

Hong Kong, 14 August 2008

MANAGEMENT DISCUSSION AND ANALYSIS

Capital Structure, Liquidity and Financial Resources

For the six months ended 30 June 2008, the Group financed its liquidity requirements by a combination of bank borrowings and cash generated from operations.

At 30 June 2008, the Group's current assets increased by 12.3% to approximately HK\$2,873 million (at 31 December 2007: HK\$2,558 million) whereas the Group's current liabilities decreased by 7.3% to approximately HK\$2,406 million (at 31 December 2007: HK\$2,595 million). In addition, at 30 June 2008, current ratio improved to 1.19 (at 31 December 2007: 0.99). This improvement was mainly due to the conversion of certain short-term borrowings which were drawdown in December 2007 to finance the acquisition of Aspocomp project, into long-term borrowings during the period under review.

At 30 June 2008, the Group's total bank borrowings increased by 18.1% to approximately HK\$3,188 million (at 31 December 2007: HK\$2,699 million), whereas total cash and bank balances increased by 65.5% to approximately HK\$692 million (at 31 December 2007: HK\$418 million). The increase of bank borrowings was mainly used to finance the purchases of property, plant and equipment for the ongoing expansion and upgrading of the production facilities of the Group. At 30 June 2008, total equity increased to approximately HK\$3,201 million (at 31 December 2007: HK\$2,823 million) and the gearing ratio (expressed as total net borrowings over total equity) decreased to 0.78 (at 31 December 2007: 0.81).

At 30 June 2008, the Group had banking facilities, comprising primarily bank loans and overdrafts, amounted to approximately HK\$6,089 million of which approximately HK\$2,168 million was not yet utilised.

On 29 July 2008, the Group entered into the facility agreement with a syndicate of banks. Pursuant to the facility agreement, the Group was granted a term loan facility and revolving loan facility (the "**Facilities**") with an aggregate of US\$170 million for a period of four years. The Facilities are for the purposes of financing the Group's future capacity expansion and general corporate funding requirements, including replacement of certain existing shorter-term facilities. With the Facilities, the Group's liquidity position will be enhanced as less than 27% of the facilities will be due by 2011 while the balance will be due in 2012. The Group's long well-established banking relationships, solid credit history, sound financial position and good future prospect have enabled the Group to obtain a favourable interest rate of LIBOR plus 90 basis points per annum for the Facilities.

Despite the successful solicitation of this stand-by facility, the Group, as a policy, will continue to closely monitor the American and global economy. Should there be any adverse economic impact in the second half year of 2008 or in 2009 that might dampen PCB demand and industry growth, the Group will regulate its capacity expansion plans to cope with business availability.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Capital Structure, Liquidity and Financial Resources (Continued)

While there is still no solid plan as to when construction of the India plant will commence, the Group has adopted a prudent approach to revise down the future 5 years projection of the acquired India and Suzhou operations. This has allowed the Group to reduce its financial liabilities in relation to the fair value of the put option of this acquisition by about HK\$112 million as at 30 June 2008, and for the same reason, the Group's goodwill of this acquisition has also been reduced by the same amount. There was no impact on the Group's income statement for the six months ended 30 June 2008 nor its net asset value as at 30 June 2008.

In light of the Group's current level of cash and bank balances, internally generated funds from operations and the available unutilised banking facilities, the Board is confident that the Group has sufficient resources to meet its foreseeable capital expenditures and debt repayment requirements.

The Group's assets were free from charge at 30 June 2008.

Capital Commitment and Contingent Liabilities

At 30 June 2008, the Group had outstanding capital commitment in respect of purchases of property, plant and equipment of approximately HK\$848 million (at 31 December 2007: HK\$782 million). In addition, the Group had commitment in respect of injection of additional capital into certain subsidiaries established in the PRC totalling approximately HK\$500 million (at 31 December 2007: HK\$809 million). Such injection of capital will be used to pay for the purchases of property, plant and equipment as stated above. These capital commitments will be financed by internal resources and bank borrowings.

The Group had no material contingent liabilities at 30 June 2008.

Staff and Remuneration Policy

At 30 June 2008, the Group had a total of 12,557 employees (at 31 December 2007: 11,653). The increase in the number of headcounts was mainly due to the ongoing capacity expansion of our manufacturing plants in Dongguan, Shanghai, Suzhou and Guangzhou. Staff costs, excluding the share award expenses, increased by 41.3% to HK\$382 million for the six months ended 30 June 2008 (for the six months ended 30 June 2007: HK\$270 million).

The Group remunerates its employees based on their performance, work experience and the prevailing market compensation packages. Salaries of employees are maintained at competitive level while bonuses are granted by reference to the performance of the Group, individual plant operation and individual employees.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Staff and Remuneration Policy (Continued)

The Group had approved and adopted a share option scheme on 12 January 2007 for the purposes of providing a longer term incentives and rewards to eligible participants who have contributed to the success of our operations. In view that a total of 134.8 million shares in the capital of the Company have been granted to the employees by a substantial shareholder during the initial public offering in 2007, the Group considers there is no need to grant any share options to employees under this option scheme in the foreseeable future.

Foreign Exchange Fluctuation Exposures and Hedges

The Group operates principally in Hong Kong and Mainland China, and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the U.S. dollar and Renminbi. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The Group attempts to minimise its foreign exchange risk exposure through matching its operating costs and borrowings against its receivables on sales. Nevertheless, the Group is still exposed to the relevant foreign exchange risk in respect of the Renminbi and U.S. dollar exchange rate fluctuation such that the Group's profit margin might be impacted accordingly. In addition, the conversion of Renminbi into foreign currencies is subject to the rules and regulations of the foreign exchange controls promulgated by the China government.

Material Acquisition and Disposal of Subsidiary and Associated Company

The Group had no material acquisition or disposal of subsidiaries and associated companies during the six months ended 30 June 2008.

Segmental Information

Details of segmental information are set out in note 4 to the condensed consolidated interim financial information.

Review of Operating Results – Six Months Ended 30 June 2008 (“1H 2008”) compared to six months ended 30 June 2007 (“1H 2007”)

Revenue and gross profit

The Group's revenue increased by 36.0% to HK\$2,705 million in 1H 2008 (1H 2007: HK\$1,989 million) with details as highlighted in the Chairman's Statement. In line with the revenue growth, gross profit also grew by 18.6% to HK\$532 million (1H 2007: HK\$449 million). However, the Group's gross profit margin declined to 19.7% in 1H 2008 (1H 2007: 22.6%) was mainly due to the initial start-up operating losses of HK\$62 million (1H 2007: HK\$7 million) of the two new plants in Guangzhou as a result of their relatively low output. Out of these initial start-up operating losses, net HK\$36 million (1H 2007: Nil) was related to cost of sales. Other factors attributable to the gross profit margin decline included the surge in raw material costs, Renminbi appreciation, as well as higher energy and labour costs as a result of high general inflation.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Review of Operating Results – Six Months Ended 30 June 2008 (“1H 2008”) compared to six months ended 30 June 2007 (“1H 2007”) (Continued)

Other income

Other income increased by 32.7% to HK\$87 million in 1H 2008 (1H 2007: HK\$65 million). This increase was primarily attributable to higher scrap sales of HK\$85 million in 1H 2008 (1H 2007: HK\$56 million) as attributed to higher PCB production volume and increased copper and gold scrap resale values.

Operating profit

Operating profit grew by 455.5% to HK\$397 million (1H 2007: HK\$71 million). Share award expenses for 1H 2008 were HK\$9 million only, which were significantly less than HK\$246 million of 1H 2007, as majority of free award shares were granted and vested to employees upon successful Listing of the Company on 2 February 2007. As highlighted in the Chairman’s Statement, the expenses had no impact on the Group’s cash flow and net asset value, as the corresponding amount was credited to the Group’s employee share-based compensation reserve account. However, the operating performance was negatively impacted by the higher selling and distribution, general and administrative expenses incurred for the two new plants in Guangzhou amounted to approximately HK\$28 million (1H 2007: HK\$7 million).

By excluding the effect of non-cash share award expenses, the Group’s operating profit would have increased by 27.8% to HK\$405 million in 1H 2008 (1H 2007: HK\$317 million) while the operating profit margin would have been decreased to 15.0% in 1H 2008 (1H 2007: 16.0%). In addition, by excluding both effects of non-cash share award expenses and the initial start-up operating losses of the two new plants, the Group’s operating profit would have increased by 43.8% to HK\$467 million in 1H 2008 (1H 2007: HK\$325 million) while the operating profit margin would have been increased to 17.6% in 1H 2008 (1H 2007: 16.3%).

Despite the higher selling and distribution, general and administrative expenses incurred by the two new plants at the initial start-up stage, the Group’s selling and distribution expenses as percentage of the Group’s revenue sustained at 5.1% in 1H 2008 (1H 2007: 5.4%), general and administrative expenses as percentage of the Group’s revenue decreased to 2.8% (1H 2007: 4.5%) primarily due to exchange gain as a result of the appreciation of Renminbi in 1H 2008.

Profit for the period

Finance income decreased to HK\$3 million in 1H 2008 (1H 2007: HK\$23 million). The finance income in 1H 2007 was mainly attributable to higher interest income earned on the over-subscription fund during the listing period and higher cash balances after taking in the net listing proceeds in February 2007. Finance costs increased by 24.2% to HK\$67 million in 1H 2008 (1H 2007: HK\$54 million) was primarily due to higher level of bank borrowings as explained above.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Review of Operating Results – Six Months Ended 30 June 2008 (“1H 2008”) compared to six months ended 30 June 2007 (“1H 2007”) (Continued)

Profit for the period (Continued)

Share of net profit of associated companies increased by 8.4% to HK\$50 million in 1H 2008 (1H 2007: HK\$47 million) was primarily due to increase in net profit of Guangdong Shengyi Sci. Tech Co., Ltd..

Income tax expense as percentage of the Group’s taxable profit (profit before income tax less share of profit of associated companies plus non-cash share award expenses) increased to 16.2% in 1H 2008 (1H 2007: 13.2%) was mainly due to the overall increase in corporate income tax rates pursuant to the new Corporate Income Tax Law in Mainland China which became effective from 1 January 2008.

Profit after tax increased to HK\$327 million in 1H 2008 (1H 2007: HK\$49 million). By excluding the effect of non-cash share award expenses, the Group’s profit for the period would have increased by 14.0% to HK\$336 million (1H 2007: HK\$295 million) while the profit margin would have declined to 12.4% in 1H 2008 (1H 2007: 14.8%). In addition, by excluding both effects of non-cash share award expenses and the initial start-up operating losses of the two new plants in Guangzhou, the Group’s profit for the period would have increased by 31.8% to HK\$398 million (1H 2007: HK\$302 million) while the profit margin would have stagnated at 15.0% in 1H 2008 (1H 2007: 15.2%).



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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF MEADVILLE HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 14 to 38, which comprises the condensed consolidated balance sheet of Meadville Holdings Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) as at 30 June 2008 and the related condensed consolidated profit and loss account, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 14 August 2008

UNAUDITED INTERIM RESULTS

The board of directors (the “**Board**”) of Meadville Holdings Limited (“**Meadville**” or the “**Company**”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2008 together with the comparative figures for the previous period as follows:–

CONDENSED CONSOLIDATED INTERIM PROFIT AND LOSS ACCOUNT

FOR THE SIX MONTHS ENDED 30 JUNE 2008

		Unaudited Six months ended 30 June	
	Note	2008 HK\$'000	2007 HK\$'000
Revenue	4	2,705,205	1,989,205
Cost of sales	6	<u>(2,172,790)</u>	<u>(1,540,160)</u>
Gross profit		532,415	449,045
Other income	5	86,582	65,227
Selling and distribution expenses	6	(138,484)	(107,112)
General and administrative expenses	6	(75,152)	(89,856)
Share award expenses	6, 7	<u>(8,622)</u>	<u>(245,880)</u>
Operating profit		396,739	71,424
Interest income		2,701	22,753
Finance costs		(67,233)	(54,133)
Share of net profit of associated companies		<u>50,453</u>	<u>46,560</u>
Profit before income tax		382,660	86,604
Income tax expense	8	<u>(55,226)</u>	<u>(37,618)</u>
Profit for the period	4	<u>327,434</u>	<u>48,986</u>
Attributable to:			
Equity holders of the Company		278,660	1,644
Minority interests		<u>48,774</u>	<u>47,342</u>
		<u>327,434</u>	<u>48,986</u>
Earnings per share for profit attributable to equity holders of the Company during the period (expressed in HK\$ per share)			
– basic	9	<u>0.1393</u>	<u>0.0009</u>
– diluted	9	<u>0.1393</u>	<u>0.0009</u>
Interim dividend (expressed in HK\$ per share)	10	<u>0.028</u>	<u>0.020</u>

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

AT 30 JUNE 2008

		Unaudited	Audited
		30 June	31 December
		2008	2007
	Note	HK\$'000	HK\$'000
Assets			
Non-current assets			
Property, plant and equipment	11	4,714,725	4,121,368
Leasehold land and land use rights	11	181,820	174,420
Intangible assets	11	27,322	27,670
Goodwill		19,885	122,229
Investments in associated companies		640,506	579,543
Available-for-sale financial assets		21,089	21,089
Deferred tax assets		29,841	13,124
		5,635,188	5,059,443
Current assets			
Stocks and work in progress		714,856	498,000
Debtors and prepayments	12	1,458,209	1,597,034
Amount due from a related party	18(d)	–	39,055
Taxation recoverable		7,605	6,090
Cash and bank balances		691,999	418,192
		2,872,669	2,558,371
Total assets		8,507,857	7,617,814
Equity			
Capital and reserves attributable to the equity holders of the Company			
Share capital	13	1,822,612	1,822,612
Reserves	14	981,896	640,901
		2,804,508	2,463,513
Minority interests		396,274	359,293
Total equity		3,200,782	2,822,806

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (Continued)

AT 30 JUNE 2008

	Note	Unaudited 30 June 2008 HK\$'000	Audited 31 December 2007 HK\$'000
Liabilities			
Non-current liabilities			
Borrowings	15	2,519,108	1,738,067
Deferred tax liabilities		87,327	81,483
Financial liabilities		163,360	264,394
Long-term other payables		131,534	115,658
		<u>2,901,329</u>	<u>2,199,602</u>
Current liabilities			
Creditors and accruals	16	1,397,943	1,428,268
Amount due to a subsidiary of a minority shareholder of a subsidiary	18(d)	75,728	29,367
Amounts due to associated companies	18(d)	108,732	150,669
Amount due to a minority shareholder	18(d)	36,616	343
Borrowings	15	669,354	961,107
Dividend payable		80,000	–
Taxation payable		37,373	25,652
		<u>2,405,746</u>	<u>2,595,406</u>
Total liabilities		<u>5,307,075</u>	<u>4,795,008</u>
Total equity and liabilities		<u>8,507,857</u>	<u>7,617,814</u>
Net current assets/(liabilities)		<u>466,923</u>	<u>(37,035)</u>
Total assets less current liabilities		<u>6,102,111</u>	<u>5,022,408</u>

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2008

		Unaudited	
		Six months ended 30 June	
		2008	2007
	Note	HK\$'000	HK\$'000
Net cash inflows from operating activities		370,860	449,024
Net cash outflows from investing activities		(528,479)	(1,011,810)
Net cash inflows from financing activities		445,845	1,260,389
Exchange differences on cash and cash equivalents		(22,613)	(25,209)
		<hr/>	<hr/>
Net increase in cash and cash equivalents		265,613	672,394
Cash and cash equivalents at beginning of the period		414,291	167,216
		<hr/>	<hr/>
Cash and cash equivalents at end of the period		679,904	839,610
		<hr/> <hr/>	<hr/> <hr/>
Analysis of cash and cash equivalents			
Cash and bank balances		691,999	864,016
Bank overdrafts	15	(7,962)	(23,353)
		<hr/>	<hr/>
		684,037	840,663
Less: Cash and cash equivalents restricted for tax and customs duty purpose		(4,133)	(1,053)
		<hr/>	<hr/>
Cash and cash equivalents		679,904	839,610
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2008

	Unaudited			
	Attributable to equity holders of the Company			Total HK\$'000
	Share capital (Note 13) HK\$'000	Reserves (Note 14) HK\$'000	Minority interests HK\$'000	
At 1 January 2007	777,000	(43,189)	203,916	
Exchange differences	–	42,947	7,099	50,046
Net income recognised directly in equity	–	42,947	7,099	50,046
Profit for the period	–	1,644	47,342	48,986
Total recognised income and expense for the period ended 30 June 2007	–	44,591	54,441	99,032
Capital contribution by minority shareholders	–	–	24,686	24,686
Proceeds from issuance of shares	1,125,000	–	–	1,125,000
Share issue expenses	(79,388)	–	–	(79,388)
Share award expenses (Note 7)	–	245,880	–	245,880
Dividends	–	–	(54,770)	(54,770)
	1,045,612	245,880	(30,084)	1,261,408
At 30 June 2007	1,822,612	247,282	228,273	2,298,167

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2008

	Unaudited			
	Attributable to equity holders of the Company		Minority interests	Total
	Share capital (Note 13) HK\$'000	Reserves (Note 14) HK\$'000		
At 1 January 2008	1,822,612	640,901	359,293	2,822,806
Exchange differences	–	133,713	23,686	157,399
Net income recognised directly in equity	–	133,713	23,686	157,399
Profit for the period	–	278,660	48,774	327,434
Total recognised income and expense for the period ended 30 June 2008	–	412,373	72,460	484,833
Share award expenses (Note 7)	–	8,622	–	8,622
Dividend declared	–	(80,000)	(35,479)	(115,479)
	–	(71,378)	(35,479)	(106,857)
At 30 June 2008	1,822,612	981,896	396,274	3,200,782

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 General information

The Group is principally engaged in the manufacturing and distribution of printed circuit boards and copper clad laminates (the “**PCB and Laminates Business**”).

The Company was incorporated in the Cayman Islands on 28 August 2006 as an exempted company with limited liability under the Companies Law (2004 Revision) of the Cayman Islands. The address of its registered office is Clifton House, 75 Fort Street, P.O. Box 1350 GT, George Town, Grand Cayman, Cayman Islands.

The Company’s shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 2 February 2007 (the “**Listing**”).

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

This condensed consolidated interim financial information has been approved for issue by the Board on 14 August 2008.

2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2008 has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” and other relevant Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants as well as the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on the Stock Exchange. This condensed consolidated interim financial information has not been audited, but has been reviewed by the Company’s Audit Committee. This condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2007.

3 Accounting policies

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2007, as described in those annual financial statements.

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

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2008 but are not currently relevant for the Group.

HK(IFRIC) – Int 11, “HKFRS 2 – Group and Treasury Share Transactions”

HK(IFRIC) – Int 12, “Service Concession Arrangements”

HK(IFRIC) – Int 14, “HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction”

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

3 Accounting policies (Continued)

The following new standards, amendments to standards or interpretations have been issued but are not effective for the financial year beginning 1 January 2008 and have not been early adopted:

HKAS 1 (Revised), "Presentation of Financial Statements", effective for annual periods beginning on or after 1 January 2009. The Group will apply HKAS 1 (Revised) from 1 January 2009.

HKAS 23 (Revised), "Borrowing Costs", effective for annual periods beginning on or after 1 January 2009. This amendment is not relevant to the Group, as the Group currently applies a policy of capitalising borrowing costs.

HKAS 32 (Amendment), "Financial Instruments: Presentation", and consequential amendments to HKAS 1, "Presentation of Financial Statements", effective for annual periods beginning on or after 1 January 2009. Management is assessing the impact of changes of HKAS 32 (Amendment) on the Group's operations.

HKFRS 2 (Amendment), "Share-based Payment", effective for annual periods beginning on or after 1 January 2009. Management is assessing the impact of changes of HKFRS 2 (Amendment) on the Group's operations.

HKFRS 3 (Revised), "Business Combinations" and consequential amendments to HKAS 27, "Consolidated and Separate Financial Statements", HKAS 28, "Investments in Associates" and HKAS 31, "Interests in Joint Ventures", effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. Management is assessing the impact of the new requirements regarding acquisition accounting, consolidation and associates on the Group. The Group does not have any joint ventures.

HKFRS 8, "Operating Segments", effective for annual periods beginning on or after 1 January 2009. HKFRS 8 replaces HKAS 14, "Segment Reporting", and requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes. Management believes that this standard should not have a significant impact to the number of reportable segments, as well as the manner in which the segments are reported as the reportable segment is presented in a manner that is consistent with the internal reporting provided to the chief operating decision-maker.

HK(IFRIC) – Int 13, "Customer Loyalty Programmes", effective for annual periods beginning on or after 1 July 2008. HK(IFRIC) – Int 13 is not relevant to the Group's operation as none of the Group's companies operate any loyalty programmes.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

4 Segment information

(a) Analysis of sales by category

Sales for the six months ended 30 June 2007 and 2008 represent principally sales of printed circuit boards ("PCB") and copper clad laminates and prepreg ("Laminates").

(b) Primary reporting format – business segments

The Group is organised into two main business segments: (i) manufacturing and distribution of PCB including provision of circuit design, quick-turn-around ("QTA") services and drilling and routing services; and (ii) manufacturing and distribution of Laminates.

Segment assets consist primarily of property, plant and equipment, leasehold land and land use rights, intangible assets, goodwill, available-for-sale financial assets, stocks and work in progress, debtors and prepayments and cash and bank balances. They exclude items such as deferred tax assets, taxation recoverable and amount due from a related party.

Segment liabilities comprise operating liabilities. They exclude items such as taxation payable, deferred tax liabilities and dividend payable.

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

Unallocated assets and liabilities represent assets and liabilities not dedicated to a particular segment, consist primarily of taxation, amount due from a related party and dividend payable.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

4 Segment information (Continued)

(b) Primary reporting format – business segments (Continued)

The segment results for the periods are as follows:

	Unaudited	
	Six months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
Revenue		
PCB	2,481,062	1,814,198
Inter-segment revenue	–	–
	<u>2,481,062</u>	<u>1,814,198</u>
Subtotal for PCB	<u>2,481,062</u>	<u>1,814,198</u>
Laminates	422,638	318,754
Inter-segment revenue	(198,495)	(143,747)
	<u>224,143</u>	<u>175,007</u>
Subtotal for Laminates	<u>224,143</u>	<u>175,007</u>
Total revenue	<u>2,705,205</u>	<u>1,989,205</u>
Segment results		
PCB	396,382	65,464
Laminates	357	5,960
Interest income	2,701	22,753
Finance costs	(67,233)	(54,133)
Share of net profit of associated companies	50,453	46,560
Income tax expense	(55,226)	(37,618)
	<u>327,434</u>	<u>48,986</u>
Profit for the period	<u>327,434</u>	<u>48,986</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

4 Segment information (Continued)

(b) Primary reporting format – business segments (Continued)

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

	Unaudited 30 June 2008 HK\$'000	Audited 31 December 2007 HK\$'000
Segment assets		
PCB	7,077,316	6,416,918
Laminates	752,589	563,084
Associated companies	640,506	579,543
Unallocated assets	37,446	58,269
	<u>8,507,857</u>	<u>7,617,814</u>
Total assets		
Segment liabilities		
PCB	4,620,981	4,268,289
Laminates	372,662	268,915
Associated companies	108,732	150,669
Unallocated liabilities	204,700	107,135
	<u>5,307,075</u>	<u>4,795,008</u>
Total liabilities		
Unaudited		
Six months ended 30 June		
	2008	2007
	HK\$'000	HK\$'000
Capital expenditures		
PCB	523,363	319,862
Laminates	34,210	13,894
	<u>557,573</u>	<u>333,756</u>
Total capital expenditures		

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

4 Segment information (Continued)

(b) Primary reporting format – business segments (Continued)

Other segment items for the periods are as follows:

	Unaudited	
	Six months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment		
PCB	201,940	129,929
Laminates	7,855	6,400
	<u>209,795</u>	<u>136,329</u>
Amortisation of leasehold land and land use rights		
PCB	1,770	1,019
Laminates	374	367
	<u>2,144</u>	<u>1,386</u>
Provision for bad and doubtful debts		
PCB	1,919	3,304
Laminates	–	–
	<u>1,919</u>	<u>3,304</u>
Provision for stocks and work in progress		
PCB	4,151	4,735
Laminates	(399)	600
	<u>3,752</u>	<u>5,335</u>
Amortisation of intangible assets		
PCB	1,662	585
Laminates	–	–
	<u>1,662</u>	<u>585</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

4 Segment information (Continued)

(c) Secondary reporting format – geographical segments

The Group primarily operates in Hong Kong and the People's Republic of China ("PRC"). Sales are made to overseas customers as well as customers in Hong Kong and the PRC.

The Group's revenue by geographical location are determined by the final destination to where the products are delivered:

	Unaudited	
	Six months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
PRC	1,675,255	1,293,886
Hong Kong	267,978	246,022
North Asia	139,758	122,380
North America	193,496	111,870
Europe	256,725	124,835
Southeast Asia	171,993	90,212
	<hr/> 2,705,205 <hr/>	<hr/> 1,989,205 <hr/>
Total revenue		

The Group's assets are located in the following geographical areas:

	Unaudited	Audited
	30 June	31 December
	2008	2007
	HK\$'000	HK\$'000
Hong Kong	1,573,882	1,346,397
PRC	6,015,878	5,262,440
Finland	177,915	301,489
India	62,230	69,676
Associated companies	640,506	579,543
Unallocated assets	37,446	58,269
	<hr/> 8,507,857 <hr/>	<hr/> 7,617,814 <hr/>
Total assets		

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

	Unaudited	
	Six months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
Hong Kong	28,108	10,989
PRC	529,465	322,767
	<hr/> 557,573 <hr/>	<hr/> 333,756 <hr/>
Total capital expenditures		

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

5 Other income

	Unaudited	
	Six months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
Sales of scrap	84,832	56,442
Investment tax credits	–	2,833
Sundries	1,750	5,911
Gain on partial disposal of a subsidiary	–	41
	<u>86,582</u>	<u>65,227</u>

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

6 Expenses by nature

	Unaudited	
	Six months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
Raw materials and consumables used	1,406,061	1,015,891
Employee benefit expenses (Note 7)	390,592	516,133
Amortisation of intangible assets	1,662	585
Amortisation of leasehold land and land use rights	2,144	1,386
Depreciation of property, plant and equipment	209,795	136,329
Gain on disposal of property, plant and equipment	(267)	(340)
Provision for bad and doubtful debts	1,919	3,304
Provision for stocks and work in progress	3,752	5,335
Sales commission	21,003	9,468
Subcontracting expenses	49,077	40,806
Auditors' remuneration	2,370	1,346
Operating lease rental expense – Land and buildings	3,300	2,213
Others	303,640	250,552
	<u>2,395,048</u>	<u>1,983,008</u>
Total cost of sales, selling and distribution expenses, general and administrative expenses and share award expenses		

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

7 Share award expenses

As previously disclosed in the prospectus issued by the Company dated 22 January 2007 for the purpose of the Company's initial public offering in February 2007, the controlling shareholder of the Company, Su Sih (BVI) Limited ("SuSih"), had granted 134,800,000 shares from its own shareholding to the employees (including the Chief Executive Officer) and a consultant to SuSih through Total Glory Holdings Limited (a wholly owned subsidiary of SuSih and special vehicle established by SuSih for this purpose) so as to allow them to share in the Group's success and to incentivise and reward them.

The shares granted as aforesaid represent approximately 6.74% of the Company's total issued share capital immediately after the date of Listing.

Out of the total 134,800,000 shares, 105,448,000 shares are not subject to the return condition whereas for the 29,352,000 shares which are subject to return condition, the Company is required to recognise the value of such shares as a non-cash employee benefit expense on a straight-line basis over the relevant vesting period.

In respect of those granted shares which are not subject to the return condition and based on the offer price of HK\$2.25 per share, no share award expense was charged to the profit and loss account for the first half year of 2008 (first half year of 2007: HK\$237.3 million).

In respect of those granted shares which are subject to the return condition and based on the offer price of HK\$2.25 per share, share award expenses of HK\$8.6 million were charged to the profit and loss account during the first half year of 2008 (first half year of 2007: HK\$8.6 million), and HK\$8.6 million will be charged for the second half year of 2008 whereas HK\$17.2 million, HK\$9.9 million and HK\$4.4 million will be charged for each of the financial years ending 31 December 2009, 2010, and 2011 respectively.

For the share award expenses charged for the period ended 30 June 2008, corresponding amounts were credited as an employee share-based compensation reserve under equity in the financial statements of the Company.

8 Income tax expense

The amounts of taxation charged to the condensed consolidated interim profit and loss account represent:

	Unaudited	
	Six months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
Current income tax		
– Hong Kong profits tax	4,289	315
– Overseas taxation	62,371	33,026
Deferred tax	(11,434)	4,277
	55,226	37,618

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

8 Income tax expense (Continued)

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 16.5% (2007: 17.5%) on the estimated assessable profit for the period ended 30 June 2008. The rates applicable for income tax in the PRC is 25% (2007: 33%) for the period ended 30 June 2008.

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 incorporated 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 incorporated in the PRC will enjoy preferential income tax rate from 2008 to 2011 and be taxed at the rate of 25% from 2012 or when the preferential treatment expires. Certain subsidiaries are entitled to exemption from income tax under tax holidays and concessions. Income tax was calculated at rates given under the concessions.

9 Earnings per share

(a) Basic

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

	Unaudited Six months ended 30 June	
	2008	2007
Profit attributable to equity holders of the Company (HK\$'000)	<u>278,660</u>	<u>1,644</u>
Weighted average number of shares in issue (shares in thousands)	<u>2,000,000</u>	<u>1,911,602</u>
Basic earnings per share (HK\$ per share)	<u>0.1393</u>	<u>0.0009</u>

(b) Diluted

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

During the periods ended 30 June 2007 and 2008, there were no potential dilutive shares outstanding.

10 Interim dividend

The Board has declared an interim dividend of HK\$0.028 per share, amounting to HK\$56 million (2007: HK\$40 million). This interim dividend has not been recognised as a liability in this condensed consolidated interim financial information. It will be recognised in shareholders' equity in the year ending 31 December 2008.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

11 Capital expenditures

	Property, plant and equipment HK\$'000	Leasehold land and land use rights HK\$'000	Intangible assets HK\$'000
Six months ended 30 June 2008			
Opening net book amount at 1 January 2008	4,121,368	174,420	27,670
Exchange differences	246,211	9,544	1,314
Additions	557,573	–	–
Disposals	(632)	–	–
Depreciation and amortisation	(209,795)	(2,144)	(1,662)
Closing net book amount at 30 June 2008	<u>4,714,725</u>	<u>181,820</u>	<u>27,322</u>
Six months ended 30 June 2007			
Opening net book amount at 1 January 2007	2,030,800	114,549	8,084
Exchange differences	59,080	2,626	–
Additions	333,756	–	–
Disposals	(177)	–	–
Depreciation and amortisation	(136,329)	(1,386)	(585)
Closing net book amount at 30 June 2007	<u>2,287,130</u>	<u>115,789</u>	<u>7,499</u>

12 Debtors and prepayments

	Unaudited 30 June 2008 HK\$'000	Audited 31 December 2007 HK\$'000
Debtors	1,239,700	1,471,542
Prepayments and other receivables	218,509	125,492
	<u>1,458,209</u>	<u>1,597,034</u>

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

12 Debtors and prepayments (Continued)

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

	Unaudited 30 June 2008 HK\$'000	Audited 31 December 2007 HK\$'000
Within credit period	887,972	977,641
0 – 30 days	248,164	235,108
31 – 60 days	55,299	138,175
61 – 90 days	26,907	72,902
Over 90 days	21,358	47,716
	<u>1,239,700</u>	<u>1,471,542</u>

13 Share capital

	Number of shares	Nominal value of shares HK\$'000	Share premium HK\$'000	Total HK\$'000
Authorised				
At 1 January 2007, 31 December 2007 and 30 June 2008 Share of HK\$0.01 each	<u>20,000,000,000</u>	<u>200,000</u>	<u>–</u>	<u>200,000</u>
Issued and fully paid				
At 1 January 2007 Share of HK\$0.01 each	1,500,000,000	15,000	762,000	777,000
Shares issued by global offering as fully paid of HK\$0.01 each (Note)	<u>500,000,000</u>	<u>5,000</u>	<u>1,040,612</u>	<u>1,045,612</u>
At 31 December 2007 and 30 June 2008 Share of HK\$0.01 each	<u>2,000,000,000</u>	<u>20,000</u>	<u>1,802,612</u>	<u>1,822,612</u>

Note:

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

14 Reserves

	Merger reserve HK\$'000 Note (i)	Employee share-based compensation reserve HK\$'000 Note (ii)	General reserve HK\$'000 Note (iii)	Exchange reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2008	(1,246,835)	214,502	130,569	190,945	1,351,720	640,901
Exchange differences	-	-	684	133,029	-	133,713
Profit for the period	-	-	-	-	278,660	278,660
Share award expenses (Note 7)	-	8,622	-	-	-	8,622
Dividend declared	-	(80,000)	-	-	-	(80,000)
Transfer	-	-	13,229	-	(13,229)	-
	<u>(1,246,835)</u>	<u>143,124</u>	<u>144,482</u>	<u>323,974</u>	<u>1,617,151</u>	<u>981,896</u>
At 30 June 2008						
Representing:						
Reserves	(1,246,835)	87,124	144,482	323,974	1,617,151	925,896
Interim dividend (Note 10)	-	56,000	-	-	-	56,000
	<u>(1,246,835)</u>	<u>143,124</u>	<u>144,482</u>	<u>323,974</u>	<u>1,617,151</u>	<u>981,896</u>
At 1 January 2007	(1,246,835)	-	81,395	64,318	1,057,933	(43,189)
Exchange differences	-	-	304	42,643	-	42,947
Profit for the period	-	-	-	-	1,644	1,644
Share award expenses (Note 7)	-	245,880	-	-	-	245,880
Transfer	-	-	8,103	-	(8,103)	-
	<u>(1,246,835)</u>	<u>245,880</u>	<u>89,802</u>	<u>106,961</u>	<u>1,051,474</u>	<u>247,282</u>
At 30 June 2007						
Representing:						
Reserves	(1,246,835)	205,880	89,802	106,961	1,051,474	207,282
Interim dividend (Note 10)	-	40,000	-	-	-	40,000
	<u>(1,246,835)</u>	<u>245,880</u>	<u>89,802</u>	<u>106,961</u>	<u>1,051,474</u>	<u>247,282</u>

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

14 Reserves (Continued)

- (ii) The employee share-based compensation reserve related to the share award expenses, details of which are described in Note 7.
- (iii) As stipulated by regulations in the PRC, the Company's subsidiaries established and operated in the PRC 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 six months ended 30 June 2008, the boards of directors of the Company's subsidiaries in the PRC appropriated an aggregate amount of approximately HK\$13,229,000 (2007: HK\$8,103,000) to the general reserve.

15 Borrowings

	Unaudited 30 June 2008 HK\$'000	Audited 31 December 2007 HK\$'000
Non-current		
Long-term bank loans	<u>2,519,108</u>	<u>1,738,067</u>
Current		
Current portion of long-term bank loans	<u>392,675</u>	394,334
Short-term bank loans	<u>268,717</u>	566,773
Bank overdrafts	<u>7,962</u>	–
	<u>669,354</u>	<u>961,107</u>

Movements in borrowings, excluding bank overdrafts, is analysed as follows:

	HK\$'000
Six months ended 30 June 2008	
Opening amount at 1 January 2008	2,699,174
New borrowings	2,199,883
Repayment of borrowings	<u>(1,718,557)</u>
Closing amount at 30 June 2008	<u>3,180,500</u>
Six months ended 30 June 2007	
Opening amount at 1 January 2007	1,732,797
New borrowings	1,151,192
Repayment of borrowings	<u>(906,331)</u>
Closing amount at 30 June 2007	<u>1,977,658</u>

Interest expense on borrowings for the six months ended 30 June 2008 is approximately HK\$66,214,000 (six months ended 30 June 2007: HK\$54,133,000).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

16 Creditors and accruals

	Unaudited 30 June 2008 HK\$'000	Audited 31 December 2007 HK\$'000
Creditors	812,807	675,853
Accruals	585,136	752,415
	<u>1,397,943</u>	<u>1,428,268</u>

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

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

	Unaudited 30 June 2008 HK\$'000	Audited 31 December 2007 HK\$'000
Within credit period	564,504	435,324
0 – 30 days	166,056	136,473
31 – 60 days	52,927	60,111
61 – 90 days	18,712	25,042
Over 90 days	10,608	18,903
	<u>812,807</u>	<u>675,853</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

17 Commitments

(a) Capital commitments

Capital commitments in respect of property, plant and equipment at the balance sheet dates are as follows:

	Unaudited 30 June 2008 HK\$'000	Audited 31 December 2007 HK\$'000
Contracted but not provided for	501,291	658,567
Authorised but not contracted for	346,885	123,153
	848,176	781,720

At 30 June 2008 the Group had commitment in respect of the injection of additional capital into certain subsidiaries established in the PRC totalling approximately HK\$499,800,000 (2007: HK\$808,565,000).

(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:

	Unaudited 30 June 2008 HK\$'000	Audited 31 December 2007 HK\$'000
Within one year	3,258	3,055
One to five years	3,350	3,908
More than five years	19,390	18,956
	25,998	25,919

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

18 Related party transactions

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.

The Group is controlled by SuSih, which owns 59.36% of the Company's shares. The ultimate parent of the Group is SuSih.

The Group regularly conducts transactions in the normal course of business with the associated companies and related parties, details of which during the period are as follows:

(a) Purchases of raw materials (Note i)

	Unaudited Six months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
Associated companies		
Guangdong Shengyi Sci. Tech Co., Ltd. ("GSST")	222,222	175,604
Suzhou Shengyi Sci. Tech Co., Ltd. ("SSST")	9,724	20,302
	<u>231,946</u>	<u>195,906</u>
A subsidiary of a minority shareholder of a subsidiary		
Hitachi Chemical Co. (Hong Kong) Limited	151,627	60,532
	<u>151,627</u>	<u>60,532</u>

(b) Purchases of finished goods (Note i)

	Unaudited Six months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
A subsidiary of a minority shareholder of a subsidiary		
Hitachi Chemical Co. (Hong Kong) Limited	1,151	844
	<u>1,151</u>	<u>844</u>

(c) Sales of finished goods (Note ii)

	Unaudited Six months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
A subsidiary of a minority shareholder of a subsidiary		
Hitachi Chemical Co. (Hong Kong) Limited	71,072	19,565
	<u>71,072</u>	<u>19,565</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

18 Related party transactions (Continued)

(d) Amounts due from/(to) related parties

	Note	Unaudited 30 June 2008 HK\$'000	Audited 31 December 2007 HK\$'000
A related party			
Non-trade balance			
Aspocomp Group OYJ	(iii)	<u> -</u>	<u> 39,055</u>
A subsidiary of a minority shareholder of a subsidiary			
Trade balance			
Hitachi Chemical Co. (Hong Kong) Limited	(iv)	<u> (75,728)</u>	<u> (29,367)</u>
Associated companies			
Trade balance			
GSST		<u> (101,622)</u>	<u> (146,062)</u>
SSST		<u> (7,110)</u>	<u> (4,607)</u>
	(iv)	<u> (108,732)</u>	<u> (150,669)</u>
A minority shareholder			
Dividend payable			
GSST	(v)	<u> (36,616)</u>	<u> (343)</u>

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 no less than those charged by and contracted with other third party suppliers of the Group.
- (ii) Sales of finished goods are made at prices and terms no less than those sold by and contracted with other third party customers of the Group which are due within a normal credit terms.
- (iii) The amount due from a related party was unsecured, interest-free and repayable on demand. The carrying amount of the amount due from a related party approximated its fair value.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

18 Related party transactions (Continued)

Notes: (Continued)

- (iv) The amounts due to a subsidiary of a minority shareholder of a subsidiary/associated companies are unsecured, interest-free and payable within normal trade terms. The carrying amounts of the amounts due to a subsidiary of a minority shareholder of a subsidiary/associated companies approximate their fair values.
- (v) The amount due to a minority shareholder is unsecured, interest-free and payable on demand. The carrying amount of the amount due to a minority shareholder approximates its fair value.

19 Event occurring after the balance sheet date

On 29 July 2008, the Group entered into the facility agreement with a syndicate of banks. Pursuant to the facility agreement, the Group was granted a term loan facility and revolving loan facility with an aggregate of US\$170 million for a period of four years, with interest rate of LIBOR plus 90 basis points per annum. The facilities are for the purposes of financing the Group's future capacity expansion and general corporate funding requirements, including replacement of certain existing shorter-term facilities.

CORPORATE GOVERNANCE AND OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES OF THE COMPANY

As at 30 June 2008, the interests or short positions of the Company's directors and chief executive and their respective associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") as recorded in the register maintained by the Company under section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Long position

Beneficial interests in the shares of the Company (the "Shares")

Name of Director	Personal Interest	Family Interest	Corporate Interest	Other Interest	Total Number of Shares	Approximate Shareholding Percentage
Mr. Tang Hsiang Chien ("Mr. HC Tang")	Nil	Nil	1,187,292,000 (Note 1)	235,305,000 (Note 2)	1,422,597,000	71.12% (Note 3)
Mr. Chung Tai Keung, Canice	48,064,000	Nil	Nil	Nil	48,064,000	2.40%

Notes:

- These 1,187,292,000 Shares comprise: (i) 1,129,895,000 Shares owned by Su Sih (BVI) Limited ("SuSih"); (ii) 29,352,000 Shares held by Total Glory Holdings Limited ("Total Glory"), a wholly-owned subsidiary of SuSih, in trust for certain employees of the Group; and (iii) 28,045,000 Shares held by Top Mix Investments Limited ("Top Mix"), a wholly-owned subsidiary of SuSih. Mr. HC Tang is deemed to be interested in the aforesaid Shares under the SFO because he is the sole shareholder of SuSih, which wholly owns Total Glory and Top Mix.
- Mr. HC Tang holds the 235,305,000 Shares in his capacity as the trustee of a discretionary trust, namely The Mein et Moi Trust ("MEM Trust").
- This percentage comprises the 1,129,895,000 Shares owned by SuSih, the 29,352,000 Shares held by Total Glory as trustee for certain employees of the Group, the 28,045,000 Shares held by Top Mix and the 235,305,000 Shares held by Mr. HC Tang as the trustee of MEM Trust, which respectively represent approximately 56.49%, 1.47%, 1.40% and 11.76% of the issued share capital of the Company.

Save as disclosed above, as at 30 June 2008, none of the directors and chief executive of the Company nor their associates had any interests or short positions in any Shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were recorded in the register maintained under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

CORPORATE GOVERNANCE AND OTHER INFORMATION (Continued)

SUBSTANTIAL SHAREHOLDER'S INTEREST IN SHARES OF THE COMPANY

As at 30 June 2008, the interests or short positions of every person, other than the directors and chief executive of the Company, in the shares and underlying shares of the Company, as recorded in the register maintained by the Company under section 336 of the SFO were as follows:

Long position

Name of Substantial Shareholder	Nature of Interest	Number of Shares	Approximate Shareholding Percentage
SuSih	Beneficial owner and interest in controlled companies	1,187,292,000 (Note 1)	59.36% (Note 2)

Notes:

- These 1,187,292,000 Shares comprise: (i) 1,129,895,000 Shares owned by SuSih; (ii) 29,352,000 Shares held by Total Glory, a wholly-owned subsidiary of SuSih, in trust for certain employees of the Group; and (iii) 28,045,000 Shares held by Top Mix, a wholly-owned subsidiary of SuSih. Mr. HC Tang is deemed to be interested in the aforesaid Shares under the SFO because he is the sole shareholder of SuSih, which wholly owns Total Glory and Top Mix.
- This percentage comprises the 1,129,895,000 Shares owned by SuSih, the 29,352,000 Shares held by Total Glory as trustee for certain employees of the Group and the 28,045,000 Shares held by Top Mix, which respectively represent approximately 56.49%, 1.47% and 1.40% of the issued share capital of the Company.

Save as disclosed above, as at 30 June 2008, the Company has not been notified of any other relevant interests or short positions held by any other person in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

SHARE OPTIONS

The Company had adopted a share option scheme (the “**Share Option Scheme**”) on 12 January 2007 and no option had been granted under the Share Option Scheme since its adoption on 12 January 2007. Summary of principal terms of the Share Option Scheme is set out below.

Unless otherwise terminated, cancelled or amended, the Share Option Scheme has a life of 10 years from its adoption date and will expire on 11 January 2017, after which no further options will be issued but any options then outstanding will continue to be exercisable in accordance with their terms of issue.

CORPORATE GOVERNANCE AND OTHER INFORMATION (Continued)

SHARE OPTIONS (Continued)

The Share Option Scheme is designed to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to eligible participants (the “**Eligible Participants**”). The Board may, at its discretion, grant options to subscribe for Shares in the Company to Eligible Participants. Eligible Participants include:

- (i) any executive or non-executive directors including independent non-executive directors or any employees (whether full-time or part-time) of each member of the Group;
- (ii) any discretionary objects of a discretionary trust established by any employees, executive or non-executive directors of each member of the Group;
- (iii) any consultants, professional and other advisors to each member of the Group (or persons, firms or companies proposed to be appointed for providing such services);
- (iv) any chief executives or substantial shareholders of the Company;
- (v) any associates of director, chief executive or substantial shareholder of the Company; and
- (vi) any employees (whether full-time or part-time) of substantial shareholder of the Company, provided that the Board may have absolute discretion to determine whether or not one falls within the above categories.

The period under which an option may be exercised will be determined by the Board at its absolute discretion, save that an option shall expire not later than 10 years from the date of grant. Unless otherwise determined by the Board, and specified in the offer letter at the time of offer, there is no minimum period for which an option must be held before the option can be exercised. An option is open for acceptance for a period of 21 days from the date of offer. The amount payable on acceptance of an option is HK\$1.00. The full amount of the subscription price for the Company's Shares has to be paid upon exercise of an option. The subscription price shall be such price solely determined by the Board at the time of offer of grant of the relevant option and shall be stated in the letter containing the offer of the grant of option.

CORPORATE GOVERNANCE AND OTHER INFORMATION (Continued)

SHARE OPTIONS (Continued)

The subscription price shall be at least the highest of the nominal value of the Company's Shares, the average of the closing prices of the Company's Shares quoted in the Stock Exchange's daily quotation sheets on the five trading days immediately preceding the date of an offer of the grant of the options and the closing price of the Company's Shares quoted in the Stock Exchange's daily quotation sheets on the date of an offer of the grant of the options.

The total number of the Company's Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company (excluding options lapsed in accordance with the terms of the Share Option Scheme) shall not in aggregate exceed 10% of the total number of the Company's Shares in issue on the date of commencement of dealings in the Shares on the Stock Exchange, being 200,000,000 Shares.

The limit on the number of the Company's Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the Company's Shares in issue from time to time. As at the date of this report, a total of 200,000,000 Shares representing 10% of the issued share capital of the Company are available for issue under the Share Option Scheme.

The total number of the Company's Shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of the Company's Shares in issue unless approved by the Company's shareholders in general meeting.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

At no time during the six months ended 30 June 2008 was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of Shares in the Company or any other body corporate.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK\$0.028 per share (2007: HK\$0.02 per share) for the year ending 31 December 2008, amounting to HK\$56 million (2007: HK\$40 million). The interim dividend will be payable to the shareholders on around 26 September 2008 whose names appear on the register of members of the Company on 18 September 2008.

CORPORATE GOVERNANCE AND OTHER INFORMATION (Continued)

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from 16 September 2008 to 18 September 2008, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Branch Registrar and Transfer Office in Hong Kong, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on 12 September 2008.

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

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed shares during the six months ended 30 June 2008.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to continuously achieving and maintaining a high standard of corporate governance practices and policies to enhance greater transparency and accountability and in the interests of its shareholders. The Company devotes to best practice on corporate governance, and has applied the principles and complied with the extent practicable, with the Code on Corporate Governance Practices (the "**Code**") contained in Appendix 14 of the Listing Rules on the Stock Exchange.

Since 1 January 2008 and up to the date of this report, the Company has complied with the code provisions and to certain extent the recommended best practices set out in the Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted (i) the Model Code as its own code of conduct for its directors in respect of securities transactions; (ii) an Internal Code for Securities Transactions by Employees of Meadville Group (the "**Internal Code**") as its own code of conduct regarding securities transactions by the employees of the Group, with detailed procedures extending to the directors.

Having made specific enquiry, all directors of the Company confirmed that they have complied with the required standards set out in the Model Code and the Internal Code during the period from the 1 January 2008 to 30 June 2008 and up to the date of publication of the interim results announcement for the six months ended 30 June 2008.

CORPORATE GOVERNANCE AND OTHER INFORMATION (Continued)

REVIEW OF INTERIM REPORT

The Audit Committee comprises three independent non-executive directors of the Company. The Audit Committee and the Company's external auditors, PricewaterhouseCoopers, have reviewed the interim report of the Group for the six months ended 30 June 2008.

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

Hong Kong, 14 August 2008

As at the date of this report, the Board comprises seven directors, of which Mr. Tang Hsiang Chien, Mr. Tang Chung Yen, Tom, Ms. Tang Ying Ming, Mai and Mr. Chung Tai Keung, Canice are executive directors of the Company; Mr. Lee, Eugene, Mr. Leung Kwan Yuen, Andrew and Dr. Li Ka Cheung, Eric are independent non-executive directors of the Company.