Meadville Holdings Limited
美 維 控 股 有 限 公 司

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

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2006

The board of directors (the "Board") of Meadville Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2006.

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2006

	Note	**2006** **HK$'000**	2005 *HK$'000*
Turnover	3	**3,140,398**	2,216,914
Cost of sales		**(2,486,560)**	(1,792,641)
Gross profit		**653,838**	424,273
Other income	4	**97,145**	51,564
Other gain		**–**	11,042
Selling and distribution expenses		**(126,467)**	(95,358)
General and administrative expenses		**(154,349)**	(137,213)
Operating profit		**470,167**	254,308
Loss on share reform of an associated company		**(52,237)**	–
Interest income		**6,034**	5,599
Finance costs		**(88,171)**	(56,914)
Share of net profit of associated companies		**97,849**	55,226
Profit before income tax		**433,642**	258,219
Income tax expense	5	**(48,718)**	(18,344)
Profit for the year	3	**384,924**	239,875
Attributable to:			
Equity holders of the Company		**320,017**	210,822
Minority interests		**64,907**	29,053
		384,924	239,875
Earnings per share for profit attributable to equity holders of the Company during the year (expressed in HK dollar per share)			
– basic	6	**0.21**	0.14
– diluted	6	**0.21**	0.14
Dividends	7	**–**	80,000

CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 2006

	Note	2006 HK$'000	2005 HK$'000
Non-current assets			
Property, plant and equipment		**2,030,800**	1,535,966
Leasehold land and land use rights		**114,549**	83,654
Investments in associated companies		**441,409**	389,947
Goodwill		**14,477**	14,055
Intangible assets		**8,084**	9,254
		2,609,319	2,032,876
Current assets			
Stocks and work in progress		**373,459**	259,188
Debtors and prepayments	8	**1,241,699**	974,884
Amount due from a director		–	25,039
Amounts due from related parties		–	8,955
Taxation recoverable		**2,220**	2,162
Cash and bank balances		**211,150**	174,266
		1,828,528	1,444,494
Total assets		**4,437,847**	3,477,370
Equity			
Capital and reserves attributable to the equity holders of the Company			
Share capital		**777,000**	777,000
Reserves		**(43,189)**	349,788
		733,811	1,126,788
Minority interests		**203,916**	152,477
Total equity		**937,727**	1,279,265
Liabilities			
Non-current liabilities			
Borrowings		**749,060**	532,757
Deferred tax liabilities		**14,219**	13,642
		763,279	546,399
Current liabilities			
Creditors and accruals	9	**800,030**	600,400
Amount due to a minority shareholder		**63,359**	23,794
Amounts due to associated companies		**120,742**	143,952
Amounts due to related parties		**709,598**	13,157
Borrowings		**1,026,247**	863,339
Taxation payable		**16,865**	7,064
		2,736,841	1,651,706
Total liabilities		**3,500,120**	2,198,105
Total equity and liabilities		**4,437,847**	3,477,370
Net current liabilities		**(908,313)**	(207,212)
Total assets less current liabilities		**1,701,006**	1,825,664

NOTES TO THE FINANCIAL STATEMENTS

1 General information and group reorganisation

The Group are 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.

Before completion of the Reorganisation (as defined below), the PCB and Laminates 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) Limited ("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 Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the following reorganisation (the "Reorganisation") was carried out to transfer the PCB and Laminates 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 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 and Laminates Business (including their holding companies) and certain assets and liabilities in relation to the PCB and Laminates 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 and Laminates Business and only conducted the Photomask Business thereafter.
- 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.

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

The Company's shares were listed on the Stock Exchange on 2 February 2007 ("the Listing").

These consolidated financial statements are presented in thousands of units of Hong Kong dollars, unless otherwise stated.

These consolidated financial statements have been approved for issue by the Board of Directors on 28 March 2007.

2 Basis of preparation and accounting policies

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 31 December 2005 and for the year ended 31 December 2005 have been presented on the same basis.

The consolidated financial statements of Meadville Holdings Limited have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention.

The following new standards, amendments to standards and interpretations have been issued but are not effective for 2006 and have not been early adopted:

HK(IFRIC) – Interpretation 7, "Applying the Restatement Approach under HKAS 29", effective for annual periods beginning on or after 1 March 2006. Management does not expect the interpretation to be relevant for the Group;

HK(IFRIC) – Interpretation 8, "Scope of HKFRS 2", effective for annual periods beginning on or after 1 May 2006. Management is currently assessing the impact of HK(IFRIC) – Interpretation 8 on the Group's operations;

HK(IFRIC) – Interpretation 9, "Reassessment of Embedded Derivatives", effective for annual periods beginning on or after 1 June 2006. Management believes that this interpretation should not have a significant impact on the reassessment of embedded derivatives as the Group already assessed if embedded derivative should be separated using principles consistent with HK(IFRIC) – Interpretation 9;

HK(IFRIC) – Interpretation 10, "Interim Financial Reporting and Impairment", effective for annual periods beginning on or after 1 November 2006. Management is currently assessing the impact of HK(IFRIC) – Interpretation 10 on the Group's operations;

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

HKFRS 7, "Financial Instruments: Disclosures", effective for annual periods beginning on or after 1 January 2007, HKAS 1, "Amendments to Capital Disclosure", effective for annual period beginning on or after 1 January 2007. The Group assessed the impact of HKFRS 7 and the amendment to HKAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and capital disclosures required by the amendment of HKAS 1. The Group will apply HKFRS 7 and the amendment to HKAS1 from annual periods beginning 1 January 2007.

The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 January 2006 but are not relevant to the Group's operations:

HKAS 21 Amendment	New Investment in a Foreign Operation;
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions;
HKAS 39 Amendment	The Fair Value Option;
HKFRS 6	Exploration for and Evaluation of Mineral Resources;
HKFRS 1 Amendment	First-time Adoption of International Financial Reporting Standards;
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease;
HK(IFRIC)-Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds; and
HK(IFRIC)-Int 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment.

In preparing the consolidated financial statements of the Company, the directors have taken into account all information that could reasonably be expected to be available, including the estimated net proceeds from the listing of the Company on 2 February 2007 (note 10(a)), and have ascertained that the Group has obtained adequate financial resources to support the Group to continue in operational existence for the foreseeable future. Under these circumstances, the directors consider that it is proper to prepare the financial statements on a going concern basis notwithstanding that at 31 December 2006, the Group's current liabilities exceeded its current assets by approximately HK$908,313,000.

3 Segment information

(a) Analysis of sales by category

Sales for the years ended 31 December 2005 and 2006 represent principally sales of Printed Circuits Board ("PCB") and Copper Clad Laminates ("Laminates").

(b) Primary reporting format – business segments

The Group is organised into two main business segments: (i) Manufacturing and distribution of Printed Circuits Board ("PCB") including provision of circuit design, QTA services and drilling and routing services; (ii) Manufacturing and distribution of Copper Clad Laminates and Prepreg ("Laminates").

Segment assets consist primarily of property, plant and equipment, leasehold land and land use rights, intangible assets, inventories, receivables and operating cash. They exclude items such as deferred income taxation, taxation recoverable and amounts due from related parties.

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

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

Unallocated assets and liabilities represent assets and liabilities not dedicated to a particular segment, consist primarily of taxation and amounts due from/to related parties.

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

The segment results for the years are as follows:

	2006 *HK$'000*	2005 *HK$'000*
Turnover		
PCB	**2,838,773**	2,015,333
Inter-segment turnover	**–**	–
Subtotal for PCB	**2,838,773**	2,015,333
Laminates	**512,466**	424,060
Inter-segment turnover	**(210,841)**	(222,479)
Subtotal for Laminates	**301,625**	201,581
Total turnover	**3,140,398**	2,216,914
Segment results		
PCB	**412,303**	218,646
Laminates	**57,864**	35,662
Loss on share reform of an associated company	**(52,237)**	–
Interest income	**6,034**	5,599
Share of net profit of associated companies	**97,849**	55,226
Finance costs	**(88,171)**	(56,914)
Income tax expense	**(48,718)**	(18,344)
Profit for the year	**384,924**	239,875
Segment assets		
PCB	**3,553,250**	2,752,597
Laminates	**440,968**	298,670
Associated companies	**441,409**	389,947
Unallocated assets	**2,220**	36,156
Total assets	**4,437,847**	3,477,370
Segment liabilities		
PCB	**2,285,096**	1,735,292
Laminates	**353,600**	284,998
Associated companies	**120,742**	143,952
Unallocated liabilities	**740,682**	33,863
Total liabilities	**3,500,120**	2,198,105
Capital expenditure		
PCB	**665,753**	379,839
Laminates	**19,494**	148,489
Total capital expenditure	**685,247**	528,328

Other segment items included in the consolidated profit and loss account are as follows:

	2006 *HK$'000*	2005 *HK$'000*
Depreciation		
PCB	**200,264**	158,165
Laminates	**8,506**	1,360
Total depreciation	**208,770**	159,525
Amortisation of leasehold land and land use rights		
PCB	**1,876**	1,388
Laminates	**596**	421
Total amortisation	**2,472**	1,809
Provision for bad and doubtful debts		
PCB	**15,818**	14,370
Laminates	**192**	–
Total provision for bad and doubtful debts	**16,010**	14,370

	2006 *HK$'000*	2005 *HK$'000*
Provision for stocks and work in progress		
PCB	**12,264**	9,096
Laminates	**(81)**	(800)
Total provision for stocks and work in progress	**12,183**	8,296
Amortisation of intangible assets		
PCB	**1,170**	1,170
Laminates	**–**	–
Total amortisation of intangible assets	**1,170**	1,170

(c) Secondary reporting format – geographical segments

The Group primarily operates in Hong Kong and the PRC. Sales are made to overseas customers as well as customers in Hong Kong and the PRC.

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

	2006 *HK$'000*	2005 *HK$'000*
PRC	**1,959,283**	1,384,950
Hong Kong	**186,272**	167,867
North Asia	**447,602**	276,647
North America	**182,759**	180,695
Europe	**224,517**	92,452
Southeast Asia	**139,965**	114,303
Total turnover	**3,140,398**	2,216,914

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

	2006 *HK$'000*	2005 *HK$'000*
Hong Kong	**1,036,940**	762,499
PRC	**2,957,278**	2,288,768
Associated companies	**441,409**	389,947
Unallocated assets	**2,220**	36,156
Total assets	**4,437,847**	3,477,370

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

	2006 *HK$'000*	2005 *HK$'000*
Hong Kong	**54,387**	168,009
PRC	**630,860**	360,319
Total capital expenditure	**685,247**	528,328

4 Other income

	2006 *HK$'000*	2005 *HK$'000*
Sales of scrap	**64,805**	27,780
Investment tax credits	**16,317**	15,056
Tooling charges	**10,146**	6,297
Sundries	**4,441**	2,072
Sales of raw materials	**328**	359
Income on acquisition of additional equity interest of a subsidiary company	**1,108**	–
	97,145	51,564

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

5 Income tax expense

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

	2006 *HK$'000*	2005 *HK$'000*
Company and subsidiaries		
Current income tax		
– Hong Kong profits tax	**3,151**	(47)
– Overseas taxation	**44,875**	13,676
Deferred income tax	**692**	4,715
	48,718	18,344

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% (2005: 17.5%) on the estimated assessable profit for the year ended 31 December 2006. The rates applicable for income tax in the PRC is 33% (2005: 33%) for the year ended 31 December 2006.

A subsidiary, Dongguan Shengyi Electronics Limited, is entitled to a relief of income tax in the PRC for a period of three years from 2003 to 2005. On 1 June 2005, it was approved as a High and New Technology Enterprise by Science and Technology Department of Guangdong Province and accordingly, it is entitled to a relief of income tax in the PRC for an extended period of two years from 2006 to 2007. Income tax has been provided at the effective rate of 18% for the year ended 31 December 2006 and 10% for the year ended 31 December 2005.

In accordance with the relevant applicable tax regulations, Shanghai Meadville Electronics Co., Ltd. and Shanghai Kaiser Electronics Co., Ltd. established in the PRC as wholly-owned foreign enterprises were entitled to full exemption from national enterprise income tax for the first two years and 50% reduction in national enterprise income tax for the next three years, commencing from first profitable years, which are 2004 and 2005 respectively, after offsetting all unexpired tax losses carried forward from previous years.

Taxation on overseas (mainly United States and Singapore) profits has been calculated on the estimated assessable profit for the year at the applicable rates of taxation prevailing in the countries in which the Group operates.

There is a new PRC corporate income tax law released on 16 March 2007. Under the new regime, there will be a uniform Enterprise Income Tax of 25% to all domestic and foreign enterprises in the PRC effective 1 January 2008. Entitles currently enjoying preferential tax rates will be transitioned to the new regime over a period of five years. Management will assess the impact of the new regime when further interpretations of the new regime are available.

The taxation of the Group's profit before income tax 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:

	2006	2005
	HK$'000	*HK$'000*
Profit before income tax and share of net profit of associated companies	**335,793**	202,993
Tax calculated at applicable tax rate	**116,031**	58,664
Effect of relief on income tax	**(87,477)**	(53,244)
Expenses not deductible for taxation purpose	**42,400**	6,573
Income not subject to taxation	**(27,863)**	(12,636)
Tax losses for which no deferred income tax recognised	**5,627**	18,987
Income tax expense	**48,718**	18,344

The weighted average domestic applicable tax rates were:

	2006	2005
Weighted average domestic applicable tax rates	**34.6%**	28.9%

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.

6 Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year. In determining the weighted average number of ordinary shares in issue, a total of 1,500,000,000 ordinary shares were deemed to be in issue since 1 January 2005 as detailed in note 2.

	2006	2005
Profit attributable to equity holders of the Company (HK$'000)	**320,017**	210,822
Weighted average number of ordinary shares in issue (shares in thousands)	**1,500,000**	1,500,000
Basic earnings per share (HK$ per share)	**0.21**	0.14

(b) Diluted

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

During the years ended 31 December 2005 and 2006, there were no potential dilutive ordinary shares outstanding.

7 Dividends

No dividend had been paid or declared by the Company since its incorporation. The dividend declared represented dividends declared by the companies comprising the Group to the then shareholders prior to the Reorganisation. The rates of dividend and the number of shares ranking for dividends are not presented as such information is not meaningful having regard to the purpose of this report.

8 Debtors and prepayments

	2006	2005
	HK$'000	*HK$'000*
Debtors	**1,124,995**	910,034
Prepayments and other receivables	**116,704**	64,850
	1,241,699	974,884

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

During the year, 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:

	2006	2005
	HK$'000	*HK$'000*
Within credit period	**827,403**	614,164
0 – 30 days	**171,962**	152,198
31 – 60 days	**61,396**	69,345
61 – 90 days	**26,449**	34,766
Over 90 days	**37,785**	39,561
	1,124,995	910,034

9 Creditors and accruals

	2006	2005
	HK$'000	*HK$'000*
Creditors	**382,330**	408,799
Accruals	**417,700**	191,601
	800,030	600,400

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

	2006	2005
	HK$'000	*HK$'000*
Within credit period	**286,059**	242,384
0 – 30 days	**58,823**	71,529
31 – 60 days	**21,214**	49,206
61 – 90 days	**9,629**	27,636
Over 90 days	**6,605**	18,044
	382,330	408,799

10 Events after the balance sheet date

(a) On 2 February 2007, the Company was successfully listed on the main board of the Stock Exchange following the completion of its global offering of 526,600,000 shares comprising a total of 500,000,000 new shares offered for subscription by the Company and a total of 26,600,000 shares offered for sale by SuSih, the Company's controlling shareholder. The net proceeds of the shares offered by SuSih are to be paid to certain employees of the Group. The aggregate net proceeds received by the Company from the global offering after deducting underwriting fees and estimated expenses payable by the Company in connection with the global offering are estimated to be HK$1,046 million.

(b) On 20 December 2006, SuSih approved the grant of shares of the Company (the "Shares") to employees from its own shareholding whereby the employees of the Group were granted a total of 64,250,000 Shares, out of which 29,352,000 Shares are subject to being returned to Total Glory Holdings Limited, a wholly owned subsidiary of SuSih, upon resignation or dismissal of the employees for cause during the year that the return condition applies. In respect of those Shares which are not subject to the return condition, the value of such Shares amounting to approximately HK$78.5 million, based on the offer price of HK$2.25, will be charged as an employee expense of the Company for the financial year ending 31 December 2007. In respect of those Shares which are subject to the return condition, the value of such Shares will be charged to the employee expense of the Company on a straight-line basis over the relevant vesting year. As a result, the employee expenses of the Company will be increased by approximately HK$17.2 million, HK$17.2 million, HK$17.2 million, HK$9.9 million and HK$4.4 million, based on the offer price of HK$2.25, for each of the financial years ending 31 December 2007, 2008, 2009, 2010 and 2011 respectively. The above employee expenses will have no dilutive impact on the net asset value.

(c) Pursuant to an agreement dated 12 January 2007 between SuSih and Chung Tai Keung, Canice, and a consultancy agreement dated 1 November 2006 between SuSih and a consultant to SuSih. SuSih has granted to Chung Tai Keung, Canice and the consultant a total of 70,550,000 Shares which are not subject to any return condition. The value of such Shares amounting to approximately HK$158.8 million, based on the offer price of HK$2.25, will be charged as an employee expense of the Company for the financial year ending 31 December 2007. The above employee expense will have no dilutive impact on the net asset value.

(d) On 12 January 2007, the Company has conditionally adopted a share option scheme whereby its participants may be granted options to subscribe for shares at the discretion of the Board or a committee thereof. The principal terms of the share option scheme are summarised in the directors' report.

CHAIRMAN'S STATEMENT

It is my pleasure to present to you our first annual report since our company's listing on The Stock Exchange of Hong Kong Limited in February 2007. I am pleased to inform you that 2006 was a strong and promising year for our Group. As the world's demand for electronic products rose during the year, we were able to seize the opportunities that have arisen from the enormous growth in the industry. This was particularly the case in the China region, where we enjoyed a strong positioning – a position that will only be strengthened with our plans for further expansion.

Business Review

2006 saw a strong demand for electronic products around the world, triggered largely by a robust global economy. As a result of the growth in the electronic products industry, Printed Circuit Board ("PCB") analyst, NT Information Ltd, reported that global PCB production in 2006 increased by 14.5% over 2005, and reach a record US$48.6 billion – a figure that surpasses the previous peak of US$42.7 billion recorded before the internet bubble burst in 2000.

Fuelled by the twin forces of China's booming economy and the ongoing outsourcing of electronic product manufacturing in China, PCB production in China in 2006 has grown by 20.3% over 2005. This would see China overtake Japan as the world's largest country for PCB production, with a PCB output value estimated at US$12.1 billion, representing 24.9% of the world's output.

The Group's strategies are continuing to focus on high technology, high value-added and high performance prepreg and laminate, High Density Interconnect ("HDI") PCB, high-layered PCB sectors and organic substrate PCB. These on-going strategies allowed the Group to capitalize on enormous business opportunities in the region, largely due to the outsourcing demand in recent years for primarily higher technology product sectors and greater value-added PCBs.

The Group was able to record a turnover of HK$3.14 billion in 2006, representing an increase of 41.7% over our 2005 turnover of HK$2.22 billion, and out-performing both global and China region PCB production growth rates.

The Group's prepreg and laminate sales stood at HK$301.6 million, while PCB sales were HK$2.84 billion in 2006, versus HK$201.6 million and HK$2.02 billion respectively for 2005. Blended average selling price and average layer count for PCBs were also recorded at US$23 per square foot and 7.3 layers respectively in 2006, versus US$20 per square foot and 6.9 layers in 2005.

The improvements in both the blended average selling price and average PCB layer count were primarily due to the sales growth experienced in the high technology and high-value added PCB sectors compared with 2005 as well as the general increase in selling prices for PCB in 2006. The various areas of growth in 2006 over 2005 include: organic substrate sales growth of 45.6%; HDI PCB sales growth of 43.9%; 48.0% growth in 14.16 & 18 layer PCB sales 67.1% growth in 20 layer and above PCBs sales, 48.0% growth in 14, 16 and 18 layer PCB sales; and 39.1% growth in 8, 10 & 12 layer PCB sales. Sales of 2, 4 & 6 layer PCBs, however, only grew by 30.0% in 2006 over 2005, which is lower than the Group's total PCB sales growth in 2006 over 2005.

The double-digit price increase of key raw materials for PCB manufacturing (such as raw copper, copper foil, fibreglass, prepreg and copper clad laminates) was primarily offset by the increase in PCB selling prices, value-added contributions as well as a better economy of scale.

The Group's operating profit increased from HK$254.3 million in 2005 to HK$470.2 million in 2006, representing a growth of 84.9%. Operating profit margin improved from 11.5% in 2005 to 15.0% in 2006.

As part of the Group's continuous strategies to focus on high technology and high-valued product application sectors, the Group has rallied our marketing efforts on communication sectors that conventionally have a higher average layer count than computer and consumer sectors. The Group's sales in communication, computer, consumer and other sectors stood at 48.3%, 19.3%, 16.1% and 16.3% of the Group's total sales respectively in 2006, versus 47.0%, 24.0%, 13.8% and 15.2% in 2005.

Growth in turnover during the year was facilitated by the Group's continuously expanding capacity for prepreg and laminate in Mica-Ava (Far East) Industrial Limited ("MAF"), as well as our ongoing expansion in both HDI PCB and conventional PCB capacities. As MAF's new Hong Kong production facility went operational in early 2006, we were able to increase our prepreg and laminate production capacity from 3.9 million sq ft and 1.4 million sq ft in December 2005 to 11.1 million sq ft and 2.9 million sq ft respectively in December 2006.

The Group also invested to increase HDI PCB capacity in SME, from 310,000 sq ft per month in December 2005 to around 380,000 sq ft per month in December 2006, and improved capacity for all 2+ HDI PCB with copper filled vias requirements. High-layered PCB capacity was also expanded in DMC, increasing from about 365,000 sq ft PCB with an average 7.5 layers inner capacity in December, 2005 to about 710,000 sq ft with average 8 layers inner capacity by December, 2006.

The strong growth in financial performance during the year was made possible by careful phase by phase planning, pilot testing and production acceleration in each of the aforementioned expansion programme. Of paramount importance has been coordinating precisely these initiatives to ensure their alignment with our 2006 marketing and business development plan to acquire new customers while retaining existing customers.

With more resources deployed in both the North American and European markets, 2006 also saw the Group successfully gain qualifications from eight major multinational original equipment manufacturers ("OEMs"). Business with these eight customers began either during 2006 or in early 2007.

Share of profit from associated companies, Guangdong Shengyi Sci. Tech Co., Ltd. ("GSST") and Suzhou Shengyi Sci. Tech Co., Ltd ("SSST"), was HK$97.8 million for the full year in 2006, versus HK$55.2 million in 2005. This represents 77.2% growth over 2005, keeping in line with the Group's operating profit growth of 84.9%.

During the year, the Group incurred a one-time loss of HK$ 52.2 million, due to a reduction in the Group's share of net asset value in an associated company, GSST. On 19 January, 2006, GSST approved the conversion of all restricted shares to unrestricted shares at a conversion price of 3.3 shares to the shareholders for every 10 non-restricted shares. Accordingly, the number of shares and percentage of equity held by us decreased from 165,305,000 shares to 141,525,000 shares, from 25.91% to 22.18%, respectively. This conversion enables the Group's shares in GSST to be gradually tradable on Shanghai Stock Exchange effective from 9 March, 2007 onwards.

Future Prospects

PCB analyst, N.T. Information Ltd predicted that PCB business remains bullish in 2007, and global PCB production will increase by approximately 9.0% over 2006 in 2007, reaching an estimated US$52,921 million in PCB output.

China's production growth is predicted to dominate all other regions in the world, with an estimated growth rate of 17.3% over 2006, and an estimated PCB output value of US$14,195 million in 2007. More importantly, the China region's growth is also expected to play a dominant role in higher technology and higher layer count PCB production.

With the exception of losing around one week of the Group's capacity during the Chinese New Year holiday, all available capacity of the Group has been fully utilized or booked until May 2007.

With China's 3G system scheduled to launch before the 2008 Olympic Games, we expect businesses from China network and mobile players to enjoy double digit growth rate in 2007. We believe our strong positioning in the China market will allow the Group to capitalize on the high growth of this industry sector.

With eight new multinational OEMs recently qualifying our facilities, we endeavour to establish a strong balance of new business from both global players and China based enterprises.

While we already have a balanced customer portfolio to substantiate our growth in 2007, the Group is actively soliciting new customers as a base for further growth in 2008 and beyond.

Following the Group's listing on The Stock Exchange of Hong Kong Limited on 2 February, 2007, the Group's financial position has been substantially improved. Sufficient funds are available to execute our facility expansion plans so that we are positioned to capture the growing business opportunities among existing customers, new customers and potential customers after the listing.

After adding in the net listing proceeds of approximately HK$1,046 million, the Group's net asset value will increase by about 111.5% from December 2006's HK$937.7 million to HK$1,983.7 million.

Discussion with Hitachi Chemical Co., Ltd. Is underway for forming a new joint-venture prepreg and copper clad laminate plant in China in addition to our existing joint venture plant in Hong Kong. Through its phase one investment, the Group is expected to increase its existing high technology and high performance prepreg and laminate capacity by about 110% from the current of prepreg and laminate capacity of 11.1 million sq ft and 2.9 million sq ft per month respectively to 24.0 million sq ft and 6.1 million sq ft per month respectively when our new capacity will be fully operational in or about the third quarter of 2008.

Further expansions are planned for the DMC plant, increasing DMC's capacity to 1,100,000 sq ft of 8.5 average inner layers by December 2008. The organic substrate plant in Shanghai will also be expanded to around 80,000 sq ft of substrate products, up from 30,000 sq ft in December 2006. Additionally, a new HDI plant in Guangzhou, Guangzhou Meadville Electronics Co., Ltd ("GME") is currently under construction and we plan for pilot production to commence by the third quarter of 2007. GME's first phase investment will bring in new 2+ copper filled vias HDI PCB capacity by about 200,000 sq ft output per month when fully operational by around the third quarter of 2008.

The Group has also acquired another new site in Dongguan, spanning approximately 1,948,558 sq ft of land, with plans for further expansion of high layer conventional PCB business in 2008 and 2009. Construction of the plant premises is expected to start in the second half of 2008.

All the capacity expansions as mentioned above will primarily be financed by the listing proceeds, banking facilities as well as other operational cash flow generated in 2007. We anticipate that with these expansion plans in place, our capacities as at the year end 2007 will be about 2 million sq. ft. per month, representing an increase of approximately 17.5% over 2006.

As a token of appreciation to the loyal employees who made the past growth of the Group possible, our substantial shareholder has, out of its own shareholdings, granted free award shares to the Group's team of over 7,000 employees upon our successful listing in February 2007. According to this employee share award scheme, most of the entitled employees will gradually take up 100% of their shares in the coming 5 years' vesting period. With this employee share scheme in place, the Group has no plan to grant share options to its employees in the short term, which can save the dilution effect to the Group's earning should such share options be granted.

As a result of the grant of the award shares to the employees and in accordance with the latest accounting standard, the Group would incur non-cash employee expense of approximately HK$254.5 million, HK$17.2 million, HK$17.2 million, HK$9.9 million and HK$4.4 million for each of the financial years ending 31 December, 2007, 2008, 2009, 2010 and 2011, respectively.

This employee expense would have no impact on the Group's balance sheet as the correspondence entry of this employee expense would be an equivalent amount credited or increased in the Group's reserve account.

The Group is monitoring closely the volatility in the world's equity market and the second home mortgage crisis in the US. Should any of these situations happen which may have adverse impact on the 2007 global economy and dampen the PCB demand and industry growth in 2007 as predicted, the Group will regulate its capacity expansion plans accordingly.

If we take away the exceptional, non-cash employee expense charge, and barring any unforeseen circumstances such as U.S. or global economy slowdown, the Group is confident that the results for 2007 will remain satisfactory.

Finally, on behalf of the Board, I would like to take this opportunity to express my thanks and appreciation to all employees who have contributed to our results in 2006, and I look forward to another successful year ahead.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2006, the Group was at its final stage of reorganisation (the "Reorganisation") in prepentation for its listing listing on The Stock Exchange of Hong Kong Limited (the "Listing") on 2 February 2007. The Group's liquidity position has improved after taking in the net Listing proceeds, totalling approximately HK$1,046 million in February 2007.

As at 31 December 2006 the Group's net current liabilities and current ratio stood at HK$908.3 million and 0.67 respectively (2005: HK$207.2 million and 0.87 respectively). Net gearing ratio (total net borrowings as a percentage of total equity) was 1.67 in 2006 (2005: 0.96). The increase in net current liabilities position was primarily due to the HK$700 million payable to Photomask (HK) Limited ("PHKL"), the former holding company of the Group, being part of the consideration in acquiring the Group's printed circuit boards ("PCB") and laminates businesses from PHKL on Reorganisation. Settlement of the HK$700 million had been financed mainly by drawing down short term loan of HK$140 million and long term loan of HK$550 million in January 2007 prior to Listing.

For indicative purposes, the Group had computed certain key ratios as if the Group had taken in the net Listing proceeds of HK$1,046 million and paid out the reorganisation cost of HK$700 million as the year end. If the Group has taken in the net Listing proceeds of HK$1,046 million and paid out the reorganisation cost of HK$700 million at the year end, the current ratio would have improved to about 1.32 and the gearing ratio would be about 0.61.

Increased current assets had been primarily financed by higher creditors and accruals as well as borrowings as at 31 December 2006 which increased by 33% and 19% over 2005 respectively to HK$800 million and HK$1,026.2 million respectively (2005: HK$600.4 million and HK$863.3 million respectively).

Increase of the Group's total borrowings, including bank overdrafts and loans as at 31 December 2006 by 27.2% over 2005 to HK$1,775.3 million, was mainly due to the expansion of the Group's production facilities during the year under review.

Our banking facilities, comprising primarily bank loans and overdrafts, amounted to HK$3,399.1 million as at 31 December 2006, out of which approximately HK$1,531.1 million was unutilized.

As at 31 December 2006, the Group's cash and bank balances increased to HK$211.2 million from HK$174.3 million in 2005.

CHARGES ON GROUP ASSETS

The Group's assets were free from charge as of 31 December 2006. However the Group had floating debentures over the undertakings, properties and assets of certain subsidiaries, as securities for banking facilities amounting to HK$504.7 million as at 31 December 2005.

CAPITAL STRUCTURE

For the year ended 31 December 2006, the Group financed its liquidity requirements through a combination of cash flow as generated from operation, bank overdrafts and bank loans. After Listing, the Group expects the liquidity requirements will be satisfied by a combination of proceeds from the Listing, debt financing and cash generated by operation.

CAPITAL COMMITMENT AND CONTINGENT LIABILITIES

As of 31 December 2006, the Group had capital commitment in respect of purchases of property, plant and equipment of HK$278.3 million, and in respect of additional capital in certain subsidiaries of approximately HK$433.7 million.

During the year ended 31 December 2005 and 2006, the Group spent HK$528.3 million and HK$685.2 million, respectively, for on-going expansion and upgrading of our production facilities.

The Group had no material contingent liabilities at 31 December 2006 and 31 December 2005.

USE OF PROCEEDS

The Group has planned its overall capital expenditure of approximately HK$1.2 billion in 2007 majority of which will be financed from the net Listing proceeds of about HK$1.0 billion, As described in the prospectus of the Company dated 22 January 2007, the Group intends to apply (i) approximately HK$294 million to construct the first phase of the Group's new Guangzhou Meadville Electronics Co., Ltd ("GME") plant for the production of advanced High Density Interconnect ("HDI") PCB products; (ii) approximately HK$229 million to construct the building for the Group's new plant in Dongguan for the production of conventional PCB products, intended for the PRC market and for the installation of certain equipment and facilities for part of this plant; (iii) approximately HK$227 million to expand capacity at the Group's Dongguan Meadville Circuits Limited ("DMC") plant, intended for the overseas market; (iv) approximately HK$157 million to construct the first phase of the Group's new Mica-AVA (Guangzhou) Material Company Limited ("MAGL") plant for laminate and prepreg production; and (v) approximately HK$103 million for capacity expansion and/or upgrade and replacement at the Group's existing production plants.

STAFF AND REMUNERATION POLICY

As at 31 December 2006, the Group had a total of 7,977 employees (2005: 6,396). Staff costs for the year ended 31 December 2006 was HK$419.1 million, representing an increase of 16.2% as compared to 2005 of HK$360.7 million. The Group remunerates its employees based on their performance and work experience and the prevailing market rates. Salaries of employees are maintained at competitive levels while bonuses are granted by reference to the performance of the Group and individual employees.

The Group has approved and adopted a share option scheme on 12 January 2007. No share option was granted under the scheme up to the announcement date.

FOREIGN EXCHANGE FLUCTUATION EXPOSURES AND HEDGES

The Group operates principally in Hong Kong and mainland China, and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and Renminbi. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The Group attempts to minimise its foreign exchange risk exposure through payment of operating costs and maintenance of borrowings at a balanced mix of major currencies.

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 and disposal of subsidiary during the year. However we incurred a one-time loss of HK$52.2 million in the year ended 31 December 2006, due to a reduction in our share of net asset value in Guangdong Shengyi Sci. Tech Company Limited ("GSST"). As of 31 December 2005, the historical cost of our GSST shares totalled HK$70.1 million. These shares were restricted and could not be freely traded on the public market until 9 March 2007. However, on 19 January 2006, GSST approved the conversion of all restricted shares to unrestricted shares at a conversion price of 3.3 shares to the shareholders for every 10 unrestricted shares. Accordingly, the number of shares and percentage of equity held by us decreased from 165,305,000 shares to 141,525,000 shares, and from 25.91% to 22.18%, respectively and such shares have become gradually tradable effective from 9 March 2007. Pursuant to this share reform, the Group's share of net asset value in GSST has decreased by an amount of HK$52.2 million and was charged to the profit or loss account. Pursuant to this Share refirm, the group's share of net asset value in GSST has decrease of by an account of HK$52.2 million a not was charged to the profit and loss account.

SEGMENTAL INFORMATION

Details of segmental information are set out in notes 5 to the financial statements.

REVIEW OF OPERATING RESULTS – FISCAL YEAR ENDED 31 DECEMBER 2006 COMPARED TO FISCAL YEAR ENDED 31 DECEMBER 2005

Turnover

Group's turnover increased by 41.7% to HK$3,140.4 million with details as highlighted in Chairman's Statement.

Cost of Sales

As the Group benefited from sales of higher valued added and higher margin products, better economy of scale and able to pass on raw material increase to customers through selling prices increases, cost of sales increased from HK$1,792.6 million in 2005 to HK$2,486.6 million in 2006, an increase of only 38.7% which fell behind the turnover growth of 41.7%.

Gross Profit

As a result of better performed cost of sales in 2006 over 2005, gross profit increased by 54.1% to HK$653.8 million in 2006 from HK$424.3 million in 2005. Gross margin on turnover also widened to 20.8% in 2006 from 19.1% in 2005.

Other income

Other income increased by 88.2% to HK$97.1 million in 2006 from HK$51.6 million in 2005. This increase was primarily due to higher scrap sales and tooling charges of HK$64.8 million and HK$10.1 million in 2006 respectively from HK$27.8 million and HK$6.3 million in 2005 respectively.

Higher PCB production volume as well as increase in raw copper prices explained for the higher scrap sales income in 2006 over 2005. Increase in tooling charges was due to more new projects as well as tooling charges on new Quick-Turn-Around business in 2006 over 2005.

Selling and distribution expenses

Selling and distribution expenses increased by 32.6% to HK$126.5 million in 2006 from HK$95.4 million in 2005. This increase was primarily due to higher employee expenses as a result of direct sales and marketing headcounts increase in front end region, such as North America, Europe and South East Asia for future business development as well as sales support headcounts increase in Group head office to support the ramping up of sales and customer service activities in 2006.

General and administrative expenses

To support the Group's rapid growth in businesses and turnover, Group's corporate head-office had also increased headcounts in its finance, legal and secretarial, IT, human resource and administration functions. General and administrative expenses, primarily due to increase in employee expenses, increased by 12.5% to HK$154.3 million in 2006 from HK$137.2 million in 2005.

Operating profit

As a result of better gross margin, better other income and better economy of scale in running our fixed expenses, such as selling and distribution expenses and general and administration expenses in 2006, the Group's operating profit increased by 84.9% to HK$470.2 million in 2006 from HK$254.3 million in 2005. Group's operating margin also widened from 11.1% in 2005 to 15.0% in 2006.

Finance costs

Finance costs increased by 55.0% to HK$88.2 million in 2006 from HK$56.9 million in 2005. This increase was due to an increase in borrowings to fund our capital expenditure in capacities expansion of our DMC and Shanghai Meadville Electronics Co., Limited ("SME") production facilities. Total borrowings amounted to HK$1,775.3 million as at 31 December 2006 over HK$1,396.1 million as at 31 December 2005. A rise in interest rates also contributed to this increase in interest expenses.

Share of net profit of associated companies

Share of net profit of associated companies increased by 77.2% to HK$97.8 million in 2006 from HK$55.2 million in 2005, primarily due to increase in net profit of GSST and Suzhou Shengyi Sci. Tech Co., Ltd ("SSST").

Income tax expenses

Income tax expenses increased by 166.1% to HK$48.7 million in 2006 from HK$18.3 million in 2005. This increase was primarily due to an increase in tax expense in China, to HK$44.9 million in 2006 from HK$13.7 million in 2005.

This increase was primarily due to increased tax on profits from our two PRC operations, Dongguan Shengyi Electronics Ltd ("SYE") and SME as a result of expiration of certain of their tax incentives. SYE income tax rate had been increased from 10% in 2005 to 18% in 2006, and SME from 0% in 2005 to 12% in 2006.

This decrease in tax efficiency was partly offset by profit generated by DMC which enjoyed the first year of full income tax exemption in 2006.

As a result, the Group's overall effective tax rate (income tax expenses as a percentage of profit before income tax) increased to 11.2% for the year ended 31 December 2006 from 7.1% for the year ended 31 December 2005.

Profit for the year

As a result of the foregoing, profit for the year increased by 60.4% to HK$384.9 million in 2006 from HK$239.9 million in 2005.

DIVIDEND

The directors do not recommend payment of any final dividend for the year ended 31 December 2006.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

As the Company was listed on 2 February 2007 (the "Listing Date"), the Company was not required to comply with the requirements under the Code or the continuing obligations requirements of a listed company pursuant to the Listing Rules for the year ended 31 December 2006. The Company has applied the principles and complied with all the applicable code provisions set out in the Code since the Listing Date.

AUDIT COMMITTEE

The Company has established an audit committee on 12 January 2007 with written terms of reference in compliance with the code provisions under the Code set out in Appendix 14 to the Listing Rules. The audit committee comprises three independent non-executive directors, namely Mr Lee Eugene, Mr Leung Kwan Yuen, Andrew and Dr Li Ka Cheung, Eric. The Group's annual results for the year ended 31 December 2006 have been reviewed by the Audit Committee at an Audit Committee meetings held on 23 and 28 March 2007 with all committee members attended the meetings.

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 year ended 31 December 2006 as the Company had not been listed on the Stock Exchange as at that date.

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

By Order of the Board
Tang Chung Yen, Tom
Executive Chairman

Hong Kong, 28 March 2007

Please also refer to the published version of this announcement in South China Morning Post.