TTM TECHNOLOGIES INC
Form 425
December 24, 2009

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[MEADVILLE HOLDINGS LIMITED ANNOUNCEMENT DECEMBER 24, 2009]

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No securities of Meadville Holdings Limited or TTM Technologies, Inc. may be offered or sold in the United States absent registration or an exemption from registration under the United States Securities Act of 1933, as amended. This announcement does not constitute an offer to sell or a solicitation of an offer to buy any securities of Meadville Holdings Limited or TTM Technologies, Inc. nor shall there be any sale of any such securities in any country or jurisdiction in which any such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such country or jurisdiction.

TTM Technologies, Inc.
(incorporated in the State of Delaware, United States of America)

Top Mix Investments Limited
(incorporated in the British Virgin Islands with limited liability)

TTM Hong Kong Limited
(incorporated in Hong Kong with limited liability)

JOINT ANNOUNCEMENT

(1) UNDER RULE 13.09 OF THE LISTING RULES

(2) UNDER RULE 8.1 OF THE TAKEOVERS CODE

In connection with the PCB Sale, TTM has filed the Draft Form S-4 with the SEC in the United States, which includes a draft proxy statement/US prospectus in connection with the proposed issuance of new TTM Shares (containing information in relation to the PCB Business, including the Audited Financial Statements of the PCB Business and Management s Discussion and Analysis of the PCB Business, and TTM), on the date of this announcement. The Draft Form S-4 is available for public viewing on the SEC s website (http://sec.gov/ edgar/searchedgar/companysearch.html) and TTM s website (www.ttmtech.com/investors/ investors_sec.jsp) following filing of the Draft Form S-4 with the SEC.

To ensure all Shareholders and potential investors of Meadville have equal and timely access to the information relating to Meadville, the Audited Financial Statements of the PCB Business (as extracted from the Draft Form S-4) and Management s Discussion and Analysis of the PCB Business (as extracted from the Draft Form S-4) are set out in Appendices 1 and 2 to this announcement.

Certain information set out in the Draft Form S-4 constitutes profit forecasts under Rule 10 of the Takeovers Code. The Profit Forecast Information does not meet the standards required by Rule 10 of the Takeovers Code. Shareholders and potential investors should exercise caution in placing any reliance on the Profit Forecast Information.

Further, the Draft Form S-4 filed by TTM with the SEC is preliminary and not complete and may be subject to change and amendments, including amendments that TTM may make in response to comments it receives from the SEC on the Draft Form S-4. Shareholders and potential investors should not rely on the contents of the Draft Form S-4 when dealing in Meadville Shares, TTM Shares and/or other securities of TTM.

INTRODUCTION

Reference is made to the announcement jointly issued by Top Mix Investments Limited, TTM Technologies, Inc., TTM Hong Kong Limited and Meadville Holdings Limited on 16 November 2009 in relation to the Proposal (the **Announcement**). Terms defined in the Announcement have the same meaning when used in this announcement unless the context otherwise requires.

This announcement is jointly issued by Top Mix, TTM, TTM HK and Meadville pursuant to Listing Rule 13.09 and under Rule 8.1 of the Takeovers Code.

FORM S-4

Pursuant to the Securities Act, TTM is required to file a Registration Statement on Form S-4 in draft form (the **Draft Form S-4**) with the SEC in the United States. The Draft Form S-4 is available for public viewing on the SEC s website and TTM s website following filing of the Draft Form S-4 with the SEC. The Draft Form S-4 filed by TTM with the SEC on the date of this announcement includes a draft proxy statement/US prospectus in connection with the proposed issuance of new TTM Shares (containing information in relation to the PCB Business, including the Audited Financial Statements of the PCB Business (as defined below) and Management s Discussion and Analysis of the PCB Business (as defined below), and TTM). Shareholders and potential investors of Meadville are able to obtain a copy of the Draft Form S-4 from the SEC s website (http://sec.gov/edgar/searchedgar/companysearch.html) or TTM s website (www.ttmtech. com/investors/investors_sec.jsp) following filing of the Draft Form S-4 with the SEC. **The information contained in the Draft Form S-4 is preliminary and not complete and may be subject to change and amendments.**

The Form S-4 having become and remaining effective under the Securities Act and not having become the subject of any stop order or proceedings seeking a stop order is one of the conditions for completion of the PCB Sale.

TTM may not issue the securities offered by the proxy statement/US prospectus until the Draft Form S-4 (as amended) is declared effective by the SEC. The proxy statement/US prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities of TTM in any jurisdiction where an offer, solicitation or sale is not permitted.

While there can be no assurance on timing, it is currently estimated that the SEC may declare the Form S-4 (as amended) effective within six to ten weeks from the date of filing, although it is possible that the review period by the SEC may be longer. After the SEC has declared the Form S-4 effective, TTM will mail the proxy statement/US prospectus to its shareholders and Meadville will mail the US prospectus together with the Circular to the Shareholders.

When perusing the Draft Form S-4, Shareholders and potential investors of Meadville may refer to the following sections of the Draft Form S-4 for information relating to the PCB Business and TTM:

- Summary;

- Summary Selected Historical and Pro Forma Financial Data;

- Risk Factors;

- Stock Price and Dividend Information;

- The PCB Combination;

The Stock Purchase Agreement and Related Agreements;

Comparison of Meadville Shareholder and TTM Stockholder Rights;

Unaudited Pro Forma Condensed Combined Financial Statements;

Information Regarding Meadville s PCB Operations and the PCB Subsidiaries;

Certain Relationships and Related Party Transactions of Meadville;

Selected Historical Financial Data of the PCB Business of Meadville;

Management s Discussion and Analysis of Financial Condition and Results of Operations of the PCB Business of Meadville;

Plan of Distribution;

Where You Can Find More Information;

Index to Financial Statements of the Printed Circuit Board Business of Meadville Holdings Limited;

Annex A Stock Purchase Agreement;

Annex B Shareholders Agreement; and

Annex C Opinion of UBS.

UBS Securities LLC issued an opinion to TTM on 15 November 2009 (the **Fairness Opinion**) as to the fairness, from a financial point of view, to TTM of the consideration to be paid by TTM for the PCB Business which is reproduced in Annex C to the Draft Form S-4 (referred to above). Further details relating to the Fairness Opinion are also set out in the sub-section headed Opinion of TTM s Financial Advisor under the section headed The PCB Combination in the Draft Form S-4 (the **Fairness Opinion Section**) (referred to above).

Certain financial information set out in the Fairness Opinion Section constitutes profit forecasts under Rule 10 of the Takeovers Code (the Profit Forecast Information). However, the Profit Forecast Information does not meet the standards for inclusion in the Draft Form S-4 required by Rule 10 of the Takeovers Code relating to profit forecasts. UBS Securities LLC has not reported on whether the Profit Forecast Information has been prepared by TTM with due care and consideration. In addition, as the Profit Forecast Information does not meet the definition of a profit forecast under the Hong Kong Institute of Certified Public Accountants audit guideline for a profit forecast, KPMG LLP (TTM s independent registered public accounting firm) has not reported on whether the Profit Forecast Information, so far as the accounting policies and calculations are concerned, have been properly compiled under the Takeovers Code on the basis of the assumptions made. The TTM Board confirmed that the only reason for including the Fairness Opinion and the Fairness Opinion Section in the Draft Form S-4 is due to requirements under the Securities Act and the Securities Exchange Act of 1934, as amended. In view of TTM s obligations to comply with the US regulatory requirements, TTM has requested for, and the Executive has permitted, the inclusion of the Profit Forecast Information in the Draft Form S-4. Shareholders and potential investors should exercise caution in placing any reliance on the Profit Forecast Information.

Further, the Draft Form S-4 filed by TTM with the SEC is preliminary and not complete and may be subject to change and amendments, including amendments that TTM may make in response to comments it receives from the SEC on the Draft Form S-4. Shareholders and potential investors should not rely on the contents of the Draft Form S-4 when dealing in Meadville Shares, TTM Shares and/or other securities of TTM.

AUDITED FINANCIAL STATEMENTS OF THE PCB BUSINESS AND MANAGEMENT S DISCUSSION AND ANALYSIS OF THE PCB BUSINESS

To ensure all Shareholders and potential investors of Meadville have equal and timely access to information relating to Meadville: (i) the audited combined income statements, the audited combined statements of comprehensive income, the audited combined statements of financial position, the audited combined statements of cash flows and the audited combined statements of changes in equity of the PCB Business on a carve-out basis for the years ended 31 December 2006, 31 December 2007 and 31 December 2008 and for the nine months ended 30 September 2009 (the **Audited Financial Statements of the PCB Business**) as extracted from the Draft Form S-4 are set out in Appendix 1 to this announcement; and (ii) management s discussion and analysis of the financial condition and results of operations of the PCB Business (**Management s Discussion and Analysis of the PCB Business**) as extracted from the Draft Form S-4 are also set out in Appendix 2 to this announcement.

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

Hong Kong, 24 December 2009

As at the date of this announcement, Mr. Tang Hsiang Chien is the ultimate controlling shareholder of Top Mix.

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

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

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

As at the date of this announcement, the Meadville Directors are:

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

Independent non-executive Directors: Mr. Lee, Eugene, Mr. Leung Kwan Yuen, Andrew and Dr. Li Ka Cheung, Eric.

Mr. Tang Hsiang Chien accepts full responsibility for the accuracy of the information contained in this announcement (other than that relating to the Meadville Group and the TTM Group) and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this announcement (other than opinions expressed by the Meadville Group and the TTM Group) have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

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

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

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

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

Appendix 1

Audited Financial Statements of the PCB Business

The following has been extracted from the Draft Form S-4 and all defined terms used in this Appendix 1 shall have the same meaning as given to them in the Draft Form S-4.

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THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

COMBINED INCOME STATEMENTS

		Year Ended 31 December			Nine Months Ended 30 September	
	Note	**2006**	**2007**	**2008**	**2008**	**2009**
		HK$ 000	**HK$ 000**	**HK$ 000**	**HK$ 000**	**HK$ 000**
					(Unaudited)	
Revenue	5	2,838,773	4,108,638	5,212,437	3,930,212	3,505,389
Cost of sales	9	(2,261,374)	(3,150,277)	(4,205,020)	(3,156,792)	(2,844,527)
Gross profit		577,399	958,361	1,007,417	773,420	660,862
Other income	6	87,226	161,330	158,810	125,233	91,733
Selling and distribution expenses	9	(118,899)	(199,790)	(227,397)	(179,097)	(164,209)
General and administrative expenses	9	(129,493)	(200,869)	(259,762)	(140,314)	(276,255)
Share award expenses	7, 9		(226,097)	(10,601)	(8,404)	(9,897)
Operating profit		416,233	492,935	668,467	570,838	302,234
Interest income	10	5,871	28,507	17,440	13,010	5,192
Finance costs	11	(77,974)	(104,311)	(129,359)	(94,503)	(63,759)
Profit before income tax		344,130	417,131	556,548	489,345	243,667
Income tax expense	12	(41,577)	(64,193)	(72,895)	(76,927)	(45,002)
Profit for the year/period		302,553	352,938	483,653	412,418	198,665
Attributable to:						
Equity holders of the PCB Business		239,762	246,094	376,071	336,258	127,245
Minority interests		62,791	106,844	107,582	76,160	71,420
		302,553	352,938	483,653	412,418	198,665

The notes on pages F-10 to F-64 are an integral part of these financial statements.

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended 31 December			Nine Months Ended 30 September	
	2006	2007	2008	2008	2009
	HK$ 000	HK$ 000	HK$ 000	HK$ 000 (Unaudited)	HK$ 000
Profit for the year/period	302,553	352,938	483,653	412,418	198,665
Other comprehensive income					
Exchange differences	43,235	100,657	82,304	107,037	2,736
Fair value (loss)/gain of available-for-sale financial asset			(454)	3,564	(2,921)
Cash flow hedge					
change in fair value of hedging instruments					22,796
transfer to income statement upon change in fair value of hedged items					(17,226)
transfer to property, plant and equipment					(178)
Other comprehensive income for the year/period, net of tax	43,235	100,657	81,850	110,601	5,207
Total comprehensive income for the year/period	345,788	453,595	565,503	523,019	203,872
Total comprehensive income attributable to:					
Equity holders of the PCB Business	276,899	327,997	436,370	422,897	132,083
Minority interests	68,889	125,598	129,133	100,122	71,789
	345,788	453,595	565,503	523,019	203,872

The notes on pages F-10 to F-64 are an integral part of these financial statements.

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

COMBINED STATEMENTS OF FINANCIAL POSITION

	Note	At 31 December 2006 HK$ 000	2007 HK$ 000	2008 HK$ 000	At 30 September 2009 HK$ 000
ASSETS					
Non-current assets					
Property, plant and equipment	14	1,893,672	3,821,412	4,941,778	4,840,601
Leasehold land and land use rights	15	83,045	143,042	147,256	144,567
Intangible assets	16	22,561	149,899	22,159	21,292
Available-for-sale financial asset	17		21,089	20,635	17,714
Derivative financial instruments	24				22,358
Deferred tax assets	25	155	13,124	32,517	42,437
Loan to a fellow subsidiary	30			41,074	10,076
		1,999,433	4,148,566	5,205,419	5,099,045
Current assets					
Inventories	18	266,565	398,420	427,053	457,569
Debtors and prepayments	19	1,114,910	1,480,853	1,163,672	1,083,759
Derivative financial instruments	24				438
Amounts due from fellow subsidiaries	30		244,296	390,242	13,889
Amount due from intermediate holding company	31		40,177		
Amount due from a minority shareholder	29		39,055		
Taxation recoverable		1,129	3,500	19,269	23,752
Cash and bank balances	21	164,964	402,822	797,874	849,012
		1,547,568	2,609,123	2,798,110	2,428,419
Total assets		3,547,001	6,757,689	8,003,529	7,527,464
Equity					
Capital and reserves	22	433,621	1,524,327	1,371,198	1,779,298
Minority interests in equity		197,475	335,728	405,411	534,598
Total equity		631,096	1,860,055	1,776,609	2,313,896
LIABILITIES					
Non-current liabilities					
Borrowings	23	667,600	1,679,147	2,763,230	2,954,662
Derivative financial instruments	24			17,350	13,944

Deferred tax liabilities	25		65,183	79,520	74,779
Financial liabilities	26		264,394	151,270	161,758
Long-term other payables	27		115,658	74,564	24,974
		667,600	2,124,382	3,085,934	3,230,117
Current liabilities					
Creditors and accruals	28	711,257	1,270,757	1,388,419	1,060,395
Amounts due to fellow subsidiaries	30	66,454	99,838	88,481	97,952
Amount due to immediate holding company	31		290,000	643,961	49,492
Amount due to a related party	20	417,859			
Amount due to a minority shareholder	29	119,918	173,677	169,659	122,334
Amount due to a subsidiary of a minority shareholder	29	10,716	5,040	12,338	18,251
Borrowings	23	905,236	908,288	823,013	609,794
Derivative financial instruments	24			8,015	2,023
Taxation payable		16,865	25,652	7,100	23,210
		2,248,305	2,773,252	3,140,986	1,983,451
Total liabilities		2,915,905	4,897,634	6,226,920	5,213,568
Total equity and liabilities		3,547,001	6,757,689	8,003,529	7,527,464
Net current (liabilities)/assets		(700,737)	(164,129)	(342,876)	444,968
Total assets less current liabilities		1,298,696	3,984,437	4,862,543	5,544,013

The notes on pages F-10 to F-64 are an integral part of these financial statements.

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

COMBINED STATEMENTS OF CASH FLOWS

	Note	Year Ended 31 December 2006 HK$ 000	2007 HK$ 000	2008 HK$ 000	Nine Months Ended 30 September 2008 HK$ 000 (Unaudited)	2009 HK$ 000
Cash flows from operating activities						
Profit before income tax		344,130	417,131	556,548	489,345	243,667
Adjustments for:						
Finance costs		77,974	104,311	129,359	94,503	63,759
Interest income		(5,871)	(28,507)	(17,440)	(13,010)	(5,192)
Impairment of intangible assets		55		19,860		
Impairment of property, plant and equipment			10,612			5,419
Amortisation of intangible assets		1,170	1,337	2,991	2,513	878
Amortisation of leasehold land and land use rights		1,876	2,167	3,600	2,688	2,730
Depreciation of property, plant and equipment		200,264	278,664	420,885	309,313	363,980
Dividend income from available-for-sale financial asset						(1,971)
Negative goodwill from acquisition of minority interest in a subsidiary	33(a)	(1,108)				
(Gain)/loss on disposal of property, plant and equipment		(780)	2,563	19,493	6,540	735
Gain on adjustment for contingent consideration in relation to business combination				(13,933)		(13,425)
Net exchange differences		(7,849)	(48,270)	(138,453)	(139,271)	74
Share award expenses			226,097	10,601	8,404	9,897
Operating profit before working capital changes		609,861	966,105	993,511	761,025	670,551
Changes in:						
Inventories		(56,692)	(104,073)	(28,633)	(136,445)	(30,516)
Debtors and prepayments		(235,328)	(149,822)	317,181	(135,694)	79,913
Restricted bank balances		12,075	(2,477)	(1,972)	2,719	(2,524)

Creditors and accruals		202,160	387,728	117,662	167,349	(328,024)
Long-term other payables			115,658	(41,094)	(16,266)	(49,590)
Amounts due from/(to) fellow subsidiaries	33(d)	(53,667)	(210,912)	(157,303)	(153,013)	112,359
Amount due from intermediate holding company			(40,177)	40,177	40,177	
Amount due to immediate holding company	33(d)		290,000	353,961	353,187	(54,884)
Amount due to a related party		(26,340)	(7,859)			
Amounts due from/(to) minority shareholders		(3,240)	14,704	(25,429)	(17,499)	13,141
Amount due to a subsidiary of a minority shareholder		1,686	(5,676)	7,298	3,968	5,913
Cash generated from operating activities		450,515	1,253,199	1,575,359	869,508	416,339
Interest received		5,871	28,507	17,440	13,010	5,192
Interest paid		(77,974)	(104,311)	(88,118)	(80,365)	(66,470)
Hong Kong profits tax paid		(2,627)	(4,451)	(3,226)	(3,275)	
Overseas tax paid		(36,396)	(70,693)	(110,083)	(85,341)	(48,015)
Net cash generated from operating activities		339,389	1,102,251	1,391,372	713,537	307,046
Cash flows from investing activities						
Purchase of property, plant and equipment		(643,282)	(1,218,320)	(1,347,624)	(1,058,114)	(269,023)
Purchase of leasehold land and land use rights		(22,473)				
Proceeds from sale of property, plant and equipment		6,627	3,370	2,650	3,497	2,878
Acquisition of minority interest in a subsidiary	33(a)	(6,354)				
Acquisition of a subsidiary, net of bank balances and cash acquired	33(b)		(694,715)			
Purchase of available-for-sale financial asset			(21,089)			
Dividends received from available-for-sale financial asset						1,971
		(665,482)	(1,930,754)	(1,344,974)	(1,054,617)	(264,174)

Net cash used in investing activities						
Cash flows from financing activities						
New borrowings		1,743,682	3,030,033	3,355,784	2,965,040	1,086,128
Repayment of borrowings		(1,433,973)	(2,030,992)	(2,382,602)	(2,013,526)	(1,082,289)
Capital contribution from immediate holding company			826,612			
Loan to a fellow subsidiary				(41,074)	(41,227)	
Repayment of loan to a fellow subsidiary						30,998
Dividend paid to shareholders			(290,000)	(600,100)	(600,100)	
Dividend paid to a minority shareholder		(29,227)	(101,630)			(91,361)
Capital contribution by a minority shareholder		18,068	114,285			88,349
Distribution to a shareholder			(410,000)			
Net cash generated from financing activities		298,550	1,138,308	332,008	310,187	31,825
Net (decrease)/increase in cash and cash equivalents		(27,543)	309,805	378,406	(30,893)	74,697
Exchange differences on cash and cash equivalents		(8,229)	(32,767)	(10,952)	(13,123)	(457)
Cash and cash equivalents at beginning of the year/period		157,655	121,883	398,921	398,921	766,375
Cash and cash equivalents at end of the year/period	33(c)	121,883	398,921	766,375	354,905	840,615

The notes on pages F-10 to F-64 are an integral part of these financial statements.

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to the Equity Holders of the PCB Business									
	Capital Reserve HK$ 000	Available-for-Sale Financial Asset Reserve HK$ 000	Employee Share-Based Compensation Reserve HK$ 000	Hedging Reserve HK$ 000	General Reserve HK$ 000	Exchange Reserve HK$ 000	Retained Earnings HK$ 000	Total HK$ 000	Minority Interests HK$ 000	Tot Equ HK$
nuary 2006	134,811				68,286	16,889	346,736	566,722	147,207	71
or the year							239,762	239,762	62,791	30
omprehensive :										
ange differences					336	36,801		37,137	6,098	4
omprehensive for the year 31 December					336	36,801	239,762	276,899	68,889	34
ctions with holders:										
contribution by rity shareholder									18,068	1
nd									(29,227)	(2
ution to a older							(410,000)	(410,000)		(41
ition of y interest in a ary									(7,462)	(
er					12,773		(12,773)			
					12,773		(422,773)	(410,000)	(18,621)	(42
December 2006	134,811				81,395	53,690	163,725	433,621	197,475	63
nuary 2007	134,811				81,395	53,690	163,725	433,621	197,475	63
or the year							246,094	246,094	106,844	35
omprehensive :										
ange differences					713	81,190		81,903	18,754	10

omprehensive for the year 31 December			713	81,190	246,094	327,997	125,598	45
ctions with holders:								
contribution by rity shareholder							114,285	11
contribution mmediate g company	826,612					826,612		82
award expenses 7)		226,097				226,097		22
nd (Note 13)		(226,097)			(63,903)	(290,000)	(101,630)	(39
er			48,461		(48,461)			
	826,612		48,461		(112,364)	762,709	12,655	77
December 2007	961,423		130,569	134,880	297,455	1,524,327	335,728	1,86

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

COMBINED STATEMENTS OF CHANGES IN EQUITY (Continued)

	Attributable to the Equity Holders of the PCB Business								
	Capital Reserve HK$ 000	Available-for-Sale Financial Asset Reserve HK$ 000	Employee Share-Based Compensation Reserve HK$ 000	Hedging Reserve HK$ 000	General Reserve HK$ 000	Exchange Reserve HK$ 000	Retained Earnings HK$ 000	Total HK$ 000	Minority Interests HK$ 000
2008	961,423				130,569	134,880	297,455	1,524,327	335,728
year							376,071	376,071	107,582
ehensive									
differences					649	60,104		60,753	21,551
fair value for-sale t		(454)						(454)	
hensive e year cember		(454)			649	60,104	376,071	436,370	129,133
with s: expenses			10,601					10,601	
te 13)			(8,404)				(591,696)	(600,100)	(59,450)
					35,388		(35,388)		
			2,197		35,388		(627,084)	(589,499)	(59,450)
ber 2008	961,423	(454)	2,197		166,606	194,984	46,442	1,371,198	405,411
2009	961,423	(454)	2,197		166,606	194,984	46,442	1,371,198	405,411
period							127,245	127,245	71,420
ehensive									
differences					8	2,359		2,367	369
fair value		(2,921)						(2,921)	
for-sale									

t hedge air value of uments				22,796				22,796	
income on change of hedged				(17,226)				(17,226)	
property, ipment				(178)				(178)	
hensive e nine d r 2009		(2,921)		5,392	8	2,359	127,245	132,083	71,789
with s:									
ibution by areholder									88,349
ibution ate pany	266,120							266,120	
expenses			9,897					9,897	
									(30,951)
					28,183		(28,183)		
	266,120		9,897		28,183		(28,183)	276,017	57,398
ber 2009	1,227,543	(3,375)	12,094	5,392	194,797	197,343	145,504	1,779,298	534,598

The notes on pages F-10 to F-64 are an integral part of these financial statements.

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

UNAUDITED COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to the equity holders of the PCB Business									
	Capital Reserve HK$ 000	Available-for-Sale Financial Asset Reserve HK$ 000	Employee Share-Based Compensation Reserve HK$ 000	Hedging Reserve HK$ 000	General Reserve HK$ 000	Exchange Reserve HK$ 000	Retained Earnings HK$ 000	Total HK$ 000	Minority Interests HK$ 000	T Ec HK
ary 2008	961,423				130,569	134,880	297,455	1,524,327	335,728	1,8
the period mprehensive							336,258	336,258	76,160	4
ge differences					717	82,358		83,075	23,962	1
e in fair value ble-for-sale asset		3,564						3,564		
nprehensive or the nine nded mber 2008		3,564			717	82,358	336,258	422,897	100,122	5
ons with lders: vard expenses										
			8,404					8,404		
(Note 13)			(8,404)				(591,696)	(600,100)	(35,480)	(6
					13,229		(13,229)			
					13,229		(604,925)	(591,696)	(35,480)	(6
ptember 2008	961,423	3,564			144,515	217,238	28,788	1,355,528	400,370	1,7

The notes on pages F-10 to F-64 are an integral part of these financial statements.

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 General information and basis of preparation

(a) General information

Meadville Holdings Limited (the Company) and its subsidiaries (hereinafter collectively referred to as the Group) are principally engaged in the manufacturing and distribution of printed circuit boards (the PCB Business) and copper clad laminates (the 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 (Stock Exchange) on 2 February 2007 (the Listing).

The accompanying combined financial statements presented the financial positions and results of operations of the PCB Business of the Group.

These combined financial statements are presented in units of Hong Kong dollars, unless otherwise stated. These combined financial statements have been approved for issue by a committee of the Board, which has been authorised by the Board of Directors pursuant to the Board resolutions dated 23 October 2009, on 23 December 2009.

(b) Basis of preparation

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

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

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

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

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

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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

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

		Effective for Accounting Periods Beginning on or after
HKAS 1 (Revised)	Presentation of financial statements	1 January 2009
HKAS 23 (Revised)	Borrowing costs	1 January 2009
HKAS 32 and HKAS 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation	1 January 2009
HKFRS 1 and HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate	1 January 2009
HKFRS 2 (Amendment)	Share-based payment Vesting conditions and cancellations	1 January 2009
HKFRS 7 (Amendments)	Financial instruments: Disclosures	1 January 2009
HKFRS 8	Operating segments	1 January 2009
HK(IFRIC) Int 13	Customer loyalty programmes	1 July 2008
HK(IFRIC) Int 15	Agreements for construction of real estates	1 January 2009
HK(IFRIC) Int 16	Hedges of a net investment in a foreign operation	1 October 2008

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

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

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

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

		Effective for Accounting Periods Beginning on or after
HKAS 24 (Revised)	Related party disclosures	1 January 2011
HKAS 27 (Revised)	Consolidated and separate financial statements	1 July 2009
HKAS 39 (Amendment)	Eligible hedged items	1 July 2009
HKFRS 3 (Revised)	Business combinations	1 July 2009
HKFRS 9	Financial instruments	1 January 2013
HK(IFRIC) Int 9 and HKAS 39 (Amendments)	Reassessment of embedded derivatives	30 June 2009
HK(IFRIC) Int 17	Distributions of non-cash assets to owners	1 July 2009
HK(IFRIC) Int 19	Extinguishing financial liabilities with equity instruments	1 July 2010

Whether the adoption of HKFRS 3 (Revised) and HKAS 27 (Revised) have no material impact on the results and financial position of the PCB Business will depend on the incidence and timing of business combinations occurring on or after 1 January 2010. The directors are not yet in a position to state whether any substantial changes to the financial statements will be resulted from adopting HKFRS 9. The directors anticipate that the adoption of other new standards, amendments and interpretations to standards will not result in a significant impact on the results and financial position of the PCB Business.

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

		Effective for Accounting Periods Beginning on or after
HKAS 32 (Amendment)	Classification of right issues	1 February 2010
HKFRS 1 (Revised)	First-time adoption of Hong Kong Financial Reporting Standards	1 July 2009
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters	1 January 2010
HKFRS 2 (Amendment)		1 January 2010

		Group cash-settled share-based payment transactions	
HK(IFRIC)	Int 14 (Amendment)	Prepayments of a minimum funding requirement	1 January 2011

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

		Effective for Accounting Periods Beginning on or after
HKFRS 5	Non-current assets held for sale and discontinued operations (and consequential amendment to HKFRS 1, First-time adoption of Hong Kong Financial Reporting Standards)	1 July 2009

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

		Effective for Accounting Periods Beginning on or after
HKAS 1 (Revised)	Presentation of financial statements	1 January 2010
HKAS 7	Statement of cash flows	1 January 2010
HKAS 17	Leases	1 January 2010
HKAS 18	Revenue	1 January 2010
HKAS 36	Impairment of assets	1 January 2010
HKAS 38	Intangible assets	1 July 2009
HKAS 39	Financial instruments: Recognition and measurement	1 January 2010
HKFRS 2	Share-based payment Scope of HKFRS 2 and HKFRS 3 (Revised)	1 July 2009
HKFRS 5	Non-current assets held for sale and discontinued operations	1 January 2010
HKFRS 8	Operating segments	1 January 2010
HK(IFRIC) Int 9	Reassessment of embedded derivatives	1 July 2009
HK(IFRIC) Int 16	Hedges of a net investment in a foreign operation	1 July 2009

The directors anticipate that the adoption of the above amendments to HKFRS mentioned in Note 1(b) (iii), (iv) and (v) will not result in a significant impact on the results and financial position of the PCB Business.

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 Summary of significant accounting policies

(a) Consolidation

The combined financial statements include the financial statements of the subsidiaries included in the PCB Business made up to year/period end date.

(i) Subsidiaries

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

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

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the PCB Business share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the combined income statement.

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

(ii) Transactions with minority interests

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

(b) Property, plant and equipment

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

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

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Buildings	22 - 25 years
Leasehold improvements	22 - 25 years
Furniture and equipment	5 - 6 years
Plant, machinery and equipment	10 - 12 years
Motor vehicles	5 - 6 years

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

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

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

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

(c) Intangible assets

(i) Goodwill

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

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

(ii) Technologies fee

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

(iii) Customer relationship

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

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(d) Trade and other receivables

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

(e) Impairment of non-financial assets

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

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

(f) Available-for-sale financial assets

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

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

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

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

The PCB Business assesses at the end of reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial asset, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

financial asset previously recognised in profit or loss is removed from equity and recognised in the combined income statement. Impairment losses recognised in the combined income statement on equity instruments are not reversed through the combined income statement.

(g) Inventories

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

(h) Operating leases

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

(i) Borrowings

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

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

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

(j) Derivative financial instruments and hedging activities

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

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

(i) Fair value hedge

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

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

(ii) Cash flow hedge

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

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

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

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

(k) Current and deferred income tax

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of reporting period in the countries where the PCB Business operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

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

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

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(l) Cash and cash equivalents

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

(m) Trade payables

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

(n) Provisions

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

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

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

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

(o) Employee benefits

(i) Employee leave entitlements

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

(ii) Retirement benefits

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

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

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

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(iii) Bonus plans

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

(iv) Share-based compensation

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

(v) Other benefits

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

(p) Government grants

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

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

(q) Financial liabilities put option

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

(r) Revenue recognition

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

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

Rental income is recognised in the combined income statement on a straight-line basis over the term of the lease.

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

(s) Interest income

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

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(t) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the PCB Business entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The combined financial statements are presented in Hong Kong dollars.

(ii) Transactions and balances

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

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

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

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

(iii) Group companies

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

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

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

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

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

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

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(u) Dividend distribution

Dividend distribution to the PCB Business shareholders is recognised as a liability in the PCB Business combined financial statements in the period in which the dividends are approved by the PCB Business shareholders.

3 Financial risk management

(a) Financial risk factors

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

(i) Foreign exchange risk

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

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

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

If RMB had weakened/strengthened by 3.5%, 5.0%, 4.0% and 0.1% against the Hong Kong Dollar (HK$) with all other variables held constant, post-tax profit for the year/period would have been HK$9,852,000, HK$26,400,000, HK$19,875,000 and HK$142,000 higher/lower respectively for the years ended 31 December 2006, 2007, 2008 and nine months ended 30 September 2009, mainly as a result of foreign exchange losses/gains on translation of RMB-denominated trade receivables and foreign exchange gains/losses on translation of RMB-denominated trade payables and borrowings.

If US$ had weakened/strengthened by 0.2%, 0.4%, 0.7% and 0.1% against the HK$ with all other variables held constant, post-tax profit for the year/period would have been HK$634,000 HK$3,092,000, HK$13,817,000 and HK$2,026,000 higher/lower respectively for the years ended 31 December 2006, 2007, 2008 and nine months ended 30 September 2009, mainly as a result of foreign exchange losses/gains on translation of US$-denominated trade receivables and foreign exchange gains/losses on translation of US$-denominated borrowings. Equity would have been nil, nil, nil and approximately HK$22,000 lower/higher respectively at 31 December 2006, 2007, 2008 and 30 September 2009.

(ii) Credit risk

The credit risk of the PCB Business mainly arises from bank balances, amounts due from fellow subsidiaries, a related party and debtors. The carrying amounts of these balances represent the PCB Business maximum exposure to credit risk in relation to financial assets. As at 31 December 2006, 2007, 2008 and 30 September 2009, all the bank deposits are deposited in high quality financial institutions without significant credit risk.

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Counterparty	Rating(i)	At 31 December 2006 HK$ 000	2007 HK$ 000	2008 HK$ 000	At 30 September 2009 HK$ 000
Bank 1	Aa1	45,354	142,397	243,428	194,832
Bank 2	Aa3	2,659	5,675	145,230	113,020
Bank 3	A1	66,902	106,732	144,979	184,715
Bank 4	A1	19,941	53,555	137,950	137,158
Bank 5	Baa1				82,654
Bank 6	A1	10,771	76,187	104,461	
		145,627	384,546	776,048	712,379

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

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

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

(iii) Liquidity risk

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

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	Within 1 Year HK$ 000	Between 1 and 2 Years HK$ 000	Between 2 and 5 Years HK$ 000	Over 5 Years HK$ 000	Total HK$ 000
At 30 September 2009					
Loan to a fellow subsidiary		10,076			10,076
Amounts due from fellow subsidiaries	13,889				13,889
Debtors	958,917				958,917
Cash and bank balances	840,615				840,615
	1,813,421	10,076			1,823,497

The table below analyses the PCB Business financial liabilities into relevant maturity groupings based on the remaining period at the end of reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows, except for the non-interest bearing current liabilities, which are disclosed at their fair values. The difference between the amounts disclosed on the combined statement of financial positions and the table below represents interest elements that have been included in borrowings and long-term other payables which are calculated based on the amounts of the borrowings and long-term other payables held at 31 December 2006, 2007, 2008 and 30 September 2009 without taking into account of future issues and a floating-rate interest which is estimated using applicable interest rate at respective end of reporting period.

	Within 1 Year HK$ 000	Between 1 and 2 Years HK$ 000	Between 2 and 5 Years HK$ 000	Over 5 Years HK$ 000	Total HK$ 000
At 31 December 2006					
Creditors and accruals	711,257				711,257
Amounts due to fellow subsidiaries	66,454				66,454
Amount due to a related party	417,859				417,859
Amount due to a minority shareholder	119,918				119,918
Amount due to a subsidiary of a minority shareholder	10,716				10,716
Borrowings	966,642	275,241	456,377		1,698,260

	2,292,846	275,241	456,377		3,024,464
At 31 December 2007					
Creditors and accruals	1,270,757				1,270,757
Amounts due to fellow subsidiaries	99,838				99,838
Amount due to immediate holding company	290,000				290,000
Amount due to a minority shareholder	173,677				173,677
Amount due to a subsidiary of a minority shareholder	5,040				5,040
Borrowings	1,000,902	510,385	1,292,972		2,804,259
Financial liabilities				393,823	393,823
Long-term other payables	2,482	6,081	124,020		132,583
	2,842,696	516,466	1,416,992	393,823	5,169,977

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	Within 1 Year HK$ 000	Between 1 and 2 Years HK$ 000	Between 2 and 5 Years HK$ 000	Over 5 Years HK$ 000	Total HK$ 000
At 31 December 2008					
Creditors and accruals	1,388,419				1,388,419
Amounts due to fellow subsidiaries	88,481				88,481
Amount due to immediate holding company	643,961				643,961
Amount due to a minority shareholder	169,659				169,659
Amount due to a subsidiary of a minority shareholder	12,338				12,338
Borrowings	876,300	560,727	2,268,407		3,705,434
Derivative financial instruments	12,185	6,491	6,675		25,351
Financial liabilities			190,587		190,587
Long-term other payables	810	15,817	61,064		77,691
	3,192,153	583,035	2,526,733		6,301,921
At 30 September 2009					
Creditors and accruals	1,060,395				1,060,395
Amounts due to fellow subsidiaries	97,952				97,952
Amount due to immediate holding company	49,492				49,492
Amount due to a minority shareholder	122,334				122,334
Amount due to a subsidiary of a minority shareholder	18,251				18,251
Borrowings	690,166	1,242,236	1,797,541		3,729,943
Derivative financial instruments	8,084	6,126	2,938		17,148
Financial liabilities			196,806		196,806
Long-term other payables	21	23,267	1,780		25,068
	2,046,695	1,271,629	1,999,065		5,317,389

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

	Within 1 Year HK$ 000	Between 1 and 2 Years HK$ 000	Between 2 and 5 Years HK$ 000	Over 5 Years HK$ 000	Total HK$ 000
At 30 September 2009					
Forward foreign exchange contracts cash flow hedges:					
Outflow	(5,114)		(174,541)		(179,655)
Inflow	5,517		196,794		202,311

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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

The PCB Business aims to maintain a suitable mixture of fixed rate and floating rate borrowings in order to stabilise interest costs despite rate movements. Interest rate hedging ratio is determined after taking into consideration of general market trends, the PCB Business cash flow patterns and interest coverage ratio. The PCB Business uses interest rate swaps to hedge exposures or to modify the interest rate characteristics of its borrowings. As at 31 December 2008 and 30 September 2009, the PCB Business has interest rate swap contracts of which it pays fixed interest rate and receives variable-interest rate to hedge certain of the PCB Business borrowings amounting to US$100 million.

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

Based on the simulations performed, the impact on profit or loss of a 10 basis-point shift would be a maximum increase of HK$1,573,000, HK$2,358,000, HK$2,455,000 and HK$2,100,000 or decrease of HK$1,573,000, HK$2,358,000, HK$2,455,000 and HK$2,100,000 for the years ended 31 December 2006, 2007, 2008 and nine months ended 30 September 2009 respectively.

(b) Capital risk management

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

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

The PCB Business monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity , as shown in the combined statement of financial position.

The PCB Business strategy was to maintain a solid capital base to support the operations and development of its business in the long term. The table below analyses the PCB Business capital structure at 31 December 2006, 2007, 2008 and 30 September 2009:

	At 31 December			At 30 September
	2006	2007	2008	2009
	HK$ 000	HK$ 000	HK$ 000	HK$ 000
Total borrowings	1,572,836	2,587,435	3,586,243	3,564,456
Less: cash and bank balances (Note 21)	(164,964)	(402,822)	(797,874)	(849,012)
Net debt	1,407,872	2,184,613	2,788,369	2,715,444
Total capital	631,096	1,860,055	1,776,609	2,313,896
Gearing ratio	223%	117%	157%	117%

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

During 2007, the decrease in the gearing ratio above resulted primarily from the increase in capital through capital contribution from immediate holding company.

During 2008, the increase in the gearing ratio above resulted primarily from the increase in borrowings to finance the purchases of property, plant and equipment.

During 2009, the decrease in the gearing ratio above resulted primarily from the increase in capital through capital contribution from immediate holding company.

(c) Fair value estimation

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

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

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

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

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

	At 30 September 2009 HK$ 000
Assets	
Level 2	
Derivatives financial instruments	22,796
Level 3	
Available-for-sale financial asset	17,714
Total assets	40,510
Liabilities	
Level 2	
Derivatives financial instruments	15,967

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

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

Specific valuation techniques used to value financial instruments include:

(i) The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curve.

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(ii) The fair value of forward foreign exchange contracts is determined using forward exchange rates at the end of reporting period, with the resulting value discounted back to present value.

(iii) Enterprise value calculation method is used to determine the fair value for the available-for-sale financial asset which uses an average of the latest two years earnings before interest, tax and depreciation and amortisation (EBITDA) extracted from the latest unaudited financial results of the security and an enterprise value multiplier of 5.5 times. The enterprise value multiplier used is within the range of the multiplier of similar companies within the same industry.

4 Critical accounting estimates and judgements

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

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

(a) Useful lives of property, plant and equipment

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

(b) Impairment of non-financial assets

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

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

(c) Provision for impairment of trade and other receivables

The PCB Business makes provision for impairment of trade and other receivables based on an assessment of the recoverability of these receivables. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of trade and

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

other receivables requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact carrying value of receivables and provision for impairment losses in the period in which such estimate has been changed.

(d) Net realisable values of inventories

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

(e) Present value of financial liabilities

The PCB Business management determines the estimated redemption value of the financial liabilities by using a predetermined formula based on the put option agreement described in Note 26. This formula requires the use of estimates and assumptions which are described in Note 26. Any changes in these assumptions will impact the present value determined and the amount recorded in the combined statement of financial position.

(f) Allocation of corporate expenses and income

The PCB Business management specifically determines the allocation of certain general corporate expense and interest income of the Company. For those expense and income for which a specific identification method is not practicable, the expense and income are allocated based on the estimates that management considered as a reasonable reflection of the utilisation of service provided to, or benefits received by the PCB Business.

Corporate expenses allocated to the PCB Business mainly represented share award expenses (Note 7). For shares that are granted to the employees of the PCB Business, the related expenses are recorded based on the actual expenses of those employees. For shares which are granted to corporate level management, share award expenses are allocated based on revenue of the PCB Business to the Group. The allocation basis requires the use of judgement and estimates. Management has performed sensitivity analysis by applying different allocation basis (i.e. based on operating profit of the PCB Business to the Group) and there is no significant impact on combined income statement.

5 Turnover/Revenue

Turnover/revenue represents the sales of printed circuit boards during the year/period.

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6 Other income

	Year Ended 31 December			Nine Months Ended 30 September	
	2006	2007	2008	2008	2009
	HK$ 000	HK$ 000	HK$ 000	HK$ 000 (Unaudited)	HK$ 000
Sales of scrap	61,837	119,967	153,508	121,689	84,076
Investment tax credits	8,054	29,518			
Dividend income from available-for-sale financial asset					1,971
Tooling charges	10,146	5,757			
Rental income from fellow subsidiaries	2,605	959	1,282	719	508
Negative goodwill from acquisition of minority interest in a subsidiary (Note 33(a))	1,108				
Sundries	3,476	5,129	4,020	2,825	5,178
	87,226	161,330	158,810	125,233	91,733

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

7 Share award expenses

In 2007, SuSih, the controlling shareholder of the Company, through its then wholly owned subsidiary Total Glory Holdings Limited (Total Glory), granted 120,556,000 shares from Total Glory s shareholding in the Company to the employees and senior executives of the Company who are involved in the PCB Business so as to allow them to share in the PCB Business success and to incentivise and reward them.

Out of the total 120,556,000 shares, 93,396,000 shares are not subject to any vesting condition whereas 27,160,000 shares are subject to certain vesting condition. For the years ended 31 December 2007, 2008 and nine months ended 30 September 2008 and 2009, out of the 27,160,000 shares which are subject to vesting condition, nil, 4,557,000, 4,044,000 (unaudited) and 5,014,000 shares were forfeited and returned to Total Glory respectively. Based on the offer price of HK$2.25 per share, share award expenses of approximately nil, HK$5.3 million, HK$4.8 million (unaudited) and HK$0.1 million were credited to the combined income statement for the years ended 31 December 2007, 2008 and for the nine months ended 30 September 2008 and 2009 respectively as a result of forfeiture. In addition, those granted shares which are subject to vesting conditions and based on the offer price of HK$2.25 per share, net share award expenses of HK$16.0 million, HK$10.6 million, HK$8.4 million (unaudited) and HK$9.9 million were charged to the combined income statement for the years ended 31 December 2007, 2008 and nine months ended 30 September 2008 and 2009 respectively.

In respect of 93,396,000 shares granted in 2007 which are not subject to any vesting condition, all of them were vested in 2007 and HK$210.1 million was charged to the combined income statement for the year ended 31 December 2007. No share award expense was charged to the combined income statement for the year ended 31 December 2008 and nine months ended 30 September 2008 and 2009 in relation to those granted shares which are not subject to any vesting condition.

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

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8 Employee benefit expenses

	Year Ended 31 December			Nine Months Ended 30 September	
	2006	2007	2008	2008	2009
	HK$ 000	HK$ 000	HK$ 000	HK$ 000 (Unaudited)	HK$ 000
Wages and salaries	362,590	532,879	691,296	516,392	515,640
Share award expenses (Note 7)		226,097	10,601	8,404	9,897
Retirement benefit costs	16,556	19,420	27,860	20,036	18,295
	379,146	778,396	729,757	544,832	543,832

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

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

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9 Expenses by nature

	Year Ended 31 December			Nine Months Ended 30 September	
	2006	2007	2008	2008	2009
	HK$ 000	HK$ 000	HK$ 000	HK$ 000 (Unaudited)	HK$ 000
Raw materials and consumables used	1,398,859	2,049,998	2,600,715	2,001,482	1,747,408
Employee benefit expenses (Note 8)	379,146	778,396	729,757	544,832	543,832
Amortisation of intangible assets	1,170	1,337	2,991	2,513	878
Amortisation of leasehold land and land use rights	1,876	2,167	3,600	2,688	2,730
Depreciation of property, plant and equipment	200,264	278,664	420,885	309,313	363,980
Impairment of property, plant and equipment		10,612			5,419
Impairment of intangible assets	55		19,860		
(Gain)/loss on disposal of property, plant and equipment	(780)	2,563	19,493	6,540	735
Provision for/(written-back of) bad and doubtful debts	15,818	6,590	(1,659)	2,754	2,253
Provision for/(written-back of) inventories	12,264	12,572	6,646	5,550	(2,315)
Management fee expense to a related party (Note 34(g))	5,000				
Sales commission	12,113	12,890	17,038	15,324	6,189
Subcontracting expenses	79,688	82,568	98,987	77,515	27,413
Auditor s remuneration	2,439	4,024	4,843	3,255	3,299
Operating lease rental expense Land and buildings	3,005	4,645	6,036	4,438	3,708
Net exchange (gain)/loss	(18,964)	(68,349)	(152,479)	(154,049)	11,014
Others	417,813	598,356	926,067	662,452	578,345
Total cost of sales, selling and distribution expenses, general and administrative expenses and share award expenses	2,509,766	3,777,033	4,702,780	3,484,607	3,294,888

10 Interest income

	Year Ended 31 December			Nine Months Ended 30 September	
	2006	2007	2008	2008	2009
	HK$ 000	HK$ 000	HK$ 000	HK$ 000 (Unaudited)	HK$ 000
Interest income from banks	2,128	9,786	4,780	3,509	1,269
Interest income from fellow subsidiaries		6,683	12,660	9,501	3,923
Interest income from related parties	3,743				
Interest income from deposits relating to share subscription during the Listing		12,038			
	5,871	28,507	17,440	13,010	5,192

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11 Finance costs

	Year Ended 31 December			Nine Months Ended 30 September	
	2006	2007	2008	2008	2009
	HK$ 000	HK$ 000	HK$ 000	HK$ 000 (Unaudited)	HK$ 000
Interest expenses on bank loans, overdrafts and other short-term loans wholly repayable within five years	77,776	104,311	138,260	97,732	69,346
Less: amounts capitalised in property, plant and equipment (Note)			(24,777)	(17,367)	(12,274)
	77,776	104,311	113,483	80,365	57,072
Interest expense to a fellow subsidiary	198				
Interests on accretion of discount of financial liabilities			15,876	14,138	6,687
	77,974	104,311	129,359	94,503	63,759

Note:

Interest expenses of approximately HK$24,777,000, HK$17,367,000 (unaudited) and HK$12,274,000 arising on borrowings for the construction and acquisition of qualifying assets were capitalised during the year ended 31 December 2008 and nine months period ended 30 September 2008 and 2009 and are included in Additions under property, plant and equipment. There was no such item in 2006 and 2007. A capitalisation rate of approximately 3.9%, 3.8% (unaudited) and 2.0% per annum was used for the year ended 31 December 2008 and nine months ended 30 September 2008 and 2009, representing the interest rate of the loans used to finance the projects.

12 Income tax expense

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

	Year Ended 31 December			Nine Months Ended 30 September	
	2006	2007	2008	2008	2009
	HK$ 000	HK$ 000	HK$ 000	HK$ 000 (Unaudited)	HK$ 000
Current income tax					

Hong Kong profits tax	3,456	(139)	138	1,160	
Overseas taxation	44,875	73,472	78,676	89,706	59,658
Deferred income tax (Note 25)	(6,754)	(9,140)	(5,919)	(13,939)	(14,656)
	41,577	64,193	72,895	76,927	45,002

Taxation has been provided at the appropriate tax rates prevailing in the countries in which the PCB Business operates. Hong Kong profits tax has been provided at the rate of 17.5%, 17.5%, 16.5%, 16.5% and 16.5% on the estimated assessable profit for the years ended 31 December 2006, 2007 and 2008 and nine months ended 30 September 2008 and 2009 respectively. The rates applicable for income tax in mainland China are 33%, 33%, 25%, 25% and 25% for the years ended 31 December 2006, 2007, 2008 and nine months ended 30 September 2008 and 2009 respectively. Certain subsidiaries established in mainland China are entitled to exemption and concessions from income tax under tax holidays. Income tax was calculated at rates given under the concessions.

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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

The taxation of the PCB Business 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 PCB Business operates, as follows:

	Year Ended 31 December			Nine Months Ended 30 September	
	2006	2007	2008	2008	2009
	HK$ 000	HK$ 000	HK$ 000	HK$ 000 (Unaudited)	HK$ 000
Profit before income tax	344,130	417,131	556,548	489,345	243,667
Tax calculated at domestic applicable tax rate	117,565	166,417	134,385	118,105	63,866
Effect of change in tax rate		(10,940)	(14,200)	(157)	
Effect of relief on income tax	(87,636)	(136,263)	(40,090)	(45,866)	(59,090)
Expenses not deductible for taxation purposes	42,209	51,338	40,228	39,496	30,806
Income not subject to taxation	(33,511)	(27,645)	(51,196)	(43,442)	(10,518)
Unrecognised tax loss utilised during the year/period		(2,128)	(1,086)	(4,678)	(3,379)
Tax losses for which no deferred tax recognised	2,950	23,414	4,854	13,469	23,317
Income tax expense	41,577	64,193	72,895	76,927	45,002
Weighted average domestic applicable tax rate	34.2%	39.9%	24.1%	24.1%	26.2%

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.

13 Dividend

	Year Ended 31 December			Nine Months Ended 30 September	
	2006	2007	2008	2008	2009
	HK$ 000	HK$ 000	HK$ 000	HK$ 000 (Unaudited)	HK$ 000
Dividend paid		290,000	600,100	600,100	

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14 Property, plant and equipment

	Buildings HK$ 000	Leasehold Improvements HK$ 000	Furniture and Equipment HK$ 000	Plant, Machinery and Equipment HK$ 000	Motor Vehicles HK$ 000	Construction in Progress HK$ 000	Total HK$ 000
At 1 January 2006							
Cost	481,039	15,413	80,810	1,518,764	17,197	83,461	2,196,684
Accumulated depreciation and accumulated impairment	(91,345)	(7,096)	(39,813)	(646,840)	(11,489)		(796,583)
Net book amount	389,694	8,317	40,997	871,924	5,708	83,461	1,400,101
Year ended 31 December 2006							
Opening net book amount	389,694	8,317	40,997	871,924	5,708	83,461	1,400,101
Exchange differences	13,055		1,063	38,848	179	3,255	56,400
Additions	9,166	411	15,811	220,148	2,933	394,813	643,282
Disposals	(823)	(1,913)	(222)	(2,862)	(25)	(2)	(5,847)
Depreciation	(24,683)	(1,151)	(11,881)	(160,328)	(2,221)		(200,264)
Reclassification	12,873		6,733	349,587		(369,193)	
Closing net book amount	399,282	5,664	52,501	1,317,317	6,574	112,334	1,893,672
At 31 December 2006							
Cost	517,253	10,298	100,302	2,081,859	18,801	112,334	2,840,847
Accumulated depreciation and accumulated impairment	(117,971)	(4,634)	(47,801)	(764,542)	(12,227)		(947,175)
Net book amount	399,282	5,664	52,501	1,317,317	6,574	112,334	1,893,672
Year ended 31 December 2007							
Opening net book amount	399,282	5,664	52,501	1,317,317	6,574	112,334	1,893,672

Exchange differences	30,448		4,422	106,264	393	36,852	178,379
Additions	8,276	91	20,762	292,816	4,024	892,351	1,218,320
Addition through business combinations	160,233		4,998	298,651	127	362,241	826,250
Disposals	(164)		(129)	(5,027)		(613)	(5,933)
Depreciation	(29,551)	(92)	(28,273)	(217,959)	(2,789)		(278,664)
Reclassification	28,338	562	49,845	156,052		(234,797)	
Impairment			(579)	(10,033)			(10,612)
Closing net book value	596,862	6,225	103,547	1,938,081	8,329	1,168,368	3,821,412

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	Buildings HK$ 000	Leasehold Improvements HK$ 000	Furniture and Equipment HK$ 000	Plant, Machinery and Equipment HK$ 000	Motor Vehicles HK$ 000	Construction in Progress HK$ 000	Total HK$ 000
At 31 December 2007							
Cost	752,116	10,937	221,491	2,901,088	21,590	1,168,368	5,075,590
Accumulated depreciation and accumulated impairment	(155,254)	(4,712)	(117,944)	(963,007)	(13,261)		(1,254,178)
Net book amount	596,862	6,225	103,547	1,938,081	8,329	1,168,368	3,821,412
Year ended 31 December 2008							
Opening net book amount	596,862	6,225	103,547	1,938,081	8,329	1,168,368	3,821,412
Exchange differences	41,027		5,245	122,414	353	46,731	215,770
Additions	6,323	85	17,640	59,314	3,406	1,260,856	1,347,624
Disposals	(19,054)		(116)	(1,385)	(118)	(1,470)	(22,143)
Depreciation	(41,354)	(140)	(35,787)	(340,399)	(3,205)		(420,885)
Reclassification	436,130		17,721	750,000		(1,203,851)	
Closing net book amount	1,019,934	6,170	108,250	2,528,025	8,765	1,270,634	4,941,778
At 31 December 2008							
Cost	1,217,579	11,022	263,912	3,850,084	25,424	1,270,634	6,638,655
Accumulated depreciation and accumulated impairment	(197,645)	(4,852)	(155,662)	(1,322,059)	(16,659)		(1,696,877)
Net book amount	1,019,934	6,170	108,250	2,528,025	8,765	1,270,634	4,941,778
Nine months ended 30 September 2009							
Opening net book amount	1,019,934	6,170	108,250	2,528,025	8,765	1,270,634	4,941,778
Exchange differences	590		20	1,701	2	499	2,812
Additions	3,866	5	20,650	8,410	446	235,646	269,023

Disposals			(239)	(186)	(2,680)	(508)	(3,613)
Depreciation	(44,664)	(116)	(31,081)	(285,680)	(2,439)		(363,980)
Reclassification	95,272		8,869	208,930		(313,071)	
Impairment						(5,419)	(5,419)
Closing net book value	1,074,998	6,059	106,469	2,461,200	4,094	1,187,781	4,840,601
At 30 September 2009							
Cost	1,317,440	11,027	292,383	4,068,360	21,491	1,193,200	6,903,901
Accumulated depreciation and accumulated impairment	(242,442)	(4,968)	(185,914)	(1,607,160)	(17,397)	(5,419)	(2,063,300)
Net book amount	1,074,998	6,059	106,469	2,461,200	4,094	1,187,781	4,840,601

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	Year Ended 31 December			Nine Months Ended 30 September	
	2006	2007	2008	2008	2009
	HK$ 000	HK$ 000	HK$ 000	HK$ 000 (Unaudited)	HK$ 000
Cost of sales	186,799	261,906	397,621	294,655	329,683
Selling and distribution expenses	3,472	3,550	3,678	2,750	2,981
General and administrative expenses	9,993	13,208	19,586	11,908	31,316
	200,264	278,664	420,885	309,313	363,980

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

15 Leasehold land and land use rights

The PCB Business interest in leasehold land and land use rights represents prepaid operating lease payments and their net book values are analysed as follows:

	At 31 December			At 30 September
	2006	2007	2008	2009
	HK$ 000	HK$ 000	HK$ 000	HK$ 000
Beginning of the year/period				
Cost	66,825	91,856	154,548	162,933
Accumulated amortisation	(6,750)	(8,811)	(11,506)	(15,677)
Net book amount	60,075	83,045	143,042	147,256
Opening net book amount	60,075	83,045	143,042	147,256
Exchange differences	2,373	6,271	7,814	41
Additions	22,473			
Acquisition through business combination (Note 33(b))		55,893		
Amortisation	(1,876)	(2,167)	(3,600)	(2,730)

Closing net book amount	83,045	143,042	147,256	144,567
End of the year/period				
Cost	91,856	154,548	162,933	162,981
Accumulated amortisation	(8,811)	(11,506)	(15,677)	(18,414)
Net book amount	83,045	143,042	147,256	144,567

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	Year Ended 31 December			Nine Months Ended 30 September	
	2006	2007	2008	2008	2009
	HK$ 000	HK$ 000	HK$ 000	HK$ 000 (Unaudited)	HK$ 000
Cost of sales	157	157	157	118	118
General and administrative expenses	1,719	2,010	3,443	2,570	2,612
	1,876	2,167	3,600	2,688	2,730

	At 31 December			At 30 September
	2006	2007	2008	2009
	HK$ 000	HK$ 000	HK$ 000	HK$ 000
In Hong Kong held on:				
Leases of leasehold land between 10 to 50 years	6,371	6,213	6,056	5,938
In mainland China held on:				
Leases of land use rights between 10 to 50 years	76,674	130,673	135,325	132,851
In India held on:				
Leases of land use rights between 10 to 50 years		6,156	5,875	5,778
	83,045	143,042	147,256	144,567

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

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16 Intangible assets

	Goodwill HK$ 000 (Note (i))	Technologies Fee HK$ 000	Customer Relationship HK$ 000	Others HK$ 000	Total HK$ 000
At 1 January 2006					
Cost	33,779	11,700		800	46,279
Accumulated amortisation and accumulated impairment	(19,724)	(2,925)		(321)	(22,970)
Net book amount	14,055	8,775		479	23,309
Year ended 31 December 2006					
Opening net book amount	14,055	8,775		479	23,309
Exchange differences	477				477
Impairment	(55)				(55)
Amortisation		(1,170)			(1,170)
Closing net book amount	14,477	7,605		479	22,561
At 31 December 2006					
Cost	34,201	11,700		800	46,701
Accumulated amortisation and accumulated impairment	(19,724)	(4,095)		(321)	(24,140)
Net book amount	14,477	7,605		479	22,561
Year ended 31 December 2007					
Opening net book amount	14,477	7,605		479	22,561
Exchange differences	1,014		294		1,308
Acquisition through business combination (Note 33(b))	106,738		20,629		127,367
Amortisation		(1,170)	(167)		(1,337)
Closing net book amount	122,229	6,435	20,756	479	149,899
At 31 December 2007					
Cost	141,953	11,700	20,931	800	175,384
Accumulated amortisation and accumulated impairment	(19,724)	(5,265)	(175)	(321)	(25,485)

Net book amount	122,229	6,435	20,756	479	149,899

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	Goodwill HK$ 000 (Note (i))	Technologies Fee HK$ 000	Customer Relationship HK$ 000	Others HK$ 000	Total HK$ 000
Year ended 31 December 2008					
Opening net book amount	122,229	6,435	20,756	479	149,899
Exchange differences	9,253		925		10,178
Impairment			(19,860)		(19,860)
Adjustment for change in estimate of contingent consideration (Note (ii))	(115,067)				(115,067)
Amortisation		(1,170)	(1,821)		(2,991)
Closing net book amount	16,415	5,265		479	22,159
At 31 December 2008					
Cost	36,139	11,700	22,260	800	70,899
Accumulated amortisation and accumulated impairment	(19,724)	(6,435)	(22,260)	(321)	(48,740)
Net book amount	16,415	5,265		479	22,159
Nine months ended 30 September 2009					
Opening net book amount	16,415	5,265		479	22,159
Exchange differences	11				11
Amortisation		(878)			(878)
Closing net book amount	16,426	4,387		479	21,292
At 30 September 2009					
Cost	36,150	11,700	22,260	800	70,910
Accumulated amortisation and accumulated impairment	(19,724)	(7,313)	(22,260)	(321)	(49,618)
Net book amount	16,426	4,387		479	21,292

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

Impairment charge of approximately HK$55,000, nil, HK$19,860,000, nil (unaudited) and nil has been included in general and administrative expenses in the combined income statement for the years ended 31 December 2006, 2007, 2008 and for the nine months ended 30 September 2008 and 2009, respectively.

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Notes:

(i) Impairment test for goodwill

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

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

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

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

	At 31 December			At 30 September
	2006	**2007**	**2008**	**2009**
Gross margin	21.0%	23.0%	19.2%	19.7%
Growth rate	16.8%	20.0%	10.0%	10.0%
Discount rate	10.0%	8.3%	6.1%	6.1%

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

(ii) Adjustment for change in estimate of contingent consideration

As at 31 December 2008 and 30 September 2009, the present value of the put option which represents a contingent consideration due in 2013 in relation to the acquisition of Meadville Aspocomp (BVI) Holdings Limited (MAH), (previously known as Aspocomp Asia Limited (ASPA)) (Note 33(b)), has been decreased by approximately HK$129,000,000 and has been increased by approximately HK$3,802,000 respectively. In connection with the adjustments made for the year ended 31 December 2008, relevant goodwill has been reduced by approximately HK$115,067,000 and the excess credit of approximately HK$13,933,000 has been recognised in the combined income statement. In connection with the adjustments made for the period ended 30 September 2009, no adjustment was made to relevant goodwill and the excess credit of approximately HK$13,425,000 has been recognised in the combined income statement while an amount of approximately HK$17,226,000 has been debited to the hedging reserve in the combined statements of changes in equity.

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17 Available-for-sale financial asset

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

The fair value of unlisted equity security is based on enterprise value calculation which uses an average of the latest two years EBITDA extr