
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 8-K/A
Amendment No. 1

CURRENT REPORT
Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): April 8, 2010

TTM TECHNOLOGIES, INC.

(Exact Name of Registrant as Specified in Charter)

Delaware

(State or Other Jurisdiction of Incorporation)

0-31285

(Commission File Number)

91-1033443

(IRS Employer Identification No.)

2630 South Harbor Boulevard, Santa Ana, CA

(Address of Principal Executive Offices)

92704

(Zip Code)

Registrant's telephone number, including area code: **(714) 327-3000**

(Former Name or Former Address if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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TABLE OF CONTENTS

[Item 8.01. Other Events](#)

[SIGNATURES](#)

[EXHIBIT INDEX](#)

[EX-23.1](#)

[EX-99.1](#)

[EX-99.2](#)

EXPLANATORY NOTE

This Amendment No. 1 to Form 8-K amends the Form 8-K dated April 8, 2010, originally filed by TTM Technologies, Inc. (the "Company") with the Securities and Exchange Commission on April 13, 2010 (the "Original Report"). The Company filed the Original Report to report its acquisition of the entire outstanding capital stock of all of the indirect wholly owned subsidiaries of Meadville Holdings Limited (collectively, the "PCB Subsidiaries" or "Meadville") that comprise and operate the printed circuit board business of Meadville Holdings Limited (the "PCB Business"). As permitted by items 9.01(a)(4) and 9.01(b)(2), the Company is filing this amendment to include the financial statements and pro forma financial information required by Items 9.01(a) and 9.01(b), as well as to provide updated information regarding the PCB Business and the PCB Subsidiaries.

Item 8.01. Other Events.

INFORMATION REGARDING MEADVILLE

Overview

Meadville is one of the leading printed circuit board ("PCB") manufacturers in the People's Republic of China ("PRC") by revenue, with a focus on producing high-end PCB products. For the year ended December 31, 2009, Meadville was the fourth largest PCB manufacturer in the PRC by revenue derived from production in the PRC. Meadville's PCB-related products include double-sided and multi-layer PCBs, high density interconnect ("HDI") PCBs, rigid-flex PCBs, integrated circuit ("IC") substrates, circuit design, and quick turnaround ("QTA") value-added services. In addition to having the ability to mass produce a wide range of PCB products, Meadville is able to provide a "one-stop shop" service to its customers, from PCB layout design to small volume quick-turn production of PCBs, including prototypes, to large volume mass production of PCBs.

Meadville's main PCB customers are multinational and PRC original equipment manufacturers ("OEMs"), electronic manufacturing services ("EMS") providers, and PCB traders, many of which are based in the PRC, Japan, South Korea, Southeast Asia, North America, and Europe. These PCB customers use Meadville's products for a variety of industry applications, including in communications equipment, cellular phones, high-end computers and computer peripherals, and consumer electronics, automotive components, and medical and industrial equipment. Meadville sells its products directly to some OEMs and indirectly to other OEMs through EMS providers. When selling PCB products indirectly to OEMs through EMS providers, Meadville primarily negotiates prices and receives specifications for products from OEMs, which develop and sell various end-products. However, in these situations, Meadville receives orders for its PCB products and payments from the EMS providers, which are mandated by the OEMs to manufacture such end-products and which are directed by the OEMs to purchase PCB products from Meadville for assembly into the OEM's components or end-products from Meadville.

Meadville is headquartered in Hong Kong and currently operates a total of seven PCB plants and one drilling and routing plant in the PRC and in Hong Kong. As of December 31, 2009, these plants had a combined available capacity to produce approximately 2.39 million square feet per month of PCB products with an average layer count of 7.9 layers.

Meadville's principal executive office is located at No.4 Dai Shun Street, Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong, and its main telephone number at that location is +852-2660-3100.

Competitive Strengths

Capability to produce technologically advanced PCB products in the PRC

Meadville strives to position itself to produce advanced PCB products, including high layer count conventional PCBs, HDI PCBs, rigid-flex PCBs, and IC substrates, ahead of other PRC-based PCB manufacturers, many of which Meadville believes focus on low-end PCB production and primarily compete in terms of scale and pricing. For example, Meadville commenced commercial production of HDI PCBs in PRC in 2000 and began to invest in IC substrate technology in the PRC in 2002, and is now capable of mass-producing IC substrate products such as chip scale packaging, board on chips, system in package substrates, plastic ball grid arrays, and multi-chip modules ("MCMs"). Meadville's share of revenue derived from sales of HDI PCBs and IC substrates has increased substantially since 2003 and represented 31.0%, 32.8%, and 33.2% of total sales for the years ended December 31, 2007, 2008, and 2009, respectively. With respect to conventional PCBs, Meadville focuses on multi-layer PCBs and can produce PCB products with layer counts of up to 56 layers. Meadville believes that focusing on technologically advanced PCB products helps it to preserve its margins and benefit from the high growth characteristics of these PCB products in the PRC.

Meadville's focus on and commitment to technology is underpinned by continued investment in PCB product and process development, enabling it to remain technologically competitive and to manufacture more advanced PCB products. Aside from developing its own technology, Meadville also believes technology transfer is a successful way to accelerate technology advancement. For example, Meadville has a technology transfer arrangement for the manufacturing of advanced HDI PCB products with a leading Japanese PCB manufacturer, TNCSi.

Location in the PRC

Meadville's location in the PRC is a key strategic advantage. Many of Meadville's key suppliers, direct OEM customers, and EMS customers manufacturing on behalf of overseas OEMs are located in the PRC, reflecting the fact that a large part of the electronics supply chain has migrated into the PRC, particularly for electronics such as desktop computers, notebook computers, servers, cellular phones, and communication equipment products. Proximity to these suppliers and customers enables Meadville to react swiftly to customer demands for comprehensive PCB products and services as well as coordinate more effectively with its suppliers and enjoy a cost advantage in terms of transportation costs over PCB manufacturers located outside of the PRC.

Furthermore, due to generally lower labor costs in the PRC compared to Taiwan, Japan, South Korea, North America, and Europe, Meadville is able to maintain comparatively lower operating costs by locating its operations in the PRC. Meadville believes that these lower labor costs also give Meadville more flexibility in planning its production processes than PCB manufacturers in higher cost jurisdictions, as Meadville is able to optimize its production process effectively by using a mix of automated processes and manual labor to produce its PCB products.

In addition to the operational benefits of Meadville's PRC presence, Meadville has been able to capitalize on the Chinese PCB market's strong growth rate as (i) Meadville believes there is a growing trend to outsource PCB production of high-end products, in addition to low and medium-end products, to the PRC, and (ii) Chinese manufacturers of electronic products are gaining global market share and exporting their products to other countries, which Meadville believes is driving the demand for locally produced PCBs. Meadville believes it is strongly positioned to capitalize on this growth given its strategic location in the PRC and its focus on producing technologically advanced PCB products.

Expansive customer base including many of which are leaders in their respective markets

Meadville believes that it has established strong customer relationships by providing its PCB customers with high-quality products and services from the design phase through to volume production.

[Table of Contents](#)

Meadville services direct and indirect OEM customers from the PRC, North America, Europe, and Asia, which operate in a broad range of industries, many of which operate on a multinational basis. The revenue mix for the PCB Business by geographic location (the final destination to where the final PCB products of Meadville are delivered) in 2009 was 70.3% to the PRC, 7.9% to Europe, 4.8% to Hong Kong, 4.0% to North Asia, 8.4% to Southeast Asia, and 4.6% to North America. Meadville believes some of its key OEM customers are leaders in the markets in which they compete. Meadville has developed long-standing relationships with many of its PCB customers, some of which have had a business relationship with Meadville for more than 10 years.

Meadville believes that its diversified customer base provides it with a stable source of revenue, reducing the potential impact on its performance which may arise from a downturn in a particular end market. In addition, all of Meadville's major customers have PCB product supply qualification programs, which can require up to two years for qualification. Meadville believes its strong and long-standing customer relationships provide significant barriers to entry to new or recent entrants to enter into its markets.

Exposure to fast-growing end-markets

Meadville serves diverse and fast-growing end markets such as the communications equipment, cellular phone, and high-end segments of computers, computer peripherals, and consumer electronics markets. Over the last several years, the PRC has emerged as a global production center for cellular phones, computers and computer peripherals, and high-end consumer electronics. Meadville believes that this trend has driven the growth of the PCB market, particularly in the PRC. Meadville believes that its strategic focus on these fast-growing markets, together with its reputation and network in the PRC, has enabled it to enjoy strong sales growth. Meadville's ability to serve these markets is enhanced by its technological capabilities, as the cellular phone and high-end segments of computers, computer peripherals, and consumer electronics markets require PCB products with higher layer counts, miniaturization, and higher circuit density.

Strong reputation in the market and performance track record

Meadville has been serving its PCB customers since it was founded in 1985 and believes that it has developed a strong reputation for the quality of its products and services. For example, Meadville received "The Excellent Core Partner" and "The Core Partner" awards from one of the major PRC communications equipment manufacturers in 2007, 2008, and 2009, the "Preferred PCB Supplier Award" from a U.S.-based graphic card manufacturer in 2007 and 2008, and the "Most Valued Supplier" award from a U.S.-based network communications equipment manufacturer in 2009. Meadville believes that its brands are also widely recognized among PCB product consumers, including "SYE," a brand it established in 1990, which is well known among local customers in the PRC. Additionally, Meadville believes that its "OPC" brand has an established reputation in international PCB markets as evidenced by Meadville's international customer base.

Experienced management team

Meadville's management team has an average of approximately 19 years of experience in the PCB industry, gained from working for other leading PCB manufacturers in Hong Kong and the PRC, as well as for Meadville. Meadville believes that the extensive industry experience of its senior management helps it to successfully determine and implement its business strategy and direction.

Business Strategy

Meadville aims to become the leading manufacturer and provider of high-end, technologically advanced PCB products and related services based in the PRC. Meadville's strategy to achieve this vision is as follows:

Continuously investing in its product and process development capabilities to develop and introduce advanced technologies and processes to meet its customers' future requirements

Meadville sells its high-end PCB products to manufacturers of technologically advanced products such as communications equipment, cellular phones, high-end segments of computers and computer peripherals and consumer electronics, automotive components, and medical and industrial equipment. Meadville attributes its past success in large part to the development of its product and process development capabilities and believes that in order to continue its growth and preserve its margins it must continually improve its capabilities and capacity to produce technologically advanced PCB products. Meadville's strategy is to advance rapidly up the technology chain and produce cutting edge products through ongoing advanced training for employees, increased investment in new machinery, and collaboration with its customers on its product and process development to meet their product demands. Additionally, in the past Meadville has developed new product lines, such as IC substrates, before there was substantial demand for such products in the PRC, in order to develop and enhance its overall technological capabilities and to be an early entrant into what it believed would become a fast-growing market in the PRC. In 2008, Meadville completed the consolidation of its research and development ("R&D") operations, by merging its Finland, PRC, Japan, and U.S. R&D expertise. This larger R&D organization is working on various advanced projects pertaining to HDI PCB, rigid-flex PCB, and IC substrates technologies, as well as on continuously improving Meadville's manufacturing processes.

Increasing production capacity of high-end PCB products in line with the growth of the market to meet the expected demand for PCB products from customers

Meadville believes that demand for high-end PCB products will continue to grow, driven in particular by increasing demand for communications equipment, cellular phones, computers and computer peripherals, high-end consumer electronics, automotive components, and medical and industrial equipment, as well as by the continued trend of outsourcing and relocation of the production of these products to the PRC. Meadville will continue to closely monitor the relevant PCB market and to prudently increase its high-end PCB production capacity in line with market growth in order to meet increased future demand from its existing and future customers.

Growing its share of the IC substrate market to pursue opportunities for additional high value-added and advanced technology business

Meadville believes that the worldwide market for IC substrates will continue to grow, driven by increasing demand for end-products containing highly-advanced semiconductors. Additionally, Meadville believes that demand for IC substrates from PRC manufacturers will begin to grow significantly given the migration of the production of semiconductors and end-products containing highly advanced semiconductors to the PRC. Meadville believes that it is one of the first manufacturers of IC substrates in the PRC and, accordingly, it expects to have an early-mover advantage over its competitors because it has developed and acquired the highly advanced technology necessary to produce IC substrates and believes that it has the ability to establish its reputation in the PRC market before its competitors. Given their high level of complexity, Meadville believes that manufacturers of IC substrates can expect to achieve higher average selling prices for their products, which may result in relatively higher margins if sufficient product volumes and product yields are achieved in the manufacturing process. At present, Meadville remains focused on increasing its production volumes and product yields in IC substrates to reach what it believes will be a level consistent with demand. Meadville plans to continue to develop this aspect of its business in order to continue to capture opportunities in this market.

Focusing on the continued development of customer relationships and earlier involvement in customers' product development process

Meadville intends to focus its sales and marketing efforts on PCB customers which are leaders or emerging leaders in the industry application markets which require Meadville's products, especially those

that Meadville believes have high growth potential. Meadville believes that its ability to anticipate and meet these customers' needs is critical to retaining existing customers and attracting leading companies as customers. Meadville aims to work closely with its PCB customers to develop products that meet its customers' specifications and fulfill their quality and delivery requirements. In addition, Meadville offers services, such as design and engineering services, which allow it to become involved earlier on in the design and development phases of its customers' products. Meadville plans to continue to emphasize its customer-oriented culture and enhance the quality, technological sophistication, cost competitiveness, and time to market of its PCB products.

Continuing to engage in technology alliances with strategic partners in order to gain access more quickly to advanced technologies

Meadville maintains a strategy of building alliances with other, more advanced PCB manufacturers headquartered in Japan in order to gain advantages in its core market through the sharing and transfer of technologies and know-how. These alliances allow Meadville to gain access to technologies it may not be able to otherwise obtain, or to obtain them more rapidly, and in return, Meadville provides its strategic partners with PCB products at competitive prices, which they can re-sell in their own targeted markets. Meadville's strategic alliance with TNCSi for the production of advanced HDI PCBs in the PRC is an example of this practice. Meadville plans to engage in more of these alliances in the future, particularly in order to expand its business into new product lines, including flexible and/or rigid-flex PCBs. The acquisition of advanced technologies is one of Meadville's critical strategies, which it believes will allow it to attract more customers for its high-end products and to expand its business.

Maintaining the high quality of its workforce

Meadville operates in an industry where highly skilled employees are in high demand. Its workforce consists of highly trained employees with years of expertise and knowledge of Meadville's manufacturing techniques. Meadville plans to maintain its high quality workforce and attract new employees by providing its employees with incentives such as opportunities to learn advanced skills at Meadville's engineering training centers in the PRC. Meadville will also continue to seek to hire highly qualified and well-educated professional staff through on-campus recruiting at universities throughout the PRC.

History of Meadville

In 1990, Meadville Holdings Limited entered into the PRC PCB market through its initial 50% joint venture interest in Dongguan Shengyi Electronics Ltd. ("SYE"), based in Dongguan, PRC. In 1997, Meadville Holdings Limited decided to target the sophisticated HDI PCB market by establishing Shanghai Meadville Electronics Co., Ltd. ("SME"), in Shanghai. SME is equipped with state-of-the-art manufacturing equipment, including laser drills and horizontal plating lines, in order to meet the stringent technical requirements in the high-end communications equipment and consumer electronics industries. In 1999, Meadville Holdings Limited established a training center, Shanghai Meadville Science & Technology Company Limited ("SMST"), in Shanghai to support its process and product development functions for high-end PCB manufacturing. In 2001, Meadville Holdings Limited began to offer PCB layout design, IC substrate layout design, and circuit simulation services to PRC electronics manufacturers with the establishment of Meadville Innovations (Shanghai) Co., Ltd. ("MISL") in Shanghai. In that same year, Meadville Holdings Limited launched another major investment through the establishment of another joint venture company, DMC, in Dongguan, PRC. Dongguan Meadville Circuits Limited ("DMC") was established to produce high-layer, complex PCBs for the communications infrastructure, high-end computing, industrial, and medical equipment industries. In 2002, in anticipation of the development of the IC substrate market in the PRC, Meadville Holdings Limited expanded into the IC substrate manufacturing industry through the establishment of a volume production plant at SMST where it manufactures organic IC substrates for the semiconductor assembly and test market. In 2004, commercial production of multi-layer PCBs commenced at DMC, after the installation of new machinery at that plant. By 2005, SME began volume production of two-level HDI PCBs, while OPC Manufacturing

[Table of Contents](#)

Limited ("OPCM") developed the capability to produce PCBs of up to 44 layers and commenced QTA, production services. Meadville Holdings Limited also established PCB testing and laboratory facilities at SMST in the same year. In October 2006, OPC transferred its PCB production plant to OPCM, and OPC ceased manufacturing PCBs.

Meadville Holdings Limited's shares were listed on the Stock Exchange of Hong Kong (the "HKSE") on February 2, 2007. In December of that same year, Meadville Holdings Limited acquired from Aspocomp Group OYJ a controlling interest in Aspocomp Asia Limited (now known as Meadville Aspocomp (BVI) Holdings Limited) ("Aspocomp"), and took over operations of its plant in Suzhou, PRC. In 2008, Meadville Holdings Limited's GME plant was completed and Meadville Holdings Limited expanded its advanced HDI production in the PRC to Guangzhou Meadville Electronics Co., Ltd. ("GME") in Guangzhou. To expand product offerings, Meadville Holdings Limited invested in flexible PCB manufacturing and started sample production in May 2008 and received its first mass volume orders in June 2009. In 2009, Meadville Holdings Limited received AS9100B and Nadcap certifications, which are required for manufacturing PCBs for the aerospace industry. Following the consummation of the Company's acquisition of the PCB Subsidiaries (the "PCB Combination"), effective Monday, April 19, 2010, Meadville Holdings Limited withdrew its shares from the HKSE.

Products and Services

Meadville offers a wide range of PCB products, including conventional PCBs, HDI PCBs, rigid-flex PCBs, and IC substrates. Its principal products are multi-layer PCBs which it manufactures on a high volume, low mix basis, with mix referring to the range and number of PCB products Meadville produces, as well as on a low volume, high mix basis.

Meadville also offers certain value-added services to support its customers' needs. These include design for manufacturability ("DFM") support during new product introduction stages, PCB layout design, simulation and testing services, QTA production, and drilling and routing services. By providing these value-added services to customers, Meadville is able to provide them with "one-stop shop" capabilities, which Meadville believes enhances its relationships with its customers and provides it with opportunities for rapid technology advancement.

Meadville's primary PCB-related products and services are summarized in the following table:

Products/Services	Specifications	Major Applications
PCB Products		
Conventional PCBs	Production of conventional PCBs with layers ranging from two layers to 56 layers	Electronic products for the communications, computer and computer peripherals, consumer electronics, automotive components, industrial, and medical equipment end markets
HDI PCBs	Production of HDI PCBs ranging from four layers to 20 layers	Hand-held consumer electronic devices, cellular phones, and hand-held medical equipment
Rigid-flex PCBs	Production of two- to four-layer flexible circuit boards, and rigid-flex circuit boards up to 10 layers	Electronic products for consumer, medical, telecommunications, cellular phone, and data storage applications

[Table of Contents](#)

Products/Services	Specifications	Major Applications
PCB Products		
IC substrates	Production of IC substrates including CSP, BOC, MCM, and SiP (defined below) using laser technology and ultra fine line processes to meet semiconductor standards	All semiconductor applications, including memory applications, wireless communications and broadband devices, networking and computing equipment, and automotive components
Value-Added Services		
QTA services	Production of PCBs within a reduced timeframe to meet customers' time-to-market requirements	QTA services are often used in prototype production and at the new product introduction stage to reduce the time to market of a product
Design and engineering services	Design and engineering services such as PCB and IC substrate layout design and signal integrity simulation	Design and engineering services are provided in the early stages of product development
Drilling and routing	High-speed mechanical drills and routers to drill and route PCBs and IC substrates. Manufacture spare parts for PCB manufacturing equipment	Drilling and routing are manufacturing procedures necessary for the production of PCBs

PCBs

Meadville sells a variety of PCB products, including conventional PCBs, HDI PCBs, rigid-flex PCBs, and IC substrates. Meadville believes that its capacity to produce a wide range of PCB products, the variety of applications in which each type of PCB can be used, and its ability to provide "one-stop shop" services to customers ensures that it has a diversified customer base and protects the company from fluctuations affecting any one particular end market. Included below is an overview of Meadville's PCB products.

Conventional PCBs

A PCB is a board containing a pattern of conducting material, such as copper, which becomes an electrical circuit when electrical components are attached to it. It is the basic platform used to interconnect electronic components and can be found in most electronic products, including computers and computer peripherals, communications equipment, cellular phones, high-end consumer electronics, automotive components, and medical and industrial equipment. Conventional PCBs can be classified as single-sided, double-sided, and multi-layer boards. Meadville currently focuses on the production of rigid, multi-layer PCBs.

Multi-layer PCBs account for the largest share of Meadville's total revenue from PCB products. A multi-layer PCB can accommodate more complex circuitry than a double-sided PCB. It has more than two copper circuit layers with pieces of laminate bonded by resin in between layers. Multi-layer PCBs require more sophisticated production techniques compared to single and double-sided PCBs as, among other things, they require high precision manufacturing and more stringent product quality. The complexity of the application for which a PCB can be used increases with the number of layers comprising the PCB.

Table of Contents

For instance, two to six layer PCBs are generally used for automotive and computer peripherals, while 8 to 12 layer PCBs are generally used for notebook computers, computer servers, and graphic cards. PCBs with 14 layers or more are generally used for networking, communications equipment, and high-end computer servers. A large portion of the conventional PCBs manufactured by Meadville with 14 or more layers are backplanes, which are generally a larger and thicker type of PCB, on which connectors are mounted to connect with other PCBs, IC substrates, and other electronic components. The manufacture of backplane products requires specialized expertise and equipment because of the larger size and thickness of the backplane relative to other PCBs and the increased complexity of the product. Examples of the end-products in which Meadville's PCBs are used include Fujitsu notebook PCs, ATI graphic cards, office automation equipment for Konica, Minolta, and Ricoh, networking systems for Huawei and ZTE, medical equipment for Toshiba, and products in the commercial aerospace industry.

Meadville is capable of producing commercial quantities of PCBs with up to 56 layers at a board thickness of 10 mm and, in addition, its OPCM plant has the capability to produce PCBs with up to 44 layers and its DMC plant has the capability to produce PCBs with finished board thicknesses of up to 8.0 mm. Meadville's major multi-layer PCB products include six to 16 layers, which in aggregate accounted for approximately 51.8% of Meadville's sales of PCB products for the year ended December 31, 2009.

HDI PCBs

Meadville produces HDI PCBs, which are PCBs with higher wiring density per unit area and require more sophisticated technology and manufacturing processes for their production than conventional PCB products. HDI PCBs are boards with high-density characteristics including micro holes, or vias (diameter typically less than 0.1 mm), fine lines (line width and spaces typically less than 0.075 mm), and are composed of high performance materials, thereby enabling more connectivity functions per unit area. In general, a board's complexity is a function of density, layer count, material/laminate, and surface finishes. Board density represents a key indicator of a PCB's overall complexity. There are numerous measurements of a board's density. These include minimum line width (inner and outer layers), minimum line spacing, minimum via size, and aspect ratio. In general, the most widely used method for achieving HDI packing density is to build up microvia layers on top of conventional PCB core layers. 1+HDI PCBs are high density PCBs with one microvia layer of build up, while 2+HDI PCBs are high density PCBs with two microvia layers of build up.

As end-products have become smaller and more portable, with higher functionality, demand for HDI PCB products has increased dramatically. Examples of their use can be found in many different consumer products such as cellular phones, handheld electronic devices, and gaming consoles. In general, 1+HDI PCBs are used in digital cameras, MP3 players, gaming consoles, and basic cellular phones. More sophisticated products like commercial broadcasting camcorders, MP4 players, and cellular phones with functions such as cameras, MP3 players and 3G applications typically require 2+HDI PCBs. As more advanced features are added to cellular phones and notebooks, Meadville is now capable of producing commercial quantities of 3+HDI PCBs for cellular phones and 4+HDI PCBs for notebooks. Meadville's PCB products can be found in end-products such as TCL, Bird, and ZTE cellular phones.

Meadville's HDI PCB products were initially developed internally and its production techniques were later enhanced through licensing arrangements with strategic partners such as TNCSi. Under this arrangement Meadville was able to obtain and use higher-yielding production technology developed by TNCSi to produce more advanced HDI PCBs, including 1+ and 2+HDI PCBs, much earlier than Meadville could have through its own internal development.

Rigid-flex PCBs

Rigid-flex circuitry provides a simple means to integrate multiple PCB assemblies and other elements such as display, input, or storage devices without wires, cables, or connectors, replacing them with thin, light composites that integrate wiring in ultra-thin, flexible ribbons between sections. In rigid-flex

packaging, a flexible circuit substrate provides a backbone of wiring with rigid multilayer circuit sections built-up as “islands” where needed.

Since the ribbons can be bent or folded, rigid-flex provides a means to compactly package electronics in three dimensions with dynamic or static bending functions as required, enabling miniaturization and thinness of product design that would be otherwise impossible. The simplicity of rigid-flex integration also reduces the number of parts required, thus improving reliability. The increasing popularity of mobile electronics coupled with the design trend of developing increasingly thinner, lighter, and more feature-rich products is driving growth in the rigid-flex and flex sector, where these PCBs are the backbone of miniaturization.

Rigid-flex technology is essential to a broad range of applications including aerospace, industrial, and transportation systems requiring high reliability, hand-held, and wearable electronics such as mobile phones, video cameras, and music players where thinness and mechanical articulation are essential, and ultra-miniaturized products such as headsets, medical implants, and semiconductor packaging where size and reliability are paramount.

Meadville’s newly developed rigid-flex and HDI rigid-flex product line is a high value-added segment of its business. Meadville commenced mass production of this product line in the third quarter of 2008.

IC substrates

Meadville currently manufactures a relatively small amount of IC substrates. IC substrates are mounts that are used to connect very small ICs, or semiconductors, to comparatively larger PCBs for assembly into electronic end-products such as memory modules, cellular phones, digital cameras, automotive GPS systems, and engine controls. IC substrates, also known as IC carriers, are highly miniaturized circuits manufactured by a process largely similar to that for PCBs, but requiring the use of ultra-thin materials and including micron-scale features, as they must bridge the gap between sub-micron IC features and millimeter scale PCBs. Consequently, IC substrates are manufactured in a semiconductor-grade clean room environment to ensure products are free of defects and contamination.

IC substrates are a basic component of IC packages which, combined with other electronic components in an assembly, control functions of an electronic appliance. IC packages can be broadly divided into single chip modules (“SCMs”) and MCMs, with the former containing one IC chip, and the latter containing multiple chips and other electronic devices. Meadville produces SCM substrates, including chip scale packages (“CSPs”), board on chips (“BOCs”), and PBGAs (concentrating on the ultra-thin CSP and BOC market) and MCMs in “stacked die” and “chip array” formats.

As a relatively new technology, investment in IC substrate production is more costly than that for conventional or HDI PCB production. As with HDI PCB production, a fundamental factor driving technology development is interconnection density, which requires increasing product performance and features requiring more complex circuitry in ever smaller unit areas. A secondary factor is the small size of the parts ranging from approximately 3.0 mm x 3.0 mm to 50 mm x 50 mm, which dictate a manufacturing process suitable for miniaturized parts. The PCB Business is able to manufacture finished IC substrates as thin as 0.19 mm, and circuit track widths as narrow as 0.035 mm. The following are the main types of IC substrates Meadville produces and their distinguishing features.

- *Chip Scale Package* — Semiconductor packages with an area of no more than 1.2 times the size of the semiconductor die. Typically, CSPs are used in applications where package thickness, size, and weight must be minimized, such as cellular phones, digital cameras, PDAs, notebook computers, and wearable medical devices.
- *Board On Chip* — BOC packages are a specialized CSP type used for advanced high speed memory chips, where electrical resistance must be minimized to ensure high-speed

transmission for use in high-speed applications. To achieve this, chips are mounted face-down, with fine-pitch wires passing through a slot in the substrate to connect the chip and substrate with wires of minimum length.

- *Multi-Chip Modules* — An MCM is a package consisting of two or more ICs electrically connected to a common circuit base and interconnected by conductors in that base. MCMs combine several semiconductor die and passive components to form a small system, an example of which is a GPS module. It is more reliable than other available technologies and is mainly used in automotive components, GPS navigators, and engine controls.
- *System-in-a-Package (“SiP”)* — A SiP is a number of integrated circuits enclosed in a single package or module. It is more than an IC package containing multiple die. SiP products are fully functional systems or sub-systems in an IC package format. SiP may contain one or more IC chips (wirebonded or flip-chip) plus other components that are traditionally found on the system mother board. Existing market uses for SiP include RF and wireless devices (such as power amplifiers, GPS modules, cellular, and Bluetooth® solutions), Netbooks, digital baseband solutions for the wireless markets, and controllers for hard drives in the storage market.

At present, Meadville focuses on the production of advanced and high-end IC substrates. Some examples of the end-products in which Meadville’s IC substrate products can be found in dynamic and flash memory products.

Value-Added Services

QTA services

Meadville’s QTA services are provided from its Hong Kong production plant at OPCM. Meadville manufactures highly complex PCB products with layer-counts ranging from two to 30, of large-format size, high board thickness, and exotic substrate materials, in four to eight days. Meadville offers both prototype production and “new product introduction” services, which allow its customers to transition a product from prototype to commercial production. As part of Meadville’s prototype production services it produces small batches of 100 square feet or less of new products during the design and testing phase, with lead times ranging from 72 hours to six days. Meadville also builds medium-size batches of 100 to 1,000 square feet of “short lead-time,” pre-production pilot builds, typically for products of lower complexity, with lead times ranging from seven to 12 days. Meadville receives significant premiums over its standard volume pricing for each of these services depending on lead times, complexity, and layer-counts.

Meadville believes that it can efficiently accelerate the transition from prototype design to volume manufacturing of PCBs. Its quick-turn prototype service allows it to provide small test quantities to its PCB customers’ product development groups. Meadville’s participation in product design and prototyping enables it to strengthen its relationships with customers that require DFM services by working together during the design phase of their production. Providing this service also allows Meadville to enter into relationships with its PCB customers at the early product development stage, which can translate into mass production orders for its plants in the PRC.

Design, engineering and other services

Meadville provides design and engineering services during the early stages of production, including circuit board layout and related design services and signal integrity simulation, as well as IC substrate design and testing services to ensure that design and fabrication may be integrated to achieve a high quality and cost-effective product for its customers. These services are provided through Meadville’s design center located in Shanghai, MISL. MISL also evaluates customer designs for manufacturability and recommends design changes. Meadville believes this collaborative process helps its PCB customers improve the systems they are designing, reduces manufacturing costs, and increases

[Table of Contents](#)

manufacturing yields and improves the quality of finished PCB and IC substrates products. In addition, by working closely with its customers throughout the design and manufacturing process, Meadville is able to keep abreast of current market developments, in particular, technology developments, requirements, and customer trends, and further strengthen its customer relationships.

Drilling and routing services

Meadville also provides PCB drilling and routing services to its customers through Shanghai Kaiser Electronics Company Limited ("SKE"), its drilling and routing plant in Shanghai. The process involves using a high-speed mechanical drilling machine to drill small holes on multi-layer PCBs or IC substrates, according to customer specifications.

Production Plants

Plants

Meadville currently operates a total of seven PCB plants and one drilling and routing plant in the PRC and in Hong Kong. Meadville's production plants in the PRC that produce conventional PCBs, HDI PCBs, and rigid-flex PCBs are SYE, SME, DMC, ACP Electronics Co., Ltd. ("MAS"), and GME. The SYE plant is capable of producing conventional PCBs of up to 56 layers, while the SME plant can produce PCBs of up to 22 layers. The two newer plants, MAS and GME, can produce HDI PCBs and conventional PCBs with layer counts up to 20 layers and 12 layers respectively. DMC, which commenced operations in 2004, is capable of producing conventional PCBs of up to 40 layers. SYE and DMC are operated through joint ventures with Guangdong Shengyi Sci Tech Co., Ltd., ("GSST"). GSST is Meadville's largest supplier, supplying Meadville with prepreg and laminate. Guangzhou OPC Flex Limited, which operates out of the GME plant, is currently producing double-sided and multilayer flexible circuit boards, with the double-sided flex cores being developed for use in the manufacture of multilayer rigid flex circuit boards. That plant is currently producing maximum four layer flex and maximum 10 layer rigid flex PCBs. The smallest laser via size is 0.1 mm and the thinnest flexible circuit board produced currently is 0.15mm. Currently, Meadville is manufacturing rigid-flex PCBs at both its GME and SME plants. Meadville's factory in Shanghai, SMST, produces IC substrates, including BOC, flip-chip, CSP, SiP, and PBGA IC substrates. Meadville is able to produce HDI and conventional PCBs of up to 44 layers at OPCM, where it focuses on high value added, small volume production orders.

In addition, Meadville provides drilling and routing services at its plant in Shanghai, SKE, and PCB layout design and engineering services through MISL, its PCB design center located in Shanghai.

Meadville's PCB plants in Eastern and Southern China are in close proximity to its suppliers and customers and have good infrastructure and transportation networks and ready access to a relatively inexpensive and skilled labor force. As of December 31, 2007, 2008, and 2009, the combined available annual PCB production capacity of Meadville's PCB plants was approximately 25.7 million, 30.1 million, and 32.4 million square feet of PCB products, respectively. As of December 31, 2009, Meadville's annualized available production capacity was 19.2 million square feet for conventional PCBs, 12.1 million square feet for HDI PCBs and rigid-flex PCBs, and 1.1 million square feet for IC substrates.

In general, Meadville has designed its production system so that each plant is equipped with the necessary processes and capacity to absorb seasonal upswings of business according to historical trends. However, from time to time Meadville subcontracts portions of its manufacturing processes, which represent a small portion of its total orders. For example, Meadville may subcontract drilling services when it encounters short-term capacity constraints at its own production plants.

Meadville has not experienced any major interruptions to its business due to raw material shortages, water, or power stoppages or due to non-compliance with government rules and regulations that have materially affected its financial condition or its operations.

[Table of Contents](#)

The following table sets forth the location, size, products, and capacity of Meadville's PCB production plants:

Plant	Location	Site Area (sq. ft)	Products	Layer Count Range Capability	Maximum Capacity (sq. ft)(1)	Available Capacity (sq. ft)(2)	Utilization Rate(3)(4)
OPCM	Hong Kong	86,982	HDI (one-plus layer), conventional PCBs, and IC substrates	two layer to 44 layer	561,600	444,000	96.9%
SYE	Dongguan, PRC	494,731	HDI, conventional PCBs	two layer to 56 layer	6,360,000	5,400,000	99.4%
DMC	Dongguan, PRC	1,322,803	HDI, conventional PCBs	two layer to 40 layer	12,000,000	11,520,000	98.3%
SME	Shanghai, PRC	416,761	HDI (one to four-plus layer), conventional and Rigid-Flexible PCBs	two layer to 22 layer	5,160,000	5,160,000	91.5%
GME	Guangzhou, PRC	968,028	HDI (one and two-plus layer), conventional and Rigid-Flexible PCBs	two layer to 12 layer	3,600,000	3,600,000	97.0%
MAS	Suzhou, PRC	1,129,690	HDI (one and two-plus layer) and conventional PCBs	two layer to 20 layer	3,600,000	1,440,000	96.7%
SMST	Shanghai, PRC	521,257	IC substrates	two layer to six layer	1,140,000	1,140,000	96.4%
SKE	Shanghai, PRC	135,207	PCB drilling and routing service	N/A	N/A	N/A	N/A

Notes:

Table of Contents

- (1) "Maximum capacity" equals Meadville's largest estimated available monthly capacity from January 1, 2009 through December 31, 2009 multiplied by twelve. Meadville has estimated its available monthly capacity based on certain assumptions, including hours worked, planned product mix, and expected bottlenecks in the production process.
- (2) "Available capacity" is the estimated available capacity as of December 31, 2009 multiplied by twelve. Meadville estimates its available capacity at the beginning of each month based on certain assumptions, including hours worked, planned product mix, and expected bottlenecks in the production process.
- (3) "Utilization rate" is calculated by dividing the actual square footage of PCB product output in the year from January 1, 2009 through December 31, 2009 by the "available capacity."
- (4) Meadville's capacity measurements are derived from certain estimates and assumptions that are based on our PCB manufacturing experience. These estimates may not be accurate and therefore Meadville's actual PCB production capacity in any month or for any other period may differ materially from the estimated available capacity.

Equipment

Meadville owns substantially all of the equipment it uses in its business. Meadville's equipment includes, for example, carbon dioxide laser drilling machines, horizontal plating machines, and automated optical inspection machines. Meadville reviews annually its equipment needs by each PCB production plant and upgrades its equipment in response to technological advances in production processes, product innovation, and general wear and tear. Certain key pieces of equipment used by Meadville were especially commissioned according to specifications it provided, including plating and etching lines, in order to accommodate the specific production processes developed by Meadville and to improve the efficiency of the production process. It is part of Meadville's strategy to use a mix of automation and manual labor in the manufacturing process in order to optimize the cost efficiency of its operations.

Orders for new equipment are normally negotiated through Meadville's procurement department whereas the maintenance of equipment is undertaken by staff at individual production plants. A majority of Meadville's equipment is purchased from companies located outside of the PRC, and therefore Meadville bears the risk of currency fluctuations in the price of such equipment.

Raw materials and consumables

The key raw materials and consumables used in the production of Meadville's PCB products include prepreg and laminate. Meadville mainly sources these raw materials from Hong Kong, the PRC, Taiwan, and Japan, and pays for purchases in the relevant currency with credit periods which generally range from 60 to 90 days. All raw materials and consumables accounted for approximately 61.0% for the year ended December 31, 2009 of Meadville's total costs of sales. GSST is Meadville's largest supplier, supplying Meadville with prepreg and laminate, and is owned indirectly by Top Mix Investments Limited, a company controlled by Tang Hsiang Chien, a family member of Tom Tang, a director and executive officer of the Company.

Meadville has maintained long-term relationships with its main suppliers, many of which it has dealt with for more than 10 years. Meadville also uses a number of suppliers for each key raw material in order to reduce dependence on any single supplier, with its top five suppliers accounting for approximately 33.3% of total purchases in the year ended December 31, 2009. Meadville's largest supplier, GSST, which supplies it with prepreg and laminate, accounted for approximately 15.2% of total purchases in the year ended December 31, 2009. Future sourcing of prepreg and laminate is expected to come from a number of reputable, high-technology prepreg and laminate suppliers, including Meadville's former prepreg and laminate business, which was sold by Meadville Holdings Limited, concurrent with the closing of the PCB Combination, to Top Mix Investments Limited.

Meadville typically purchases raw materials on the spot market subject to market prices. However, for the purchase of chemicals, Meadville enters into consignment contracts where it is able to

[Table of Contents](#)

lock in a set price per amount of chemicals purchased. Although Meadville does not usually keep an inventory of raw materials in excess of the two week lead time required for current production or have long-term supply contracts with suppliers, Meadville believes that it has been and is able to rely on the relationships with its suppliers to provide sufficient raw materials to meet its production needs.

Customers

Currently, Meadville supplies PCB products and value-added services to OEMs, EMS providers, ODMs, and PCB traders in, among other areas, the PRC, Japan, South Korea, North America, and Europe. Meadville also supplies PCB materials and drilling and routing services to other PCB manufacturers. Meadville supplies IC substrates to semiconductor manufacturers. Customers of its QTA services are primarily OEMs.

Meadville believes that its diversified customer base helps it to understand the needs of different markets, thus preparing it for further technology development and business expansion. Along with its headquarters in Hong Kong, Meadville has marketing offices in the PRC, Malaysia, the United Kingdom, and North America for the marketing and promotion of its PCB products. These marketing offices also serve as contact points where customer feedback and other industry information can be relayed to Meadville headquarters.

Meadville generally works with its OEM customers in the design of their products, and the OEM subsequently either purchases Meadville's products directly, or as is more often the case for non-PRC OEMs, indirectly "purchases" Meadville's products by instructing their EMS providers to purchase Meadville's products to be incorporated into their end-products or component parts. Meadville's relationships with EMS providers which are purchasing its products on behalf of OEMs normally are directed by the OEMs; the OEMs typically conduct the product supply qualification process and Meadville generally engages in non-binding contracts with the OEMs in which terms of service and product delivery and acceptance are set out. Meadville also negotiates product pricing and volumes and enters into a volume discount contract with the OEMs. Meadville also sells its products directly to certain OEM customers such as Huawei and ZTE, both of which it has had as customers for over 10 years. Currently, Meadville is developing a long-term and valued relationship with IBM as a PCB supplier. Meadville sells its products indirectly through EMS providers to OEM customers. Plexus, Celestica, Flextronics, and Inventec are among the EMS providers that purchase Meadville's products for use in OEM assembly projects. In addition, Meadville sells its PCB products to PCB traders, including through its strategic alliance with TNCSI, which allows it to reach customers in markets it may not be able to access otherwise.

Most of Meadville's OEM customers are companies involved in the manufacture of communications equipment, computers and computer peripherals, cellular phones, high-end consumer electronics, medical and industrial equipment, and automotive components. Meadville's major customers in terms of PCB demand engage in the production of a diverse range of products, which include but are not limited to the following:

OEM Customers by Industry Sector

Communications equipment

Cellular phones

Computers and computer peripherals

High-end consumer electronics

Industrial and medical equipment

Automotive components

Major End-Products of Meadville's OEM Customers

Base stations, routers, switches, wired and wireless equipment, and microwave antenna

Cellular phones and accessories

PC motherboards, notebook computers, hard-disk drives, printers, cable TV set-top peripherals boxes, and network servers

Plasma TVs, LCD TVs, DVD recorders, MP3 players, gaming consoles, and digital cameras

X-ray scans, ultrasound scans, CT scans, and MR scans

Car audio, GPS navigator components, and engine control units

[Table of Contents](#)

In the year ended December 31, 2009, sales of conventional PCBs, HDI PCBs, rigid-flex PCBs, IC substrates, and QTA value-added services accounted for 62.4%, 30.8%, 0.8%, 2.3%, and 3.7%, respectively, of Meadville's PCB revenue.

The following table sets forth the breakdown of Meadville's PCB sales by end market for the years listed:

	For the Year Ended December 31,		
	2007	2008	2009
		(In millions of HK\$)	
		(Unaudited)	
PCB Revenue by Application			
Sales and Other Operating Revenues			
Automotive	\$ 35	\$ 53	\$ 59
Cellular phone	1,012	1,256	1,050
Communication	1,268	1,725	1,808
Computer	643	1,015	1,081
Consumer	568	496	320
Industrial and medical	188	224	191
Other	395	443	332

The following table sets forth the breakdown of Meadville's PCB sales by layer count for the years listed:

	For the Year Ended December 31,		
	2007	2008	2009
		(In millions of HK\$)	
		(Unaudited)	
PCB Revenue by Layer Count			
Sales and Other Operating Revenues			
Two, four, and six layers	\$1,009	\$ 922	\$ 675
Eight, 10, and 12 layers	1,336	1,768	1,685
14, 16, and 18 layers	311	438	506
20 layers and above	64	110	150
IC substrates	130	171	111
HDI PCBs	1,145	1,540	1,494
Rigid-flex PCBs	—	74	38
Value-added services	114	189	182

Marketing and sales

Meadville's strategy is to focus on the high-end PCB market, such as high layer count conventional PCBs, HDI PCBs, rigid-flex PCBs, and IC substrates, for which margins are typically higher than lower-end PCB products. Meadville has commenced the development of its QTA business for existing OEM and EMS customers located in Europe and North America and intends to further develop that business in the Asian markets where OEMs are relocating their design centers. Meadville markets its QTA services through a dedicated sales force.

[Table of Contents](#)

Currently Meadville markets its PCB products principally under two brands: the SYE brand in the PRC and the OPC brand in all other countries. As Meadville's production plants have different focuses in terms of their product mix and target customer base, it aims to deploy the right plant and resources to meet its customers' requirements. With the range of PCB products and services that Meadville offers and its multi-plant support capability, Meadville promotes itself as a "one-stop shop" for PCB products.

Meadville believes that its ability to maintain close relationships with its PCB customers is an important factor in its success. Over the years, Meadville has established a marketing approach that includes appointing sales and marketing officers in its major markets worldwide. To enable a more efficient allocation of sales and marketing efforts and to ensure that risks relating to customers and regions are effectively managed, Meadville formulates marketing initiatives to select new customers that are in line with its business strategy. Meadville is continuing to expand its marketing efforts in Japan, North America, and Europe in seeking to expand its market share and enlarge its customer base in these locations. Such efforts include meeting with its existing and target PCB customers, distributing promotional items, providing technical information to business publications, and participating in trade shows and industry conferences.

The following table sets forth the breakdown of Meadville's PCB sales by geographic location for the years listed:

	For the Year Ended December 31,		
	2007	2008	2009
(In millions of HK\$) (Unaudited)			
PCB Revenue by Geographic Location (the final destination to where the final PCB products of Meadville are delivered)			
Sales and Other Operating Revenues			
Mainland China	\$2,748	\$3,342	\$3,402
Europe	308	468	384
Hong Kong	320	325	232
North Asia	278	270	194
Southeast Asia	231	405	407
North America	224	402	222

Sales force

Meadville markets its PCB products and services to its PCB customers primarily through its direct sales staff in regional marketing offices located in the PRC, Hong Kong, Malaysia, the United Kingdom, and the United States. Meadville's sales are concluded at its Hong Kong office, except for sales in the PRC, which are concluded at its PRC offices. Meadville also markets its PCB products through independent third party sales agents in Europe, North America, Israel, Singapore, the PRC, Hong Kong, and South Korea, which are remunerated by commission. The sales agents in these regions initiate sales and thereafter Meadville's direct sales department in Hong Kong follows up on the order to conclude the sales contract. For Meadville's international PCB customers that require multi-plant support capability, it has set up a global account management team dedicated to these customers to provide cross-regional services and to monitor the technological ability, quality, responsiveness, delivery, and cost services provided by Meadville's plants.

In addition to its direct sales staff, Meadville also maintains a corporate marketing team that works with its sales personnel to promote and maintain its relationships with customers. The marketing team also regularly obtains market intelligence to identify business opportunities and works to enhance Meadville's brand image.

Customer service

Meadville strives to provide timely and quality services to its PCB customers. Meadville has a customer service team located in its regional marketing offices in Hong Kong, the United Kingdom, and the United States, as well as in its plants in the PRC. The primary function of Meadville's team members in its regional marketing offices is to monitor customer requirements and assist customers at each point during the process, from ordering through to production, delivery, and after-sales service. Meadville provides real time information through its internal website to enable its staff members to access information on the sales process and to track their orders. Meadville's customer service teams in its plants in the PRC allow it to provide on-site production data, scheduling, and work-in-progress information to its PCB customers in a more timely and effective manner. Meadville's customer service staff is trained to provide service to customers worldwide.

Securing orders

In accordance with Meadville's estimated target for each type of PCB product it produces, which Meadville establishes at the beginning of each year and reviews quarterly, Meadville's sales and marketing officers contact its existing PCB customers to ascertain their annual procurement plans and estimate the likely volume of their annual orders. Meadville's customers are usually able to provide Meadville with their estimated demand for PCB products over a three- to six-month period. However, Meadville does not frequently enter into long-term sales contracts with its OEM customers, as most of these customers adjust their production schedules based on the relevant market environment for their end-products, and therefore, the exact purchase volumes are often subject to variation. Direct orders for Meadville's products are made through separate purchase orders issued by customers which are directly using Meadville's products, such as direct OEM customers and EMS providers purchasing goods for use in assembling OEM end-products. These purchase orders set out the quantity and type of product to be purchased, as well as specific price, delivery, and cancellation terms. On occasion Meadville does enter into long-term nonbinding agreements with certain major OEMs. These agreements generally set out the terms under which Meadville will supply and deliver its products to the EMS providers of the OEMs, as well as terms of payment, capacity mandates, terms of estimating future orders, and general cancellation policies, among other terms. These agreements do not obligate the customer to purchase Meadville's products. The terms of these agreements only become operative when products are actually procured, at which time each party must fulfill certain obligations set out in the agreement.

Most OEM customers require the production plants from which it intends to order products to undergo a qualification process, whereby the customer assesses Meadville and its production plants to ensure that they meet the customer's requirements in a number of areas, such as quality assurance and technical capabilities. This process normally takes between six to 12 months, but can take up to two years. The length of the qualification process, and the fact that each party bears its own expenses in this regard, means that Meadville's customers are not likely to change PCB suppliers quickly, and therefore Meadville tries to develop long-term partnerships with such customers. This also creates a barrier to entry for new and recent entrants in the PCB industry. Meadville has devised a four-stage qualification process to facilitate its meeting customers', or potential customers', qualification processes and requirements.

Pricing

Each PCB product that Meadville manufactures is made according to customer specifications. Meadville develops regional pricing guidelines for its products, which are reviewed quarterly and based on various factors, including each customer's requirements, the strength of Meadville's competitors, the costs of production in terms of capacity and capability, quality requirements, Meadville's capability to work within a short lead time, the customer relationship, Meadville's overall marketing strategy, the region into which Meadville is selling, and market prices. In each request for a quotation received in respect of a customer, negotiations for that order take place between Meadville's sales department and the direct or indirect OEM customer or EMS provider, generally within the range set in its pricing guidelines. Meadville may also offer volume rebates. In general, the value-added products which Meadville produces, such as

[Table of Contents](#)

high layer-count conventional PCBs, HDI PCBs, rigid-flex PCBs, and IC substrates, command a higher margin than lower-end PCB products. Meadville's QTA services command higher margins for faster turnarounds. Fluctuations in the costs of production, such as for raw materials, are often passed on to the customer following further negotiations.

Credit period

Most of Meadville's sales are conducted on an open account basis, although certain of its customers settle their accounts through letters of credit, wire transfers, or by check. Credit periods typically range from 60 to 90 days, depending on Meadville's relationship with the customer. Meadville determines whether to extend credit on the basis of the customer's credit history, payment practices, its relationship with the customer, and the perceived growth potential of its business with the customer. Each customer must undergo a credit evaluation by Meadville's marketing and finance departments before a credit period, credit limit, and method of payment are approved for that customer.

Process and product development

Process and product development plays a vital role in Meadville's business. As electronic products become smaller, demands are increasing for higher speed and functionality of such products. Accordingly, continued advancement in processing technology is required to develop increasingly smaller sized PCB products with increased functionality. As product responsiveness and speed increase, special electrical properties become a factor affecting signal integrity and the transmission speed between PCBs and the electrical components to which they are connected. Special materials, equipment, chemicals, and manufacturing processes are therefore required to ensure the proper functioning of the final electronic end-product.

In order to succeed in the advanced electronic interconnection sector, Meadville's process and product development must allow it to anticipate future interconnection requirements and have processes and/or products in place to capitalize on future developments. In addition, by enhancing its processing technology Meadville not only seeks to produce more advanced products, but also to improve its product yield and production efficiency, in order to remain competitive in the market.

Meadville's process and product development team is responsible for implementing technology road maps, evaluating new equipment and materials prior to production, recommending investment budgets, designing the most efficient production floor layout for the production plants, and identifying the types of products to be manufactured.

Over the last 10 years, Meadville's process and product development team has developed various products and techniques to improve PCB production capabilities, including the development of its own process to manufacture HDI PCBs, rigid-flex PCBs, IC substrates, and advanced multilayer PCBs and backplanes.

Meadville's PCB development projects are divided into four platforms, consisting of its process, product, material, and environmental platforms. Meadville systematically monitors the projects conducted under these platforms in monthly meetings, and the progress is followed according to Meadville's R&D process. Meadville's R&D process consists of the following three phases: "R" for research, "D" for development, and "I" for industrialization. The reliability assessment of Meadville's projects is included as a part of its R&D process in accordance with following steps: planning, testing, and analysis.

Current projects include the following:

Process Platform

- development of semi-additive mSAP3 fine line technology (line/space < 50µm) to be used in HDI PCBs;

[Table of Contents](#)

- development of semi-additive SAP3 fine line technology (line/space < 20µm) to be used for IC substrates;
- development of a copper additive system for viafilling for Meadville's pattern plating process;
- development of panel/pattern plating additive system for high aspect ratio through hole and laser micro via plating processes;
- development of manufacturing technology (DALi) to enable production of PCBs of any layer, including very thin plated layers using conventional PCB production machines;
- development of through-hole filling process for any layer structure using resin plugging process; and
- development of mechanical drilling capability for high aspect ratio products.

Product Platform

- development of ultra thick PCBs Z-axis interconnection technology to fulfill customers' future requirements;
- development of board level optical interconnection technology for future high speed product applications;
- development of embedded passive technology including capacitors, resistors, and inductors;
- development of high aspect ratio product capability according to customers' future requirements, including both plated through-holes and laser microvias;
- development of super copper foil (SCF) technology for fine line patterning according to next generation product requirements; and
- development of rigid-flex and semi-flex technology according to customers' future requirements.

Material Platform

- development of its PCB material portfolio to produce high transmission speed PCB products;
- assessing the impact of lead-free assemblies on PCBs and their thermal resistance, including the reliability assessments for different PCB applications; and
- development of the qualification system to standardize the PCB material qualification.

Environmental Platform

- development of a recycling system for etchant, including both process and equipment development; and
- further development of its mechanical deflection system according to customer and regulatory requirements.

Quality assurance

Meadville views the quality of its PCB products and processes as critical to its business. As enumerated below, Meadville complies with international quality standards and systems. Meadville has also implemented numerous quality initiatives and variation reduction programs to promote a culture of building quality products. Key quality metrics are an important part of its business metrics and are reviewed regularly by senior management as part of continuous quality and customer satisfaction improvement efforts. Each production plant has therefore implemented quality management systems which adhere to international standards. As part of this management system, each production plant has a quality assurance department which is responsible for developing and implementing quality assurance procedures and processes. A summary of the certifications achieved for each production plant is set out below.

Plant	Certification	Year Obtained
OPCM	ISO 9001(1)	1995
	AS9100(2)	2009
SYE	ISO 9001	2002
	TS16949(3)	2006
DMC	ISO 9001(1)	2005
GME	ISO 9001	2008
SME	ISO 9001	1998
	TS16949	2007
SMST	ISO 9001	2003
	TS16949	2005
SKE	ISO 9001	2005
MAS	ISO 9001	2001
	TS16949	2003

Notes:

- (1) ISO 9001 relates to the implementation of a quality management system for product quality assurance.
- (2) AS9 100 relates to the implementation of a quality management system for product quality assurance in the aerospace industry.
- (3) TS 16949 relates to the implementation of a quality management system for product quality assurance in the automotive industry.

Meadville undertakes the following measures, among others, in implementing these standards:

- *Purchasing control* — many of Meadville’s suppliers are ISO 9001 approved and undergo a supplier evaluation process before being admitted to its approved vendor list; raw materials may also be physically inspected by quality assurance staff.
- *Production control* — each production plant operates under controlled conditions, including controls over the key aspects of manpower, machinery, materials, method, and environment. Each of these involve a number of considerations, such as a maintenance program, a procedure for the identification and traceability of products throughout the production process, and protection of products during transportation, packing, storage, and delivery.
- *Statistical process control (“SPC”)* — all key processes are monitored and improved using SPC to maintain process stability. SPC is also used to control key product parameters.

[Table of Contents](#)

- *100% reliability testing* — each finished product is tested at a number of points during the production process for defects, reliability, and compliance with customer requirements. External laboratories are also used to verify product reliability and conformity with customer requirements. Certain of Meadville’s products are certified by UL, at the request of its customers, for which UL conducts independent testing.

Competition

The PCB manufacturing industry is highly competitive with manufacturers competing generally on the basis of prices, product manufacturing technology and capability, quality, reliability, and service. Lower-end PCBs are generally considered to be commoditized products and characterized by high price competition. For high-end PCB products, pricing is still important but manufacturers also compete on product manufacturing technology and capability, quality, reliability, and service. Meadville competes with other PCB manufacturers that operate primarily in North America, Europe, Japan, the PRC, Taiwan, and South Korea. Each of these markets is characterized by different competitive factors, as briefly described below.

PRC and Hong Kong

PCB manufacturers in the PRC and Hong Kong are generally focused on the production of lower layer-count, mass volume PCB products. In the manufacture of low end products, which represents a relatively smaller portion of Meadville’s total sales, Meadville primarily competes against manufacturers of conventional PCBs.

North America and Europe

Meadville competes in the market for technologically advanced PCB products with PCB manufacturers operating in North America and Europe that tend to focus on providing high-end, technologically advanced PCB products, especially to the commercial aerospace industry (North America) and the communications industry (Europe). Many of these manufacturers have shifted or are beginning to shift their manufacturing operations from North America and Europe to the PRC.

Japan

Japanese PCB manufacturers are primarily focused on providing advanced HDI PCBs, including 3+HDI PCBs, to the high-end consumer electronics industry. Meadville competes with these manufacturers in the production of HDI PCBs and IC substrates.

Taiwan

The PCB market in Taiwan is focused primarily on the production of low- to medium-end PCB products, particularly for mass volume commodity market products, with some niche production of HDI PCBs and high-layer backplanes. Meadville competes against Taiwanese manufacturers primarily in the production of conventional PCBs, HDI PCBs, and IC substrates.

South Korea

Meadville competes with South Korean PCB manufacturers primarily in the production of conventional PCBs, HDI PCBs, and IC substrates.

Environmental Matters

Meadville is subject to a variety of environmental laws and regulations in Hong Kong and the PRC which impose limitations on the discharge of pollutants into the air and water and establish standards for the treatment, storage, and disposal of solid and liquid hazardous wastes. The

Table of Contents

manufacturing of Meadville's products generates gaseous chemical waste, liquid waste, waste water, and other industrial wastes in various stages of the manufacturing process. Meadville's production sites in Hong Kong and in the PRC are subject to regulation and periodic monitoring by the relevant environmental protection authorities. The principal environmental laws to which Meadville's operations in Hong Kong and the PRC are subject include: (i) the Waste Disposal Ordinance, the Air Pollution Control Ordinance, the Noise Control Ordinance, the Water Pollution Control Ordinance, the Environmental Impact Assessment Ordinance, and their respective related regulations in Hong Kong; and (ii) the PRC Environmental Protection Law, the PRC Water Pollution Prevention Law, the PRC Air Pollution Prevention Law, the PRC Environment and Noise Pollution Prevention Law, the PRC Solid Wastes Pollution Prevention Law, the PRC Environmental Impact Assessment Law, the PRC Energy Saving Law, and the PRC Promotion of Clean Production Law, as well as other related regulations, rules, and provisions issued by the PRC State Council, the State Environmental Protection Bureau, or the local government of the places where the relevant manufacturing plants are located in the PRC.

Meadville believes that it is important to carry out its operations in an environmentally responsible manner. As such, Meadville generally attempts to reduce the consumption of natural resources in its operations. Meadville also takes steps to ensure that waste and by-products produced as a result of its operations are properly disposed of in accordance with applicable laws so as to minimize adverse effects to the environment.

Meadville has installed waste water treatment facilities and implemented waste treatment procedures in each of its PCB production plants to treat waste discharged during the production process. Industrial waste produced by its PCB production plants is currently treated in compliance with applicable environmental standards in the jurisdiction where the plant is located before being discharged. More specifically, chemical waste from production processes is segregated and chemically treated. Heavy metals and organic pollutants extracted through this process are compressed into solid waste and collected by licensed waste disposal companies for disposal, while recyclable metals of economic value are collected and sold to authorized resellers. The remaining effluent from the treatment process is treated before being discharged as sewage.

All of Meadville's PCB production plants, except SKE, have received ISO 14001 certification, which certifies that their production operations conform to international environmental management system standards. Furthermore, Meadville's IC substrate production plant in Shanghai, SMST, has obtained RC 14001 certification for responsible care management systems while several of its PCB production plants, including SME, DMC, SMST, and MAS, have obtained OHSAS 18000 certification for occupational health and safety management systems. Meadville has put in place policies and procedures at all of its plants to comply with requirements related to the European Union's WEEE and RoHS Directives.

In order to ensure that Meadville adequately assesses environmental risks and complies with environmental laws and regulations, each of its PCB production plants has assigned staff which are responsible for environmental, health, and safety ("EHS") compliance and report to the relevant plant manager. In the PRC, Meadville's EHS officers are responsible for managing its EHS system and have education or experience in the EHS field and familiarity with local environmental regulations and practice. EHS engineers supervise Meadville's EHS operations and have education and experience in operating and maintaining EHS facilities. EHS officers and engineers are supported by technicians who receive training to operate the relevant EHS facilities or functions described above. In Hong Kong, Meadville's EHS staff is comprised of engineers who have familiarity with the relevant regulations and practice and/or experience operating and maintaining EHS facilities.

As a result of Meadville's record on environmental matters, Meadville was awarded a Green Product Management System designation in 2008 from a Taiwanese contract manufacturer, the Eco-Partner Certificate in 2007 and 2008 from a Korean OEM, the Pioneer Certificate of Conformity for Environmental Health and Safety in 2006, the Fujitsu Green Procurement designation in 2005, and the Sony Green Partner designation in 2004. These designations indicate that these customers recognize

[Table of Contents](#)

Meadville's compliance with the international environmental standards to which they are also subject, including the European Union regulations listed above.

Labor and Safety Matters

The applicable laws and regulations relating to labor and safety matters to which Meadville is subject in the PRC include the PRC Labor Law, the PRC Labour Contract Law, the Decision on Establishment of a Unified System for the Basic Insurance for the Aged Workforce of Enterprises, the Decision on Perfection of the Basic Insurance System for Aged Workforce of the Enterprises, the Insurance for Labor Injury Ordinance, the State Council's Decision on Establishment of the Basic Medical Insurance System for the Workforce in Cities and Towns, the Provisional Insurance Measures for Maternity of Enterprises' Employees, the Unemployment Insurance Ordinance, and other related regulations, rules, and provisions issued by the relevant governmental authorities from time to time for its operations in the PRC. In Hong Kong, Meadville is subject to the Employment Ordinance, Employees' Compensation Ordinance, Factories and Industrial Undertakings Ordinance, and Occupational Safety and Health Ordinance.

To ensure compliance with applicable labor and safety laws and regulations and to manage its risks in this regard now and in the future, Meadville has employed professional personnel with relevant training and qualifications to manage such compliance and risks. Meadville's measures to promote safety include (i) establishing safety committees to identify, recommend, and review safety measures, (ii) providing training to employees, and (iii) establishing safety rules and handbooks.

The following table sets forth the number of Meadville's regular employees, temporary employees, and total employees for the years indicated below:

	Regular Employees	Temporary Employees	Total
As of December 31,			
2007	11,112	—	11,112
2008	9,760	—	9,760
2009	11,125	1,495	12,620

The following table sets forth Meadville's regular employees and temporary employees by function of activity as of December 31, 2009:

Function	Regular	Temporary	Total
Finance/Legal/Secretarial	136	—	136
General Management	31	—	31
Human Resource/Administration	483	56	539
Information Technology	57	—	57
Logistics/Production Planning/Store	433	59	492
Engineering	1,192	122	1,314
Procurement	41	—	41
Production	6,515	919	7,434
Quality Assurance/Quality Control	1,861	339	2,200
Research & Development	133	—	133
Sales & Marketing	231	—	231
System & Process Assurance	12	—	12
Total	<u>11,125</u>	<u>1,495</u>	<u>12,620</u>

Legal Proceedings

From time to time, Meadville may be a party to certain legal proceedings. However, Meadville is not currently a party to any pending legal proceedings that it believes will have a material adverse effect on its business, financial condition, or results of operations.

Premises, Land Use Rights, and Property Interests

Property owned in the PRC

Meadville owns a total of 18 properties located in Dongguan, Guangzhou, Shanghai, and Suzhou in the PRC used in its business. Meadville owns and occupies three properties in Dongguan, PRC with an aggregate gross floor area of approximately 1,394,000 square feet, two of which are currently used for production purposes and one of which is currently used for residential and bicycle parking purposes. Meadville also owns and occupies 12 properties in Shanghai, PRC with an aggregate gross floor area of approximately 740,600 square feet, three of which are currently used for production purposes and the remaining properties are currently used for staff quarters and residential purposes. Meadville owns and occupies two properties in Suzhou, PRC with an aggregate gross floor area of approximately 372,323 square feet, one of which is currently used for production purposes and the other which is currently used for staff quarters and residential purposes. Meadville owns one property in Guangzhou, PRC, where the GME plant is located, with a gross floor area of approximately 1,586,600 square feet.

In addition to the above 18 owned properties, Meadville has contracted to acquire a property located at the (Tongsha) Technology Industrial Park, Dongcheng District, Dongguan, PRC, which has an area of approximately 1,948,000 square feet. This plant is intended to be used for expanding the current production facilities at SYE and to provide for the relocation of the SYE plant in the event Meadville is required to vacate the properties on which its SYE plant is located.

The properties where SYE's existing manufacturing plant is located are now subject to a general city rezoning plan which has been prepared by the Dongguan municipal government. According to the relevant PRC regulations, the general rezoning plan is made for 20 years. Under the rezoning plan, it is intended that the properties where SYE's existing manufacturing plant is located will be re-designated from industrial to commercial use. If and when implemented in respect of those properties, the rezoning plan may require that Meadville vacate these properties and relocate SYE's manufacturing plant.

Property leased in the PRC

Meadville leases a total of 22 properties in Dongguan, Guangzhou, Shanghai, and Suzhou in the PRC for use in its business. Meadville leases two adjoining parcels of land in Dongguan, PRC with an aggregate site area of approximately 110,900 square feet, which is currently being used for an existing dormitory complex with a gross floor area of approximately 177,600 square feet. Meadville may not transfer, sublease, mortgage, or establish other third party rights on such property. Meadville leases two properties in Dongguan, PRC with an aggregate gross floor area of approximately 56,000 square feet, which is currently used as residential housing for staff. Meadville leases 14 properties in Shanghai, PRC with an aggregate floor area of approximately 16,150 square feet, which are currently used for dormitory and office space. Meadville leases a property in Suzhou, PRC with an aggregate gross floor area of approximately 1,000 square feet which is currently used as residential housing for staff. Meadville also leases three properties in Guangzhou, PRC with an aggregate gross floor area of approximately 4,300 square feet which are currently used as residential housing for staff.

Property leased in Hong Kong

Meadville leases two industrial complexes comprised of two OPCM plants, with a total gross floor area of approximately 128,100 square feet, located at the Tai Po Industrial Estate in Hong Kong.

[Table of Contents](#)

Intellectual Property

Aside from various trademarks and trade secrets, Meadville does not have any intellectual or industrial property rights that are material in relation to its business or profitability. Meadville seeks to protect its proprietary rights through confidentiality procedures and contractual protections such as non-disclosure agreements with its suppliers and customers and employment contracts with confidentiality clauses.

Insurance and Products Liability

Meadville maintains a number of insurance policies which cover its PCB production plants, including property damage, all risks insurance (covering buildings and their contents, including machinery, and inventory) and business interruption insurance. Meadville also maintains public liability insurance for third party losses, money all risks insurance for loss or damage to money, and insurance covering boiler equipment. In addition, Meadville has cargo transportation insurance with worldwide coverage for the transportation of cargo by air, sea, or land, and commercial vehicle insurance in Hong Kong and the PRC.

Consistent with what Meadville believes to be the market practice in Hong Kong and the PRC for PCB manufacturers, Meadville does not maintain product liability insurance unless required by its customers.

Subsidiaries

The following table sets forth details relating to Meadville's material subsidiaries:

Company	Place of Incorporation	Business Activity	Percentage of Effective Ownership by PCB Business
ACP Electronics Co., Ltd.(2)	Mainland China	Manufacturing and sales of high precision PCB	80%
Dongguan Meadville Circuits Limited(2)	Mainland China	Manufacturing of PCB	80%
Dongguan Shengyi Electronics Ltd.(2)	Mainland China	Manufacturing, sales and distribution of PCB	70.2%
Guangzhou Meadville Electronics Co., Ltd.(2)	Mainland China	Manufacturing of PCB	100%
OPC Manufacturing Limited	Hong Kong	Manufacturing of PCB	100%
Meadville Innovations (Shanghai) Co., Ltd.(2)	Mainland China	Provision of PCB design services	100%
Meadville International Trading (Shanghai) Co., Ltd.(2)	Mainland China	Trading of PCB and liaison office	100%
Meadville Enterprises (HK) Limited	Hong Kong	Administration and treasury	100%

Company	Place of Incorporation	Business Activity	Percentage of Effective Ownership by PCB Business
Mica-Ava China Limited	Hong Kong	Investment holding	100%
Meadville Aspocomp Limited	Hong Kong	Sales and distribution of PCB	80%
MTG Investment (BVI) Limited(1)	British Virgin Islands	Investment holding	100%
MTG PCB (BVI) Limited	British Virgin Islands	Investment holding	100%
MTG (PCB) No. 2 (BVI) Limited	British Virgin Islands	Investment holding	100%
Oriental Printed Circuits Limited	Hong Kong	Sales and distribution of PCB	100%
Shanghai Kaiser Electronics Co., Ltd.(2)	Mainland China	Provision of PCB drilling service	100%
Shanghai Meadville Electronics Co., Ltd.(2)	Mainland China	Manufacturing of PCB	100%
Shanghai Meadville Science and Technology Co., Ltd.(2)	Mainland China	Research and development of high-end multi-layer PCB	100%

Notes:

- (1) Direct subsidiary.
- (2) Foreign investment enterprise in the PRC.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS OF MEADVILLE

Supply Agreements with Affiliates of Meadville

In 2007, SME, a subsidiary of one of the PCB Subsidiaries, entered into two supply agreements with Suzhou Shengyi Sci Tech Co., Ltd. (“SSST”) and GSST, pursuant to which SME and certain other subsidiaries of the PCB Subsidiaries purchased laminate and prepreg from SSST and GSST. GSST is owned indirectly by Top Mix Investments Limited, which is controlled by Tang Hsiang Chien, a family member of Tom Tang. SSST is 75% owned by GSST and 25% owned indirectly by Top Mix Investments Limited. In the years ended December 31, 2007, 2008, and 2009, total purchases under the two supply agreements amount to \$58.4 million, \$55.4 million, and \$47.0 million, respectively. These two supply agreements expired on December 31, 2009. Accordingly, SME, on behalf of itself and other subsidiaries of the PCB Subsidiaries, entered into a new supply agreement with GSST and SSST on December 11, 2009 with similar terms as the existing supply agreements. The new supply agreement became effective on January 1, 2010 for a term of three years.

Certain of the PCB Subsidiaries also purchase from time to time laminate and prepreg from Mica-Ava (Far East) Industrial Limited (“MAF”) and Mica-AVA (Guangzhou) Material Company Ltd. (“MAG”), former subsidiaries of Meadville engaged in the laminate business, both of which are owned by Top Mix Investments Limited. These purchases are made on a spot basis from time to time. Total sales from MAF and MAG to the PCB Subsidiaries and their subsidiaries amounted to \$36.1 million, \$44.3 million, and \$50.2 million for the years ended December 31, 2007, 2008, and 2009, respectively.

Real Property Leasing Arrangements with Affiliates of Meadville

OPC, one of the PCB Subsidiaries, is currently leasing from MAF on a month-to-month basis a portion of real property located at Nos. 6-8 Dai Wang Street, Tai Po Industrial Estate, New Territories, Hong Kong, for warehouse purposes. The total amount of rent payable to MAF under the lease for each of the years ended December 31, 2007, 2008, and 2009 was approximately \$64,800.

GME, one of the PCB Subsidiaries, leases a portion of its employee dormitory spaces to MAG from time to time for the use of the employees of MAG. The dormitory spaces are rented to MAG pursuant to prior written request by MAG for its employees on an individual basis, with the monthly rent to be determined in accordance with the space area used by the individual employees and the rate as notified by GME from time to time. Such rental arrangement between GME and MAG is effective until either party terminates the arrangement upon three months prior written notice to the other party. The total amount of rent payable under the lease for the years ended December 31, 2008 and 2009 was approximately \$41,600, and \$85,900, respectively. This lease was not in place in 2007.

SELECTED HISTORICAL FINANCIAL DATA OF MEADVILLE

The following tables set forth summary selected historical combined financial data of the PCB Business, presented on a carve-out basis, which should be read in conjunction with the combined financial statements of the PCB Business and the notes thereto and the discussion under "Management's Discussion and Analysis of Financial Condition and Results of Operations of Meadville" included in this Current Report on Form 8-K/A. The selected balance sheet data as of December 31, 2007, 2008, and 2009, and the selected income statement data for each of the years in the three years ended December 31, 2009 have been derived from the audited combined financial statements and related notes appearing elsewhere in this Current Report on Form 8-K/A.

Meadville's combined financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), which differ in certain significant respects from accounting principles generally accepted in the United States ("U.S. GAAP"). For a description of the principal differences between HKFRS and U.S. GAAP as they relate to the PCB Business, and for a reconciliation of shareholders' equity and net income to U.S. GAAP, see Note 34 to the audited combined financial statements of the PCB Business included as Exhibit 99.1 to this Current Report on Form 8-K/A. Other U.S. GAAP data presented in the following tables has been derived from unaudited analyses prepared by Meadville from its accounting records.

	Year Ended December 31,		
	2007	2008	2009
	(In millions of HK\$)		
(HKFRS)			
Combined Statement of Operations Data:			
Revenue	\$ 4,108.6	\$ 5,212.4	\$ 4,840.8
Cost of sales	<u>(3,150.2)</u>	<u>(4,205.0)</u>	<u>(3,937.0)</u>
Gross profit	958.4	1,007.4	903.8
Other income	161.3	158.8	137.7
Selling and distribution expenses	(199.8)	(227.4)	(239.0)
General and administrative expenses	(200.9)	(259.7)	(409.2)
Share award expenses	<u>(226.1)</u>	<u>(10.6)</u>	<u>(15.6)</u>
Operating profit	492.9	668.5	377.7
Interest income	28.5	17.4	6.1
Finance costs	<u>(104.3)</u>	<u>(129.4)</u>	<u>(82.4)</u>
Profit before income tax	417.1	556.5	301.4
Income tax expense	<u>(64.2)</u>	<u>(72.9)</u>	<u>(68.8)</u>
Profit for the year	<u>\$ 352.9</u>	<u>\$ 483.6</u>	<u>\$ 232.6</u>
of which, attributable to shareholders of Meadville	<u>\$ 246.0</u>	<u>\$ 376.0</u>	<u>\$ 140.1</u>
of which, attributable to minority interests	<u>\$ 106.9</u>	<u>\$ 107.6</u>	<u>\$ 92.5</u>

[Table of Contents](#)

	As of December 31,		
	2007	2008	2009
	(In millions of HK\$)		
(HKFRS)			
Combined Balance Sheet Data:			
Inventories	\$ 398.4	\$ 427.0	\$ 450.5
Debtors and prepayments	1,480.9	1,163.7	1,097.3
Other current assets	3.5	19.3	7.4
Amounts due from related parties	284.4	390.2	—
Amount due from a minority shareholder	39.1	—	—
Cash and bank balances	402.8	797.9	850.1
Current assets	2,609.1	2,798.1	2,405.3
Property, plant, and equipment	3,821.4	4,941.8	4,805.0
Leasehold land and land use rights	143.0	147.3	143.8
Intangible assets	149.9	22.2	21.0
Other non-current assets	34.3	94.1	77.9
Total assets	<u>\$ 6,757.7</u>	<u>\$ 8,003.5</u>	<u>\$ 7,453.0</u>
Creditors and accruals	\$ 1,270.8	\$ 1,388.4	\$ 1,084.0
Borrowings	908.3	823.0	554.9
Amounts due to associated companies and related parties	394.9	744.8	195.7
Amount due to a minority shareholder	173.7	169.7	111.3
Other current liabilities	25.6	15.1	21.1
Current liabilities	2,773.3	3,141.0	1,967.0
Borrowings	1,679.1	2,763.2	2,815.1
Other non-current liabilities	445.2	322.7	313.6
Equity attributable to shareholders	1,524.3	1,371.2	1,800.9
Total shareholders' equity	<u>\$ 1,860.1</u>	<u>\$ 1,776.6</u>	<u>\$ 2,357.3</u>
		Year Ended	
		December 31	
		2008	2009
(U.S. GAAP)(1)			
Combined Statement of Operations Data:			
Revenue		\$ 5,212.4	\$ 4,840.8
Operating expenses		(4,550.0)	(4,452.5)
Operating profit		662.4	388.3
Profit for the year		491.5	251.2
Profit attributable to shareholders		391.9	180.6
Profit attributable to minority interests		99.6	70.6

	As of December 31,	
	2008	2009
(U.S. GAAP)(1)		
Combined Balance Sheet Data:		
Current assets	\$ 2,798.1	\$ 2,405.3
Property, plant, and equipment	4,889.0	4,756.5
Total assets	7,964.5	7,421.5
Current liabilities, excluding current portion of borrowings	2,318.0	1,412.1
Borrowings	3,586.2	3,370.1
Equity attributable to shareholders	1,352.1	1,788.7
Total shareholders' equity	1,903.6	2,501.8

(1) For further details, see Note 34 in the audited combined financial statements of the PCB Business.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS OF MEADVILLE**

The following discussion and analysis should be read in conjunction with the audited combined financial statements of the PCB Business for the three years ended December 31, 2007, 2008, and 2009 and the notes thereto included as Exhibit 99.1 to this Current Report on Form 8-K/A. The combined financial statements of the PCB Business have been prepared on a carve-out basis in accordance with HKFRS. HKFRS differ in certain significant respects from U.S. GAAP. For a discussion of certain material differences between HKFRS and U.S. GAAP, see Note 34 to the combined financial statements of the PCB Business included as Exhibit 99.1 to this Current Report on Form 8-K/A.

Overview

Meadville is one of the leading PCB manufacturers in the PRC by revenue, with a focus on producing high-end products. For the year ended December 31, 2009, Meadville was the fourth largest PCB manufacturer in the PRC by revenue derived from production in the PRC. Meadville's products include double-sided and multi-layer PCBs, HDI PCBs, rigid-flex PCBs, IC substrates, circuit design, and QTA, value-added services. In addition to having the ability to mass produce a wide range of PCB products, Meadville is able to provide a "one-stop shop" service to its customers, from PCB layout design to small volume quick-turn production of PCBs, including prototypes, to large volume mass production of PCBs. Each of Meadville's PCB production plants has been certified under international quality assurance standards, which assists in ensuring that its products and production processes are of a high quality.

Meadville's main PCB customers are multinational and PRC OEMs, EMS providers, and PCB traders, many of which are based in the PRC, Japan, South Korea, Southeast Asia, North America, and Europe. These PCB customers use Meadville's products for a variety of industry applications, including in communications equipment, cellular phones, high-end computers and computer peripheral and consumer electronics, automotive components, and medical and industrial equipment. Meadville sells its products directly to some OEMs and indirectly to other OEMs through EMS providers. When selling PCB products indirectly to OEMs through EMS providers, Meadville primarily negotiates prices and receives specifications for products from OEMs, which develop and sell various end-products. However, in these situations, Meadville receives orders for its PCB products and payments from the EMS providers, which are mandated by the OEMs to manufacture such end-products and which are directed by the OEMs to purchase PCB products for assembly into the OEM's components or end-products from Meadville.

Factors Affecting the Results of Operations of the PCB Business

The results of operations and financial condition of the PCB Business have been and will continue to be affected by a number of factors. Set out below are some of the more significant factors that

have affected the results of operations of the PCB Business in the past, as well as factors that are currently expected to affect results of operations in the foreseeable future. Other factors, beyond those identified below, may materially affect the future results of operations of the PCB Business. See the subsection entitled "Quantitative and Qualitative Disclosures About Market Risk" in this section and the section entitled "Risk Factors" in the Company's Proxy Statement/Prospectus relating to the PCB Combination.

Cyclical nature of the industries in which the customers of the PCB Business operate

The results of operations of the PCB Business have been and will continue to be highly dependent on its direct and indirect OEM customers, who operate in the highly volatile communications equipment, computer and computer peripherals, cellular phone, and high-end consumer electronics industries. These industries are characterized by rapidly changing customer demand patterns and strong industry-wide competition for market share resulting in aggressive pricing practices and declining margins for older technology products. The results of operations of the PCB Business depend on continued demand for its PCB products and therefore such results are highly dependent on the performance of industries that the PCB Business services. In the past, the migration of PCB manufacturing to the PRC has helped to reduce the impact of downturns in its customers' industries. However, there is no assurance that this trend will continue and future downturns in the industries that the PCB Business services could have a significant impact on the selling prices of the products of the PCB Business and on the Company's results of operations.

Rapid technological change in the markets for the products of the PCB Business

The market for the products of the PCB Business is characterized by rapidly changing technology and continuing process development. The success of the business of the PCB Business depends in large part upon its ability to maintain and enhance its technological capabilities in order to be able to respond quickly and efficiently to its customers' changing product requirements. The PCB Business must also be able to develop and market products and services that meet changing customer needs, and successfully anticipate or respond to product and technological trends on a cost-effective and timely basis. The ability of the PCB Business to effectively respond to the technological changes or trends from changing market requirements will affect Meadville's results of operations from period to period.

Maximizing capacity utilization rates at all of the manufacturing plants of the PCB Business

The success of the PCB Business depends in part on its ability to maximize the capacity utilization rates of each of its manufacturing plants. Given the high fixed costs of its operations, decreases in capacity utilization rates can have a significant effect on the business. Accordingly, the ability to maintain or enhance gross margins will continue to depend, in part, on maintaining satisfactory capacity utilization rates. The PCB Business attempt to maintain high capacity utilization rates by maintaining good relationships with its customer base, closely monitoring its customers' upcoming product demand levels and cycles, keeping a diversified customer base, and properly managing its raw material supply. However, acceptable capacity utilization rates also depend on the volume of orders that the PCB Business receives, its ability to offer products that meet customers' requirements at competitive prices, and the reliability of its machinery.

Cost of capital expenditure requirements and ability to obtain financing

Because the PCB Business is capital intensive, its ability to increase revenue, operating profit, and cash flow depends upon continued capital spending. The actual capital expenditures of the PCB Business may vary significantly from these planned amounts due to various factors, including, among others, delays in obtaining regulatory approvals, construction delays, or delays in obtaining purchased equipment due to long lead times from suppliers. Meadville's ability to obtain external financing in the future is subject to a variety of uncertainties, including the following:

Table of Contents

- its future results of operations, financial condition, and cash flows;
- the condition of the global economy generally and the markets for its products, specifically; and
- the cost of financing and the condition of financial markets.

Currently the majority of the borrowings of the PCB Business are subject to floating interest rates and therefore its interest expense can vary from period to period, which affects Meadville's results of operations. The results of operations of the PCB Business will be affected if interest rates increase or if the PCB Business is forced to pay higher than expected rates for new capital. For a discussion of risks related to interest rates, see the section entitled "Quantitative and Qualitative Disclosure about Market Risk" below.

Raw material cost

The operating profit of the PCB Business is significantly affected by the cost of the raw materials of the products it produces, certain of which cannot be passed on to customers. The significant raw materials used by the PCB Business include laminate, prepreg, copper foil, glass fabrics, epoxy resins, and precious metals such as silver and gold, all of which have been historically, and will be in the future, subject to price volatility and fluctuations in supply and demand.

Critical Accounting Policies

Meadville continually evaluates its estimates and judgments, which are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. With respect to the PCB Business, Meadville makes estimates and assumptions concerning the future. The resulting accounting estimates will seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

Property, plant, and equipment

Meadville determines the estimated useful lives and related depreciation charges for the property, plant, and equipment of the PCB Business based on the historical experience of the actual useful lives of property, plant, and equipment of similar nature and functions. These estimates could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Meadville's policy is to increase the depreciation charge when useful lives are less than previously estimated lives, or to write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

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 recognized 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 expensed in the combined income statement during the financial period in which they are incurred.

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

[Table of Contents](#)

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

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

Construction in progress represents buildings or leasehold improvements on which construction work has not been completed and plants, 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 it is 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 the carrying amount and are charged to the combined income statement.

Foreign currency translation

Functional and presentation currency

The combined financial information of the PCB Business is presented in Hong Kong Dollars. The functional currency of the PCB Business is Hong Kong Dollars.

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 exchange rates at the end of each reporting period of monetary assets and liabilities denominated in foreign currencies are recognized 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 analyzed between translation differences resulting from changes in the amortized cost of the security, and other changes in the carrying amount of the security. Translation differences related to changes in the amortized cost are recognized in profit or loss, and other changes in the carrying amount are recognized 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.

Group companies

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

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of each reporting period;
- income and expenses for each income statement are translated at average exchange rates for the reporting period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognized as a separate component of equity.

On combination, 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 are recognized 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.

Trade and other receivables

The identification of impairment of trade and other receivables requires the use of judgment and estimates. Meadville makes provisions for impairment of trade and other receivables based on its 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. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables, and provision for impairment losses is made in the period in which such estimate has changed.

The trade and other receivables of the PCB Business are recognized initially at fair value and subsequently measured at amortized 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 value 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 recognized 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.

Revenue recognition

The revenue of the PCB Business mainly comprises revenue generated from: (a) sales of PCBs, and (b) the provision of value added services. Meadville recognizes revenue from PCBs when it delivers products to the customer, the customer has accepted the products, and collectability of related receivables is reasonably assured. Meadville recognizes income from its value added services upon provision of the service or delivery of the related product.

Deferred income tax

Deferred income tax is recognized in full, 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, if the deferred taxation 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 nor loss, a deferred income tax item is not recognized. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

At the end of each reporting period, Meadville recognizes deferred income tax assets to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred income tax is provided for on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by Meadville and it is probable that the temporary difference will not reverse in the foreseeable future.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost, calculated on the weighted average basis, comprises materials, direct labor, other direct costs, and related production overheads (based on normal operating capacity). Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. In determining whether the cost of inventories is recoverable, significant judgment is required. The cost of inventories is written down to net realizable value when, based on its judgment, there is objective evidence that the cost of inventories may not be recoverable. The cost of inventories may not be recoverable if such 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 realizable value of the inventories.

Present value of financial liabilities

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

Meadville's management determines the estimated redemption value of the financial liabilities by using a predetermined formula based on the put option agreement described in Note [•] to the audited combined financial statements of the PCB Business. This formula requires the use of estimates and assumptions which are described in that note. Any changes in these assumptions will impact the present value determined and the amount recorded in the combined statement of financial position.

Allocation of corporate expenses and income

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

Corporate expenses allocated to the PCB Business mainly represented share award expenses. For shares that are granted to the employees of the PCB Business, the related expenses are recorded

[Table of Contents](#)

based on the actual expenses of those employees. For shares which are granted to corporate level management, share award expenses are allocated based on the revenue of the PCB Business compared to the revenue of Meadville's consolidated group. The allocation basis requires the use of judgment and estimates. Meadville's management has performed sensitivity analysis by applying different allocation basis (i.e., based on operating profit of the PCB Business to the operating profit of Meadville's consolidated group) and there is no significant impact on the combined income statement of the PCB Business from such different allocation basis.

Description of Selected Profit and Loss Account Items

Revenue

The PCB Business generates revenue from sales of PCBs including circuit design, QTA services, and provision of high-precision drilling and routing services to other PCB manufacturers.

The following table sets forth the unaudited breakdown of Meadville's PCB sales by end application for the years indicated:

	2007	Year Ended December 31, 2008	2009
		(In millions of HK\$)	
		(Unaudited)	
(HKFRS)			
PCB Revenue by application			
Sales and Other Operating Revenues			
Automotive	\$ 35	\$ 53	\$ 59
Cellular phone	1,012	1,256	1,050
Communication	1,268	1,725	1,808
Computer	643	1,015	1,081
Consumer	568	496	320
Industrial and medical	188	224	191
Other	395	443	332

The following table sets forth the unaudited breakdown of Meadville's PCB sales by geographic locations for the years indicated:

	2007	Year Ended December 31, 2008	2009
		(In millions of HK\$)	
		(Unaudited)	
(HKFRS)			
PCB Revenue by geographical locations (the final destination to where the final products are delivered)			
Sales and Other Operating Revenues			
Mainland China	\$ 2,748	\$ 3,342	\$ 3,402
Europe	308	468	384
Hong Kong	320	325	232
North Asia	278	270	194
Southeast Asia	231	405	407
North America	224	402	222

[Table of Contents](#)

Cost of sales

The cost of sales of the PCB Business consists primarily of cost of materials, direct labor costs, and production overhead.

Cost of materials used in the production of PCBs consists mainly of the costs of prepreg and laminate purchased from suppliers.

Direct labor costs consist primarily of salaries, bonuses, and benefits paid to the employees of the PCB Business directly attributable to the manufacturing of products.

Production overhead consists primarily of depreciation and amortization expenses, salaries, bonus, and benefits paid to foremen, technicians, engineers, and supervisors, utilities costs, operating supplies, consumables, subcontracting charges, and repair and maintenance expenses.

Depreciation and amortization expenses relating to buildings, leasehold land and land use rights, leasehold improvements, plant and machinery, furniture, and equipment and motor vehicles constituted one of the major components of production overhead.

Other income

Other income includes income recorded from:

- sales of scrap such as copper foil, plated scrap boards, gold solution, and other unusable raw materials;
- investment tax credits; and
- tooling charges related to PCB engineering and testing services and the production of PCB moulds.

Selling and distribution expenses

Selling and distribution expenses consist primarily of indirect labor costs, including salaries, bonuses, and benefits paid to sales and marketing personnel; freight charges; sales commissions; provisions for bad debts and bad debts written off; and others, including travel expenses and surcharges on sales returns.

General and administrative expenses

General and administrative expenses consist primarily of salaries, allowances, bonuses, and welfare benefits paid to administrative staff, as well as operating expenses, depreciation and amortization expenses, personnel expenses, utilities costs, and others, including loss on disposal of plant and equipment and foreign exchange difference.

Share award expenses

Share award expenses consist primarily of non-cash share award compensation awarded to directors and employees.

Interest income

Interest income includes income from interest received on loans to related companies and from bank deposits.

Finance costs

Finance costs consist primarily of interest on bank borrowings and accretion charges on the financial liabilities.

Income tax expense

Taxation has been provided for 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%, 16.5%, and 16.5% on the estimated assessable profit for the years ended December 31, 2007, 2008, and 2009, respectively. The rates applicable for the income tax of the PCB Business in the PRC for the years ended December 31, 2007, 2008, and 2009 are 33%, 25%, and 25%, respectively.

Several of Meadville's PCB plants, established as wholly owned foreign enterprises, enjoy certain exemptions or reductions from PRC tax. Meadville's GME and SMST plants are exempted from PRC national enterprise income tax for the years 2008 and 2009, and will be entitled to 50% reductions in PRC income tax for the years 2010, 2011, and 2012, and are assessed PRC income tax at the reduced rate of 12.5%. Meadville's SKE plant is also entitled to 50% reductions in PRC income tax for the years 2008 and 2009. Meadville's DMC plant, established as a jointly-owned foreign enterprise, is entitled to 50% reductions in PRC income tax for the years 2008, 2009, and 2010.

Meadville's MAS plant is also subject to 50% reductions in PRC income tax for the years 2008 and 2009, and as a High and New Technology Enterprise ("HNTE") (approved in December 2008), it is entitled to an income tax rate of 15% in the year 2010.

Meadville's SME plant enjoyed a reduced PRC income tax rate of 12.5% for the year 2008, and as an HNTE (approved in December 2008), it is entitled to an income tax rate of 15% in years 2009 and 2010.

Meadville's SYE plant was approved as a HNTE in December 2008, and accordingly, it is entitled to a relief of income tax in the PRC, at an effective rate of 15% for years 2008 to 2010.

Review of Operating Results of the PCB Business

Year ended December 31, 2009 compared to year ended December 31, 2008

Revenue

The revenue of the PCB Business declined by 7.1% to HK\$4,840.8 million (US\$624.5 million) in the year ended December 31, 2009 from HK\$5,212.4 million (US\$669.4 million) in the year ended December 31, 2008. The decrease in revenue was primarily due to a decrease in global demand for PCB products as a result of global economic conditions during the first half of 2009 as compared with the first half of 2008, leading to lower export sales outside of the PRC. The decrease was partially offset by higher local sales in the PRC, which were driven by increased domestic spending as a result of the PRC government's stimulus package, as well as an increase of orders from outside of the PRC during the second half of 2009, as the global economic conditions became more stable.

Cost of sales

Cost of sales decreased by 6.4% to HK\$3,937.0 million (US\$507.9 million) in the year ended December 31, 2009 from HK\$4,205.0 million (US\$540.1 million) in the year ended December 31, 2008.

This decrease in cost of sales was primarily due to the decrease in revenue. Cost of sales as a percentage of revenue was relatively stable at 81.3% in the year ended December 31, 2009 compared with 80.7% for the year ended December 31, 2008.

[Table of Contents](#)

Direct material costs decreased by 9.0% to HK\$2,260.0 million (US\$291.6 million) in the year ended December 31, 2009 from HK\$2,482.5 million (US\$318.8 million) in the year ended December 31, 2008 primarily due to a decrease in production volume and reductions in raw material and commodity prices.

Direct labor costs increased by 2.0% to HK\$292.2 million (US\$37.7 million) in the year ended December 31, 2009 from HK\$286.4 million (US\$36.8 million) in the year ended December 31, 2008, primarily due to a general increase in headcount.

Production overhead decreased by 3.6% to HK\$1,384.8 million (US\$178.6 million) in the year ended December 31, 2009 from HK\$1,436.2 million (US\$184.5 million) in the year ended December 31, 2008, primarily due to a decrease in production volume. However, the production overhead costs as a percentage of revenue increased to 28.6% in the year ended December 31, 2009 from 27.6% in the year ended December 31, 2008, due to certain overhead expenses that were fixed and did not decrease in connection with the decrease in production volume, such as indirect labor costs and depreciation.

Gross profit

Gross profit decreased by 10.3% to HK\$903.8 million (US\$116.6 million) in the year ended December 31, 2009 from HK\$1,007.4 million (US\$129.3 million) in the year ended December 31, 2008. Gross margin on revenue decreased to 18.7% for the year ended December 31, 2009 from 19.3% for the year ended December 31, 2008. The decrease was driven by lower PCB prices due to a decrease in demand for PCB products, and the relatively higher depreciation of the assets of the PCB Business, the effect of which was partially offset by reductions in raw material, energy, and commodity prices during the year. Meadville has also taken various actions with respect to the PCB Business since the fourth quarter of 2008, such as salary reductions and wage freezes for high-cost regions, temporary closures of GME and MAS, and freezing capacity-related capital expenditures.

Other income

Other income decreased by 13.3% to HK\$137.7 million (US\$17.7 million) in the year ended December 31, 2009 from HK\$158.8 million (US\$20.4 million) in the year ended December 31, 2008. This decrease was primarily due to lower sales of scrap, which were attributable to lower PCB production volume and a decrease in copper and gold scrap resale unit prices in 2009.

Selling and distribution expenses

Selling and distribution expenses increased by 5.1% to HK\$239.0 million (US\$30.8 million) in the year ended December 31, 2009 from HK\$227.4 million (US\$29.2 million) in the year ended December 31, 2008. This increase was primarily due to an increase in PCB assembly cost charges on sales returns of higher value-added PCBs.

General and administrative expenses

General and administrative expenses increased by 57.6% to HK\$409.2 million (US\$52.8 million) in the year ended December 31, 2009 from HK\$259.7 million (US\$33.4 million) in the year ended December 31, 2008. This increase was primarily due to a significant decline in functional foreign exchange gain. For the year ended December 31, 2008, the PCB Business recorded a functional foreign exchange gain of approximately HK\$152.0 million (US\$19.5 million) as a result of Renminbi ("RMB") appreciation, but there was no such gain recorded in the corresponding period of 2009 as a result of a comparatively stable RMB currency during 2009.

Table of Contents

Share award expenses

Share award expenses increased by 47.2% to HK\$15.6 million (US\$2.0 million) in the year ended December 31, 2009 from HK\$10.6 million (US\$1.4 million) in the year ended December 31, 2008. This increase was primarily due to shares returned by certain former employees during 2008, which lowered the share award expenses for the year ended December 31, 2008. In addition, part of the returned shares were granted to existing employees during 2009, which increased share award expenses for the year ended December 31, 2009.

Operating profit

As a result of the foregoing, operating profit decreased by 43.5% to HK\$377.7 million (US\$48.7 million) in the year ended December 31, 2009 from HK\$668.5 million (US\$85.9 million) in the year ended December 31, 2008.

Interest income

Interest income decreased by 64.9% to HK\$6.1 million (US\$0.8 million) in the year ended December 31, 2009 from HK\$17.4 million (US\$2.2 million) in the year ended December 31, 2008. This decrease was primarily due to lower bank interest rates in the year ended December 31, 2009.

Finance costs

Finance costs decreased by 36.3% to HK\$82.4 million (US\$10.6 million) in the year ended December 31, 2009 from HK\$129.4 million (US\$16.6 million) in the year ended December 31, 2008. This decrease was primarily due to lower bank interest rates, lower accretion charges on the financial liabilities as a result of reduction in fair value of financial liabilities, and lower weighted average cost of capital, which reduced finance costs in the year ended December 31, 2009.

Income tax expense

Income tax expense decreased by 5.6% to HK\$68.8 million (US\$8.9 million) in the year ended December 31, 2009 from HK\$72.9 million (US\$9.4 million) in the year ended December 31, 2008, primarily due to a decrease in profit before tax. Income tax expense as a percentage of profit before income tax expenses increased to 22.8% in the year ended December 31, 2009 from 12.9% in the year ended December 31, 2008. This increase was primarily due to operations being more concentrated in production plants which were subject to higher tax rates.

Profit for the year

As a result of the foregoing, profit for the year decreased by 51.9% to HK\$232.6 million (US\$30.0 million) in the year ended December 31, 2009 from HK\$483.6 million (US\$62.1 million) in the year ended December 31, 2008.

Year ended December 31, 2008 compared to year ended December 31, 2007

Revenue

The revenue of the PCB Business increased by 26.9% to HK\$5,212.4 million (US\$669.4 million) in the year ended December 31, 2008 from HK\$4,108.6 million (US\$526.6 million) for the year ended December 31, 2007. The increase in revenue was primarily due to (i) the growing demand for high technology PCBs due to continued infrastructure spending in the PRC, (ii) the PRC government's policies, which provided incentives to encourage local and overseas investments focusing on the research, development, and production of high technology electronic products, which increased demand for high technology PCBs, and (iii) the continued outsourcing of high technology PCB production into the PRC

Table of Contents

from the U.S., Europe, and Japan, which contributed to the PCB Business increasing its blended average selling price to US\$27 per square foot of PCB in the year ended December 31, 2008, compared with a blended average selling price of US\$25 per square foot in the year ended December 31, 2007.

Cost of sales

Cost of sales increased by 33.5% to HK\$4,205.0 million (US\$540.1 million) in the year ended December 31, 2008 from HK\$3,150.2 million (US\$403.8 million) in the year ended December 31, 2007. This increase in cost of sales was due primarily to an increase in production volume of PCBs, an increase in raw material costs and initial start-up costs of GME, the new PCB production plant in Guangzhou. Other factors contributing to the increase in cost of sales include RMB appreciation (which increased RMB costs in U.S. Dollar terms), as well as higher energy and labor costs resulting from a high level of inflation in the PRC during the first nine months of 2008.

Direct material costs increased by 28.7% to HK\$2,482.5 million (US\$318.8 million) in the year ended December 31, 2008 from HK\$1,928.9 million (US\$247.2 million) in the year ended December 31, 2007, primarily due to an increase in production volume, and an increase in raw material and commodity prices.

Direct labor costs increased by 36.0% to HK\$286.4 million (US\$36.8 million) in the year ended December 31, 2008 from HK\$210.6 million (US\$27.0 million) in the year ended December 31, 2007, primarily due to an increase in headcount as a result of the expansion of production capacity and an increase in the minimum wage rate in the PRC resulting from high inflation in the PRC.

Production overhead increased by 42.1% to HK\$1,436.2 million (US\$184.5 million) in the year ended December 31, 2008 from HK\$1,010.7 million (US\$129.6 million) in the year ended December 31, 2007, primarily due to the initial start-up costs (excluding redundancy costs) of GME, the new PCB plant in Guangzhou, as a result of its relatively low output, of which HK\$24.3 million (US\$3.1 million) was attributable to GME's cost of sales.

Gross profit

Gross profit increased by 5.1% to HK\$1,007.4 million (US\$129.3 million) in the year ended December 31, 2008 from HK\$958.4 million (US\$122.8 million) in the year ended December 31, 2007, primarily due to the increase in revenue and production volume. Gross margin on revenue decreased to 19.3% for the year ended December 31, 2008 from 23.3% for the year ended December 31, 2007, primarily due to the increase in cost of sales described above.

Other income

Other income decreased by 1.5% to HK\$158.8 million (US\$20.4 million) in the year ended December 31, 2008 from HK\$161.3 million (US\$20.7 million) in the year ended December 31, 2007. This decrease was primarily due to the change in tax incentive policies in the PRC. The PCB Business recorded approximately HK\$29.5 million (US\$3.8 million) in investment tax credits received as a result of re-investment of dividend income from subsidiaries in the PRC in the year ended December 31, 2007. The investment tax credit was not available in the year ended December 31, 2008.

Selling and distribution expenses

Selling and distribution expenses increased by 13.8% to HK\$227.4 million (US\$29.2 million) in the year ended December 31, 2008 from HK\$199.8 million (US\$25.6 million) in the year ended December 31, 2007. This increase was primarily due to the increase in freight charges from HK\$71.5 million (US\$9.2 million) in the year ended December 31, 2007 to HK\$95.4 million (US\$12.3 million) in the year ended December 31, 2008, as a result of the increase in production volume and revenue.

Table of Contents

General and administrative expenses

General and administrative expenses increased by 29.3% to HK\$259.7 million (US\$33.4 million) in the year ended December 31, 2008 from HK\$200.9 million (US\$25.8 million) in the year ended December 31, 2007. This increase was primarily due to the start-up costs (excluding redundancy costs) incurred for the new plant in Guangzhou (GME), totaling approximately HK\$38.2 million (US\$4.9 million), compared with HK\$19.7 million (US\$2.5 million) for the year ended December 31, 2007, as well as various retrenchment costs of approximately HK\$11.2 million (US\$1.4 million) due to the change in global economic conditions. The higher cost was partially offset by the functional currency exchange gain of approximately HK\$152.0 million (US\$19.5 million) in the year ended December 31, 2008 as a result of the appreciation of RMB, compared with a gain of HK\$68.3 million (US\$8.8 million) for the year ended December 31, 2007. The functional exchange gain is a result of certain PCB Subsidiaries, whose functional currency are in RMB, having a significant amount of assets denominated in RMB, such as inventories, receivables, cash, and cash equivalents, with a significant amount of liabilities denominated in Hong Kong dollars, such as accounts payable. As the RMB appreciated significantly during 2008, an exchange gain was recorded after translation of these RMB denominated assets and Hong Kong dollar denominated liabilities.

Share award expenses

Share award expenses decreased by 95.3% to HK\$10.6 million (US\$1.4 million) in the year ended December 31, 2008 from HK\$226.1 million (US\$29.0 million) in the year ended December 31, 2007. This decrease was primarily due to the fact that a majority of the share awards were granted and vested in the year ended December 31, 2007. The non-cash share award expenses had no impact on the cash flow and net asset value of the PCB Business as the corresponding amounts were credited to the employee share-based compensation reserve account.

Operating profit

Operating profit increased by 35.6% to HK\$668.5 million (US\$85.9 million) in the year ended December 31, 2008 from HK\$492.9 million (US\$63.2 million) in the year ended December 31, 2007. This increase was primarily due to the decrease in share award expenses. Excluding share award expenses, the operating performance in the year ended December 31, 2008 was negatively impacted by the lower gross profit margin, the higher selling and distribution expenses, and the higher general and administrative expenses.

Interest income

Interest income decreased by 38.9% to HK\$17.4 million (US\$2.2 million) in the year ended December 31, 2008 from HK\$28.5 million (US\$3.7 million) in the year ended December 31, 2007. This decrease was primarily due to Meadville earning more bank interest income from the net proceeds from the initial public offering of Meadville's shares in February 2007, which was not applicable to 2008.

Finance costs

Finance costs increased by 24.1% to HK\$129.4 million (US\$16.6 million) in the year ended December 31, 2008 from HK\$104.3 million (US\$13.4 million) in the year ended December 31, 2007. This increase was primarily due to higher levels of bank borrowings and an increase in accretion charges on the financial liabilities to HK\$15.9 million (US\$2.0 million) in the year ended December 31, 2008, from none in the year ended December 31, 2007.

Income tax expense

Income tax expense increased by 13.6% to HK\$72.9 million (US\$9.4 million) in the year ended December 31, 2008 from HK\$64.2 million (US\$8.2 million) in the year ended December 31, 2007. Income

Net cash generated from operating activities

Net cash flow generated from operating activities consists of operating profit before working capital changes and changes in working capital. In 2009, net cash generated from operating activities was HK\$600.1 million (US\$77.4 million). Net cash inflow from operating activities in 2009 was primarily due to profit before income tax of HK\$301.4 million (US\$38.9 million) and adjustment for non-cash and non-operating items, including primarily depreciation costs of HK\$487.5 million (US\$62.9 million). As a consequence, a cash inflow from operating activities before working capital changes of HK\$899.9 million (US\$116.1 million) was recorded.

In 2009, a net cash outflow from changes in working capital of HK\$299.8 million (US\$38.7 million) was recorded. This resulted primarily from a decrease in creditors and accruals of HK\$304.4 million (US\$39.3 million) and amount due to immediate holding company of HK\$57.0 million (US\$7.4 million), which were partially offset by a decrease in debtors and prepayments of HK\$66.3 million (US\$8.6 million) and amounts due from fellow subsidiaries of HK\$156.7 million (US\$20.2 million). The net cash generated from operating activities was also reduced by a net interest payment of HK\$85.8 million (US\$11.1 million) and HK\$54.9 million (US\$7.1 million) of taxes paid.

In 2008, net cash generated from operating activities was HK\$1,391.4 million (US\$178.7 million). Net cash generated from operating activities in the year 2008 was primarily due to profit before income tax of HK\$556.5 million (US\$71.5 million) and adjustments for non-cash and non-operating items, including primarily depreciation costs of HK\$420.9 million (US\$54.1 million) and finance costs of HK\$129.4 million (US\$16.6 million), partially offset by net exchange differences of HK\$138.5 million (US\$17.8 million). As a consequence, cash inflow from operating activities before working capital changes of HK\$993.5 million (US\$127.6 million) was recorded.

In 2008, a net cash inflow from changes in working capital of HK\$581.8 million (US\$74.7 million) was recorded. This resulted primarily due to a decrease in debtors and prepayments of HK\$317.2 million (US\$40.7 million), an increase in creditors and accruals of HK\$117.7 million (US\$15.1 million) and amounts due to an immediate holding company of HK\$354.0 million (US\$45.5 million). The foregoing were partially offset by amounts due to fellow subsidiaries of HK\$157.3 million (US\$20.2 million) and amounts due to minority shareholders of HK\$25.4 million (US\$3.3 million). The net cash generated from operating activities was also reduced by a net interest payment of HK\$70.7 million (US\$9.1 million) and HK\$113.3 million (US\$14.6 million) of taxes paid.

In 2007, net cash generated from operating activities was HK\$1,102.3 million (US\$141.3 million). Net cash generated from operating activities in the year 2007 was primarily due to profit before income tax of HK\$417.1 million (US\$53.5 million) and adjustments for non-cash and non-operating items, including primarily depreciation costs of HK\$278.7 million (US\$35.7 million), finance costs of HK\$104.3 million (US\$13.4 million), and share award expenses of HK\$226.1 million (US\$29.0 million), partially offset by net exchange differences of HK\$48.3 million (US\$6.2 million). As a consequence, a cash inflow from operating activities before working capital changes of HK\$966.1 million (US\$123.8 million) was recorded.

In 2007, a net cash inflow from changes in working capital of HK\$287.1 million (US\$36.8 million) was recorded. This resulted primarily from an increase in creditors and accruals of HK\$387.7 million (US\$49.7 million), an increase in long-term other payables of HK\$115.7 million (US\$14.8 million), and an amount due to immediate holding company of HK\$290.0 million (US\$37.2 million). The foregoing were partially offset by an increase in inventories of HK\$104.1 million (US\$13.3 million) and an increase in debtors and prepayments of HK\$149.8 million (US\$19.2 million). The net cash generated from operating activities was also reduced by net interest payments of HK\$75.8 million (US\$9.7 million) and HK\$75.1 million (US\$9.6 million) of taxes paid.

Table of Contents

Net cash used in investing activities

Meadville's principal investment activities are purchases of property, plant, and equipment, and purchases of leasehold land and land use rights. In 2007, 2008, and 2009, Meadville experienced net cash outflows as a result of its investing activities.

In 2009, net cash used in investing activities was HK\$372.0 million (US\$48.0 million). Net cash used in investing activities in 2009 was primarily due to the purchase of HK\$377.1 million (US\$48.6 million) of property, plant, and equipment for Meadville's PCB plants.

In 2008, net cash used in investing activities was HK\$1,345.0 million (US\$172.7 million). Net cash used in investing activities in the year 2008 was primarily due to the purchase of HK\$1,347.6 million (US\$173.1 million) of property, plant, and equipment for Meadville's PCB plants.

In 2007, net cash used in investing activities was HK\$1,930.8 million (US\$247.5 million). Net cash used in investing activities in the year 2007 was primarily due to the purchase of HK\$1,218.3 million (US\$156.2 million) of property, plant, and equipment for Meadville's PCB plants and the use of HK\$694.7 million (US\$89.0 million) to acquire a subsidiary, net of bank balances and cash acquired, in connection with the acquisition of 80% of the share capital of Meadville Aspocomp (BVI) Holdings Limited from Aspocomp Group OYJ.

Net cash generated from financing activities

Historically, cash generated from financing activities is derived from long- and short-term bank loans and bank overdrafts.

In 2009, net cash used in financing activities was HK\$152.5 million (US\$19.7 million). Net cash generated from financing activities in the year 2009 was primarily due to repayment of borrowings of HK\$1,440.3 million (US\$185.8 million) and dividend paid to a minority shareholder of HK\$91.4 million (US\$11.8 million), partially offset by new borrowings of HK\$1,249.8 million (US\$161.2 million).

In 2008, net cash generated from financing activities was HK\$332.0 million (US\$42.6 million). Net cash generated from financing activities in the year 2008 was primarily due to new borrowings of HK\$3,355.8 million (US\$431.0 million), partially offset by repayment of borrowings of HK\$2,382.6 million (US\$306.0 million) and dividends of HK\$600.1 million (US\$77.1 million) paid to shareholders.

In 2007, net cash generated from financing activities was HK\$1,138.3 million (US\$145.9 million). Net cash generated from financing activities in the year 2007 was primarily due to new borrowings of HK\$3,030.0 million (US\$388.4 million), a capital contribution from immediate holding company of HK\$826.6 million (US\$105.9 million), and a capital contribution by a minority shareholder of HK\$114.3 million (US\$14.7 million). The foregoing were partially offset by repayment of borrowings of HK\$2,031.0 million (US\$260.3 million), dividends of HK\$290.0 million (US\$37.2 million) paid to shareholders, and a distribution of HK\$410.0 million (US\$52.6 million) to a shareholder.

Indebtedness

The total borrowings of the PCB Business amounted to HK\$2,587.4 million (US\$331.8 million), HK\$3,586.2 million (US\$462.7 million), and HK\$3,370.1 million (US\$434.6 million) as of December 31, 2007, 2008, and 2009, respectively. The increased level of borrowings from the year ended December 31, 2007 to December 31, 2008 was primarily due to the expansion of the production capacity of the PCB Business. During that period, the borrowings were mainly used to acquire property, plant, and equipment at Meadville's PCB plants and the acquisition of 80% of the share capital of Meadville Aspocomp (BVI) Holdings Limited from Aspocomp Group OYJ. The decreased level of borrowings in the year ended December 31, 2009 was due to a reduction in capital expenditures and working capital in response to lower demand for PCB products resulting from global economic conditions in 2009. The

[Table of Contents](#)

gearing ratio (total borrowings as a percentage of total assets) of the PCB Business increased from 38.3% as of December 31, 2007 due to a capital injection by an immediate holding company of the PCB Business in 2007, and subsequently increased to 44.8% as of December 31, 2008, and to 45.2% as of December 31, 2009, mainly due to a reduction in amounts due from fellow subsidiaries.

The table below sets out the indebtedness of the PCB Business as of the dates indicated.

	As of December 31,		
	2007	2008	2009
	(In thousands of HK\$)		
Non-Current	\$ 1,679,147	\$ 2,763,230	\$ 2,815,156
Current	908,288	823,013	554,932
Total	\$ 2,587,435	\$ 3,586,243	\$ 3,370,088

	As of December 31,		
	2007	2008	2009
	(In thousands of HK\$)		
Secured	\$ —	\$ —	\$ —
Unsecured	2,587,435	3,586,243	3,370,088
Total	\$ 2,587,435	\$ 3,586,243	\$ 3,370,088

Effective November 16, 2009, certain of the PCB Subsidiaries entered into a Credit Agreement (the "Credit Agreement") with seven lenders, including Hongkong and Shanghai Banking Corporation Limited, pursuant to which the lenders, subject to the satisfaction of certain conditions to drawdown, will provide credit facilities in the total amount of approximately US\$582.5 million (equivalent to approximately HK\$4,516.9 million) to certain of the PCB Subsidiaries. The credit facility will be used for refinancing certain existing facilities due to the change of control of the PCB Subsidiaries resulting from the PCB Combination and as working capital for the PCB Subsidiaries. Loans made under the credit facility will be secured by certain assets of the PCB Subsidiaries. In connection with the closing of the PCB Combination, the Company and TTM Hong Kong Limited, an indirect wholly owned subsidiary of the Company, became parties to the Credit Agreement as guarantors of the obligations of the PCB Subsidiaries under the Credit Agreement.

Inventories

The following table sets out a summary of the inventory of the PCB Business as of the dates indicated:

	As of December 31,		
	2007	2008	2009
	(In thousands of HK\$)		
Raw materials	\$ 121,233	\$ 150,286	\$ 150,066
Work in progress	114,755	101,448	123,874
Finished goods	161,860	173,315	174,082
Consumable stock	572	2,004	2,465
Total	\$ 398,420	\$ 427,053	\$ 450,487
Inventory turnover days	39	36	41

Table of Contents

Note: The number of days of inventory turnover is equal to the average inventory (being the inventory balance at the beginning of the year plus the inventory balance at the end of the year, divided by 2) divided by the cost of sales for the corresponding year and then multiplied by 365 for each of the three years ended December 31, 2007, 2008, and 2009.

The number of days of inventory turnover of the PCB Business for each of the three years ended December 31, 2009 were 39 days, 36 days, and 41 days, respectively. The inventory balances as at December 31, 2007, 2008, and 2009 were HK\$398.4 million (US\$51.1 million), HK\$427.1 million (US\$55.1 million), and HK\$450.5 million (US\$58.1 million), respectively. The increase in inventory balances from 2007 to 2009 primarily resulted from the continuous expansion of the operations of the PCB Subsidiaries and the increase in revenue.

The cost of inventories recognized as expenses and included in cost of sales for the years indicated was as follows:

	Year Ended December 31,		
	2007	2008	2009
Cost of inventories	\$ 3,137,705	\$ 4,198,374	\$ 3,933,716

Debtors and prepayments

The following table sets out a summary of the debtors and prepayments of the PCB Business as of the dates indicated:

	As of December 31,		
	2007	2008	2009
Debtors	\$ 1,368,801	\$ 986,983	\$ 985,129
Prepayments and other receivables	112,052	176,689	112,198
Total	\$ 1,480,853	\$ 1,163,672	\$ 1,097,327
Debtors turnover days	106	82	74

Note: The number of days of debtors turnover is equal to the average debtor balance (being the debtor balance at the beginning of the year plus the debtor balance at the end of the year, divided by 2) divided by the revenue for the corresponding year and then multiplied by 365 for each of the three years ended December 31, 2007, 2008, and 2009.

The increase in debtor balance during 2007 was primarily due to growth of revenue in 2007. The decrease in debtor balance during 2008 and 2009 was primarily due to the decrease in revenue as a result of global economic conditions. The debtor turnover days for each of the three years ended December 31, 2009 were 106 days, 82 days, and 74 days, respectively. The decrease in debtor turnover days was primarily due to continuous effort to improve and shorten the collections period.

Creditors and accruals

The following table sets out creditors and accruals of the PCB Business as of the dates indicated:

	As of December 31,		
	2007	2008	2009
Creditors	\$ 598,331	\$ 667,797	\$ 561,847
Accruals	672,426	720,622	522,176
Total	\$ 1,270,757	\$ 1,388,419	\$ 1,084,023
Creditors turnover days	54	55	57

Table of Contents

Note: The number of days of creditors turnover is equal to the average creditor balance (being the creditor balance at the beginning of the year plus the creditor balance at the end of the year, divided by 2) divided by the cost of sales for the corresponding year and then multiplied by 365 for each of the three years ended December 31, 2007, 2008, and 2009.

The increase in creditor balance during the two years ended December 31, 2008 was primarily due to the increasing scale of operations. The decrease in creditor balance in the year ended December 31, 2009 was primarily due to a decrease in capital expenditures and in purchase of supplies as a result of global economic conditions. The creditor turnover days of the PCB Business remained almost constant at 54 days in 2007, 55 days in 2008, and 57 days in 2009.

Off-balance sheet arrangements

As of December 31, 2009, none of the PCB Subsidiaries was a financial guarantor of obligations of any unconsolidated entity and none was a party to any material off-balance sheet obligations or arrangements.

Working capital

Taking into account the estimated net proceeds from the credit agreement, available banking facilities, and cash flows from the operations of the PCB Business, Meadville believes that the PCB Business has sufficient working capital for its present requirements, which is for at least the next 12 months from the date of this Current Report on Form 8-K/A.

Net current assets

As of December 31, 2009, the PCB Business had net current assets of HK\$438.4 million (US\$56.5 million). Current assets comprised mainly inventories of HK\$450.5 million (US\$58.1 million), debtors and prepayments of HK\$1,097.3 million (US\$141.5 million), cash and bank balances of HK\$850.1 million (US\$109.6 million), and other current assets of HK\$7.4 million (US\$1.0 million). Current liabilities comprised mainly creditors and accruals of HK\$1,084.0 million (US\$139.8 million), bank borrowings of HK\$554.9 million (US\$71.6 million), amount due to immediate holding company of HK\$47.4 million (US\$6.1 million), amount due to a minority shareholder of HK\$111.3 million (US\$14.3 million), amounts due to fellow subsidiaries of HK\$128.4 million (US\$16.6 million), amount due to a subsidiary of a minority shareholder of HK\$19.9 million (US\$2.6 million), and taxation payable of HK\$21.1 million (US\$2.7 million).

	As of December 31,		
	2007	2008	2009
		(In thousands of HK\$)	
Current assets	\$ 2,609,123	\$ 2,798,110	\$ 2,405,336
Current liabilities	(2,773,252)	(3,140,986)	(1,966,983)
Net current (liabilities)/assets	\$ (164,129)	\$ (342,876)	\$ 438,353
Quick ratio	0.80	0.75	1.00

Note: Quick ratio is equal to current assets (net of inventories) divided by current liabilities.

The increase in the net current assets position of the PCB Business is primarily due to the capital injection from immediate holding company of the PCB Business.

Capital expenditures

As of December 31, 2007, 2008, and 2009, the PCB Business incurred HK\$2,121.1 million (US\$271.9 million), HK\$1,347.6 million (US\$173.1 million), and HK\$377.1 million (US\$48.6 million), respectively, of capital expenditures. The current business strategy of the PCB Business contemplates capital expenditures of approximately HK\$316.0 million (US\$40.8 million), HK\$412.0 million (US\$53.1 million), and HK\$416.0 million (US\$53.6 million) in the full years of 2010, 2011, and 2012, respectively.

The figures in the capital expenditure plans of the PCB Business are based on Meadville's estimates and have not been appraised by an independent organization. The actual capital expenditures of the PCB Business (including the types and amount of capital expenditures that the PCB Subsidiaries and/or the combined company elect to make) may differ from the amounts set forth above. The capital expenditure plans of the PCB Business are subject to a number of variables, including possible cost overruns, construction delays, availability of financing on acceptable terms, and demand for its products and services. In addition, due to changes in economic or demand conditions, government and tax policies, the competitive landscape, or other factors, capital expenditures could change. There can be no assurance that the PCB Subsidiaries and/or the Company can execute the contemplated capital expenditure plans at or below its estimated costs or at all.

Contractual obligations and commitments

The following table provides information on contractual obligations and commitments as of December 31, 2009:

	<u>Total</u>	<u>Less than 1 Year</u>	<u>1 – 3 Years</u> (In thousands of HK\$)	<u>3 – 5 Years</u>	<u>More than 5 Years</u>
Long-term debt obligations	\$ 3,330,325	\$ 515,169	\$ 2,746,067	\$ 69,089	\$ —
Interest on long-term debt obligations(1)	143,271	74,600	49,714	18,957	—
Operating leases	25,290	3,054	2,260	1,635	18,341
Capital commitment in respect of property, plant, and equipment	256,502	201,407	55,095	—	—
Other long-term liabilities reflected on the balance sheet under HKFRS	238,040	1,414	235,115	1,511	—
Interest on other long-term liabilities reflected on the balance sheet under HKFRS(1)	31,431	9,893	21,486	52	—
Total contractual obligations	<u>\$ 4,024,859</u>	<u>\$ 805,537</u>	<u>\$ 3,109,737</u>	<u>\$ 91,244</u>	<u>\$ 18,341</u>

(1) The respective interest payments are estimated based on the liabilities outstanding and the applicable interest rates as of December 31, 2009.

Quantitative and Qualitative Disclosures About Market Risk

The PCB Business is exposed to various kinds of market risks through its international operations. These risks are material in relation to both foreign currency risk and interest rate risk.

Currency risks

The PCB Business maintains its accounts in Hong Kong dollars and a portion of its revenue and expenses are denominated in RMB, while Meadville reports the financial results of the PCB Business in Hong Kong dollars. Fluctuations in exchange rates, primarily those involving the Hong Kong dollar against

[Table of Contents](#)

the RMB, may affect its reported operating results in Hong Kong dollar terms. A majority of the PCB Subsidiaries' equipment is purchased from companies located offshore, in such locations as Europe, Japan, or Taiwan, with payment being made in U.S. Dollars or other foreign currencies. Accordingly, a portion of the results of operations of the PCB Business is also exposed to fluctuations between the U.S. Dollar and the RMB.

The pegging of the Hong Kong dollar to the U.S. Dollar by the Hong Kong Monetary Authority reduces transaction risks to the extent conversion is necessary between the two currencies. However, if the pegged exchange rate between the Hong Kong dollar and the U.S. Dollar were to change, or if the Hong Kong Monetary Authority adopted a floating exchange rate policy, the results of operations and balance sheet of the PCB Business could be positively or negatively affected, depending upon whether and by how much the value of the Hong Kong dollar appreciated or depreciated against the U.S. Dollar or other relevant currencies and the extent of the mismatch, if any, between the revenue and expenses of the PCB Business in foreign currencies and its net foreign currency asset or liability position at the time.

The impact of future exchange rate fluctuations between the U.S. Dollar and the RMB and the Hong Kong dollar and RMB cannot be predicted. Although the impact of exchange rate fluctuations has in the past been partially mitigated by the natural hedging between the foreign currency receivables and payables of the PCB Business, there can be no assurance that the PCB Subsidiaries will be able to offset the overall impact of any exchange rate fluctuations in the future. The PCB Subsidiaries do not generally engage in hedging to manage currency risk. However, in relation to purchases of equipment in foreign currencies other than U.S. Dollars, the PCB Subsidiaries may at times purchase forward exchange contracts to manage its currency risk in relation to any particular purchase. For example, during 2009, the PCB Subsidiaries entered into certain foreign exchange forward contracts to hedge against (i) their contingent financial liabilities arising from the amount payable to Aspocomp Holding Pte. Ltd. upon the exercise of its put option in early 2013, in connection with the acquisition of an 80% interest in Meadville Aspocomp (BVI) Holdings Limited, and (ii) certain purchases of machinery denominated in foreign currencies. As at December 31, 2009, the notional amount of these contracts was approximately HK\$179.8 million (US\$23.2 million) and their net fair value was approximately HK\$19.5 million (US\$2.5 million), which was recorded as derivative financial instruments in the combined statements of financial position.

The table below presents information about certain of the foreign currency forward contracts of the PCB Business at December 31, 2009.

	As of December 31, 2009	
	<u>Notional Amount</u> (In thousands of US\$)	<u>Average Contract Rate or Strike Amount</u>
Receive foreign currency/pay US\$		
Euro	\$ 22,695	1.30
Japanese Yen	485	0.01
Total	<u>\$ 23,180</u>	
Estimated Fair Value	<u>\$ 2,520</u>	

Interest rate risk

The PCB Business is exposed to interest rate risk resulting from fluctuations in interest rates. Increases in interest rates would increase interest expenses relating to the outstanding variable rate borrowings of the PCB Business and increase the cost of new debt. Fluctuations in interest rates can also lead to significant fluctuations in the fair value of the debt obligations of the PCB Business. As of December 31, 2009, the PCB Business had interest rate swap contracts under which it pays fixed interest rate based payments and receives variable-interest rate based payments to hedge certain of the borrowings of the PCB Business amounting to US\$40 million. However, there can be no assurances that

[Table of Contents](#)

such hedging activities and any future hedging activities will protect the PCB Business from fluctuations in interest rates.

The tables below present information about certain of the debt instruments (bank borrowings) of the PCB Business as of the dates presented. Information as of December 31, 2009 has been translated using a HK\$ / US\$ exchange rate of HK\$7.7550 to US\$1.00.

Debt Instruments

	As of December 31, 2009						Fair Market Value	Weighted Average Interest Rate
	Maturing in				Thereafter	Total		
	2010	2011	2012	2013				
	(In thousands of US\$)							
Variable Rate:								
US\$	\$ 34,872	\$ 109,533	\$ 173,291	\$ 7,587	—	—	\$ 325,283	1.47%
HK\$	31,559	36,979	16,382	1,322	—	—	86,242	0.91%
RMB	5,128	10,255	7,663	—	—	—	23,046	4.97%
Total Variable Rate	<u>\$ 71,559</u>	<u>\$ 156,767</u>	<u>\$ 197,336</u>	<u>\$ 8,909</u>	<u>—</u>	<u>—</u>	<u>\$ 434,571</u>	<u>\$ 434,904</u>
Fixed Rate:								
RMB	—	—	—	—	—	—	—	—
Total Fixed Rate	—	—	—	—	—	—	—	—
Total	<u>\$ 71,559</u>	<u>\$ 156,767</u>	<u>\$ 197,336</u>	<u>\$ 8,909</u>	<u>—</u>	<u>—</u>	<u>\$ 434,571</u>	<u>\$ 434,904</u>

Interest Rate Swap Contracts (variable to fixed)

The tables below present information about certain of the interest rate swaps of the PCB Business as of the dates presented.

	As of December 31, 2009				Fair Value
	2010	2011	2012	2013	
	(In thousands of US\$)				
Average interest payout rate	3.43%	3.43%	3.43%	—	
Interest payout amount	\$ (1,372)	\$ (1,066)	\$ (345)	—	
Average interest receive rate	0.23%	0.23%	0.23%	—	
Interest receive amount	\$ 92	\$ 71	\$ 23	—	
Fair value loss at December 31, 2009					\$ (1,651)

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This Current Report on Form 8-K/A contains certain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include all matters that are not historical facts. Words such as “anticipates,” “estimates,” “expects,” “projects,” “intends,” “plans,” “believes,” “may,” “will,” or “should” and words or terms of similar substance used in connection with any discussion of future operating results or financial performance identify forward-looking statements. Also, as examples, forward-looking statements may include statements relating to the benefits of the PCB Combination, including anticipated synergies and cost savings estimated to result from the PCB Combination, and statements relating to future business prospects, revenue, income, and financial condition of Meadville and the Company.

These forward-looking statements involve certain known and unknown risks and uncertainties. Factors that could cause actual results to differ materially from those contemplated by the forward-looking statements include, but are not limited to, the risk factors disclosed in the Company’s Annual Report on

[Table of Contents](#)

Form 10-K for the fiscal year ended December 31, 2009. Other sections of this Current Report on Form 8-K/A describe additional factors that could adversely impact the business and financial performance of the Company and the PCB Business. Moreover, the Company operates in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible to predict all risks and uncertainties, nor can the Company assess the impact that these factors will have on the Company's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement.

You should not place undue reliance on these forward-looking statements, which speak only as of the date of this Current Report on Form 8-K/A in the case of forward-looking statements contained in this Current Report on Form 8-K/A, or the dates of the documents incorporated by reference into this Current Report on Form 8-K/A in the case of forward-looking statements made in those incorporated documents. Except for the Company's ongoing obligation to disclose material information under U.S. federal securities laws, the Company undertakes no obligation to release publicly any revisions to any forward-looking statements, to report events, or to report the occurrence of unanticipated events.

Item 9.01. Financial Statements and Exhibits.

(a) Financial Statements of Business Acquired.

The audited combined income statements, audited combined statements of comprehensive income, audited combined statements of cash flows, and audited combined statements of changes in equity of the PCB Business on a carve-out basis for the years ended December 31, 2007, 2008, and 2009, and the combined statements of financial position at December 31, 2007, 2008, and 2009, and the notes thereto, are filed herewith as Exhibit 99.1 and are incorporated herein by reference.

(b) Pro Forma Financial Information.

The unaudited pro forma condensed combined balance sheet as of December 31, 2009 of TTM Technologies, Inc., the unaudited pro forma condensed combined statement of operations for the year ended December 31, 2009 of TTM Technologies, Inc., and the notes thereto, giving effect to the acquisition of the PCB Business, are filed herewith as Exhibit 99.2 and are incorporated herein by reference.

The unaudited pro forma condensed combined statement of operations gives effect to the PCB Combination as though the PCB Combination had occurred at the beginning of fiscal year 2009. The unaudited pro forma condensed combined balance sheet gives effect to the PCB combination as though the PCB combination had occurred as of December 31, 2009. The pro forma information is based on the historical financial statements of the Company and the PCB business of Meadville Holdings Limited after giving effect to the PCB Combination based on the assumptions and adjustments in the notes that accompany the pro forma financial information. The pro forma financial information is not necessarily indicative of the financial position or results of operations of the Company that would have actually occurred had the PCB Combination been in effect as of the date or for the periods presented. The pro forma financial information has been prepared on the basis of preliminary estimates. The pro forma financial information should be read in conjunction with the Company's historical financial statements, including the notes thereto, included in the Company's Annual Report on Form 10-K for the year ended 2009.

(c) Shell Company Transactions.

Not applicable.

(d) Exhibits.

Exhibit No.	Description
23.1	Consent of PricewaterhouseCoopers, independent accountants

Table of Contents

<u>Exhibit No.</u>	<u>Description</u>
99.1	Combined income statements, combined statements of comprehensive income, combined statements of cash flows, and combined statements of changes in equity for the years ended December 31, 2007, 2008, and 2009, and the combined statements of financial position at December 31, 2006, 2007, and 2008, and the notes thereto, for the printed circuit board business of Meadville Holdings Limited
99.2	Unaudited pro forma condensed combined balance sheet as of December 31, 2009, and unaudited pro forma condensed combined statement of operations for the year ended December 31, 2009 of TTM Technologies, Inc., and the notes thereto, giving effect to the acquisition of the printed circuit board business of Meadville Holdings Limited

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: April 23, 2010

TTM TECHNOLOGIES, INC.

By: /s/ Steven W. Richards
Steven W. Richards
Executive Vice President and
Chief Financial Officer

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
23.1	Consent of PricewaterhouseCoopers, independent accountants
99.1	Combined income statements, combined statements of comprehensive income, combined statements of cash flows, and combined statements of changes in equity for the years ended December 31, 2007, 2008, and 2009, and the combined statements of financial position at December 31, 2006, 2007, and 2008, and the notes thereto, for the printed circuit board business of Meadville Holdings Limited
99.2	Unaudited pro forma condensed combined balance sheet as of December 31, 2009, and unaudited pro forma condensed combined statement of operations for the year ended December 31, 2009 of TTM Technologies, Inc., and the notes thereto, giving effect to the acquisition of the printed circuit board business of Meadville Holdings Limited



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PRIVATE AND CONFIDENTIAL

The Board of Directors
Meadville Holdings Limited
No.4, Dai Shun Street
Tai Po Industrial Estate
Tai Po
New Territories

Attention: Mr Canice Chung

23 April 2010

Our Ref: KKYC.HOYT/02013557.A006

Dear Sirs

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Forms S-3 (333-165514 and 333-148687) and Forms S-8 (333-138219 and 333-46454) of TTM Technologies, Inc. of our report dated March 15, 2010 relating to the financial statements of Printed Circuit Board Business of Meadville Holdings Limited, which appears in the Current Report on Form 8-K/A of TTM Technologies, Inc. dated April 8, 2010.

Yours faithfully

HOYT/ILL

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
31 DECEMBER 2007, 2008 AND 2009

**REPORT OF INDEPENDENT AUDITORS
TO THE BOARD OF DIRECTORS OF MEADVILLE HOLDINGS LIMITED**

In our opinion, the accompanying combined statements of financial positions and the related combined statements of income, comprehensive income, changes in equity and cash flows present fairly, in all material respects, the financial position of the Printed Circuit Board Business of Meadville Holdings Limited (the "PCB Business") as at 31 December 2007, 2008 and 2009 and the results of its operations and its cash flows for the years ended 31 December 2007, 2008 and 2009 in conformity with Hong Kong Financial Reporting Standards. These financial statements are the responsibility of the PCB Business' management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Hong Kong Financial Reporting Standards vary in certain significant respects from accounting principles generally accepted in the United States of America. Information relating to the nature and effect of such differences is presented in Note 34 to the combined financial statements.

/s/ PricewaterhouseCoopers

Hong Kong, 15 March 2010

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED
COMBINED INCOME STATEMENTS

	Note	Year ended 31 December		
		2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
Revenue	5	4,108,638	5,212,437	4,840,778
Cost of sales	9	<u>(3,150,277)</u>	<u>(4,205,020)</u>	<u>(3,937,018)</u>
Gross profit		958,361	1,007,417	903,760
Other income	6	161,330	158,810	137,722
Selling and distribution expenses	9	(199,790)	(227,397)	(238,960)
General and administrative expenses	9	(200,869)	(259,762)	(409,231)
Share award expenses	7,9	<u>(226,097)</u>	<u>(10,601)</u>	<u>(15,581)</u>
Operating profit		492,935	668,467	377,710
Interest income	10	28,507	17,440	6,148
Finance costs	11	<u>(104,311)</u>	<u>(129,359)</u>	<u>(82,433)</u>
Profit before income tax		417,131	556,548	301,425
Income tax expense	12	<u>(64,193)</u>	<u>(72,895)</u>	<u>(68,798)</u>
Profit for the year		<u>352,938</u>	<u>483,653</u>	<u>232,627</u>
Attributable to:				
Equity holders of the PCB Business		246,094	376,071	140,078
Minority interests		<u>106,844</u>	<u>107,582</u>	<u>92,549</u>
		<u>352,938</u>	<u>483,653</u>	<u>232,627</u>

The notes on pages 11 to 77 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		
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
Profit for the year	<u>352,938</u>	<u>483,653</u>	<u>232,627</u>
Other comprehensive income			
Exchange differences	100,657	82,304	7,767
Fair value loss of available-for-sale financial asset	—	(454)	(2,921)
Cash flow hedge			
- change in fair value of hedging instruments	—	—	19,530
- transfer to income statement upon change in fair value of hedged items	—	—	(15,232)
- transfer to property, plant and equipment	<u>—</u>	<u>—</u>	<u>(191)</u>
Other comprehensive income for the year, net of tax	<u>100,657</u>	<u>81,850</u>	<u>8,953</u>
Total comprehensive income for the year	<u><u>453,595</u></u>	<u><u>565,503</u></u>	<u><u>241,580</u></u>
Total comprehensive income attributable to:			
Equity holders of the PCB Business	327,997	436,370	147,977
Minority interests	<u>125,598</u>	<u>129,133</u>	<u>93,603</u>
	<u><u>453,595</u></u>	<u><u>565,503</u></u>	<u><u>241,580</u></u>

The notes on pages 11 to 77 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		
		2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
Assets				
Non-current assets				
Property, plant and equipment	14	3,821,412	4,941,778	4,804,974
Leasehold land and land use rights	15	143,042	147,256	143,819
Intangible assets	16	149,899	22,159	21,019
Available-for-sale financial asset	17	21,089	20,635	17,714
Derivative financial instruments	23	—	—	19,224
Deferred tax assets	24	13,124	32,517	40,931
Loan to a fellow subsidiary	29	—	41,074	—
		<u>4,148,566</u>	<u>5,205,419</u>	<u>5,047,681</u>
Current assets				
Inventories	18	398,420	427,053	450,487
Debtors and prepayments	19	1,480,853	1,163,672	1,097,327
Derivative financial instruments	23	—	—	306
Amounts due from fellow subsidiaries	29	244,296	390,242	—
Amount due from intermediate holding company	30	40,177	—	—
Amount due from a minority shareholder	28	39,055	—	—
Taxation recoverable		3,500	19,269	7,107
Cash and bank balances	20	<u>402,822</u>	<u>797,874</u>	<u>850,109</u>
		<u>2,609,123</u>	<u>2,798,110</u>	<u>2,405,336</u>
Total assets		<u>6,757,689</u>	<u>8,003,529</u>	<u>7,453,017</u>
Equity				
Capital and reserves	21	1,524,327	1,371,198	1,800,876
Minority interests in equity		<u>335,728</u>	<u>405,411</u>	<u>556,412</u>
Total equity		<u>1,860,055</u>	<u>1,776,609</u>	<u>2,357,288</u>

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED
 COMBINED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

	Note	At 31 December		
		2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
Liabilities				
Non-current liabilities				
Borrowings	22	1,679,147	2,763,230	2,815,156
Derivative financial instruments	23	—	17,350	12,805
Deferred tax liabilities	24	65,183	79,520	75,550
Financial liabilities	25	264,394	151,270	162,365
Long-term other payables	26	115,658	74,564	62,870
		<u>2,124,382</u>	<u>3,085,934</u>	<u>3,128,746</u>
Current liabilities				
Creditors and accruals	27	1,270,757	1,388,419	1,084,023
Amounts due to fellow subsidiaries	29	99,838	88,481	128,396
Amount due to immediate holding company	30	290,000	643,961	47,381
Amount due to a minority shareholder	28	173,677	169,659	111,278
Amount due to a subsidiary of a minority shareholder	28	5,040	12,338	19,919
Borrowings	22	908,288	823,013	554,932
Derivative financial instruments	23	—	8,015	—
Taxation payable		25,652	7,100	21,054
		<u>2,773,252</u>	<u>3,140,986</u>	<u>1,966,983</u>
Total liabilities		<u>4,897,634</u>	<u>6,226,920</u>	<u>5,095,729</u>
Total equity and liabilities		<u>6,757,689</u>	<u>8,003,529</u>	<u>7,453,017</u>
Net current (liabilities)/ assets		<u>(164,129)</u>	<u>(342,876)</u>	<u>438,353</u>
Total assets less current liabilities		<u>3,984,437</u>	<u>4,862,543</u>	<u>5,486,034</u>

The notes on pages 11 to 77 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		
		2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
Cash flows from operating activities				
Profit before income tax		417,131	556,548	301,425
Adjustments for:				
- Finance costs		104,311	129,359	82,433
- Interest income		(28,507)	(17,440)	(6,148)
- Impairment of intangible assets		—	19,860	—
- Impairment of property, plant and equipment		10,612	—	21,504
- Amortisation of intangible assets		1,337	2,991	1,170
- Amortisation of leasehold land and land use rights		2,167	3,600	3,641
- Depreciation of property, plant and equipment		278,664	420,885	487,524
- Dividend income from available-for-sale financial asset		—	—	(1,971)
- Loss on disposal/written-off of property, plant and equipment		2,563	19,493	10,235
- Gain on adjustment for contingent consideration in relation to business combination		—	(13,933)	(13,425)
- Net exchange differences		(48,270)	(138,453)	(2,050)
- Share award expenses		226,097	10,601	15,581
Operating profit before working capital changes		966,105	993,511	899,919
Changes in:				
Inventories		(104,073)	(28,633)	(23,434)
Debtors and prepayments		(149,822)	317,181	66,345
Restricted bank balances		(2,477)	(1,972)	(1,337)
Creditors and accruals		387,728	117,662	(304,396)
Long-term other payables		115,658	(41,094)	(11,694)
Amounts due from/(to) fellow subsidiaries	32(c)	(210,912)	(157,303)	156,692
Amount due from intermediate holding company		(40,177)	40,177	—
Amount due to immediate holding company	32(c)	290,000	353,961	(56,995)
Amount due to a related party		(7,859)	—	—
Amounts due from/(to) minority shareholders		14,704	(25,429)	2,085
Amount due to a subsidiary of a minority shareholder		(5,676)	7,298	7,581
Cash generated from operating activities		1,253,199	1,575,359	734,766
Interest received		28,507	17,440	6,148
Interest paid		(104,311)	(88,118)	(85,844)
Hong Kong profits tax paid		(4,451)	(3,226)	—
Overseas tax paid		(70,693)	(110,083)	(54,931)
Net cash generated from operating activities		1,102,251	1,391,372	600,139

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED
COMBINED STATEMENTS OF CASH FLOWS (CONTINUED)

	Note	Year ended 31 December		
		2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
Cash flows from investing activities				
Purchase of property, plant and equipment		(1,218,320)	(1,347,624)	(377,051)
Proceeds from sale of property, plant and equipment		3,370	2,650	3,105
Acquisition of a subsidiary, net of bank balances and cash acquired	32(a)	(694,715)	—	—
Purchase of available-for-sale financial asset		(21,089)	—	—
Dividends received from available-for-sale financial asset		—	—	1,971
Net cash used in investing activities		<u>(1,930,754)</u>	<u>(1,344,974)</u>	<u>(371,975)</u>
Cash flows from financing activities				
New borrowings		3,030,033	3,355,784	1,249,780
Repayment of borrowings		(2,030,992)	(2,382,602)	(1,440,309)
Capital contribution from immediate holding company		826,612	—	—
Loan to a fellow subsidiary		—	(41,074)	—
Repayment of loan to a fellow subsidiary		—	—	41,074
Dividend paid to shareholders		(290,000)	(600,100)	—
Dividend paid to a minority shareholder		(101,630)	—	(91,361)
Capital contribution by a minority shareholder		114,285	—	88,349
Distribution to a shareholder		(410,000)	—	—
Net cash generated from/(used in) financing activities		<u>1,138,308</u>	<u>332,008</u>	<u>(152,467)</u>
Net increase in cash and cash equivalents		309,805	378,406	75,697
Exchange differences on cash and cash equivalents		(32,767)	(10,952)	827
Cash and cash equivalents at beginning of the year		121,883	398,921	766,375
Cash and cash equivalents at end of the year	32(b)	<u>398,921</u>	<u>766,375</u>	<u>842,899</u>

The notes on pages 11 to 77 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	Total equity HK\$'000
At 1 January 2007	134,811	—	—	—	81,395	53,690	163,725	433,621	197,475	631,096
Profit for the year	—	—	—	—	—	—	246,094	246,094	106,844	352,938
Other comprehensive income:										
— Exchange differences	—	—	—	—	713	81,190	—	81,903	18,754	100,657
Total comprehensive income for the year ended 31 December 2007	—	—	—	—	713	81,190	246,094	327,997	125,598	453,595
Transactions with equity holders:										
Capital contribution by a minority shareholder	—	—	—	—	—	—	—	—	114,285	114,285
Capital contribution from immediate holding company	826,612	—	—	—	—	—	—	826,612	—	826,612
Shares award expenses (Note 7)	—	—	226,097	—	—	—	—	226,097	—	226,097
Dividend (Note 13)	—	—	(226,097)	—	—	—	(63,903)	(290,000)	(101,630)	(391,630)
Transfer	—	—	—	—	48,461	—	(48,461)	—	—	—
	826,612	—	—	—	48,461	—	(112,364)	762,709	12,655	775,364
At 31 December 2007	961,423	—	—	—	130,569	134,880	297,455	1,524,327	335,728	1,860,055

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	Total equity HK\$'000
At 1 January 2008	961,423	—	—	—	130,569	134,880	297,455	1,524,327	335,728	1,860,055
Profit for the year	—	—	—	—	—	—	376,071	376,071	107,582	483,653
Other comprehensive income:										
- Exchange differences	—	—	—	—	649	60,104	—	60,753	21,551	82,304
- Change in fair value of available-for-sale financial asset	—	(454)	—	—	—	—	—	(454)	—	(454)
Total comprehensive income for the year ended 31 December 2008	—	(454)	—	—	649	60,104	376,071	436,370	129,133	565,503
Transactions with equity holders:										
Shares award expenses (Note 7)	—	—	10,601	—	—	—	—	10,601	—	10,601
Dividend (Note 13)	—	—	(8,404)	—	—	—	(591,696)	(600,100)	(59,450)	(659,550)
Transfer	—	—	—	—	35,388	—	(35,388)	—	—	—
	—	—	2,197	—	35,388	—	(627,084)	(589,499)	(59,450)	(648,949)
At 31 December 2008	961,423	(454)	2,197	—	166,606	194,984	46,442	1,371,198	405,411	1,776,609

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	Total equity HK\$'000
At 1 January 2009	961,423	(454)	2,197	—	166,606	194,984	46,442	1,371,198	405,411	1,776,609
Profit for the year	—	—	—	—	—	—	140,078	140,078	92,549	232,627
Other comprehensive income:										
- Exchange differences	—	—	—	—	22	6,691	—	6,713	1,054	7,767
- Change in fair value of available-for-sale financial asset	—	(2,921)	—	—	—	—	—	(2,921)	—	(2,921)
- Cash flow hedge										
- change in fair value of hedging instruments	—	—	—	19,530	—	—	—	19,530	—	19,530
- transfer to income statement upon change in fair value of hedged items	—	—	—	(15,232)	—	—	—	(15,232)	—	(15,232)
- transfer to property, plant and equipment	—	—	—	(191)	—	—	—	(191)	—	(191)
Total comprehensive income for the year ended 31 December 2009	—	(2,921)	—	4,107	22	6,691	140,078	147,977	93,603	241,580
Transactions with equity holders:										
Capital contribution by a minority shareholder	—	—	—	—	—	—	—	—	88,349	88,349
Capital contribution from immediate holding company (Note 32(e))	266,120	—	—	—	—	—	—	266,120	—	266,120
Shares award expenses (Note 7)	—	—	15,581	—	—	—	—	15,581	—	15,581
Dividend	—	—	—	—	—	—	—	—	(30,951)	(30,951)
Transfer	—	—	—	—	28,183	—	(28,183)	—	—	—
	<u>266,120</u>	<u>—</u>	<u>15,581</u>	<u>—</u>	<u>28,183</u>	<u>—</u>	<u>(28,183)</u>	<u>281,701</u>	<u>57,398</u>	<u>339,099</u>
At 31 December 2009	<u>1,227,543</u>	<u>(3,375)</u>	<u>17,778</u>	<u>4,107</u>	<u>194,811</u>	<u>201,675</u>	<u>158,337</u>	<u>1,800,876</u>	<u>556,412</u>	<u>2,357,288</u>

The notes on pages 11 to 77 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 15 March 2010.

(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 presented.

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

On the same day, MTG(INV) and Top Mix Investments Limited (“Top Mix”) entered into a sale and purchase agreement pursuant to which MTG(INV) has conditionally agreed to sell, Top Mix has conditionally agreed to purchase, the Laminate Business of the Company for a consideration of approximately HK\$2,783.8 million (the “Laminate Transaction”). Top Mix is a connected person of the Company. The completion of the Laminate transaction is subject to various conditions as stated in the sale and purchase agreement.

Subject to the fulfillment of certain conditions (including the completion of the PCB Transaction and Laminate Transaction), the Company will make a distribution of the entire amount of the consideration of the above transactions by way of the dividend to the shareholders of the Company.

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 General information and basis of preparation

(b) Basis of preparation

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 and corporate legal and professional expenses which are primarily relate to the legal and professional services that rendered in connection with the PCB Transaction and Laminate Transaction. 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 and HK\$14,100,000 for the years ended 31 December 2007, 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 and HK\$1,481,000 for the years ended 31 December 2007, 2008 and 2009, respectively, are allocated based on revenue of the PCB Business to the Group.

In relation to corporate legal and professional expenses, the related expenses of approximately nil, nil and HK\$19,988,000 for the years ended 31 December 2007, 2008 and 2009, respectively, are allocated based on the consideration of the PCB Transaction to the aggregate consideration of the PCB Transaction and Laminate Transaction.

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 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 HK\$12,038,000, nil and nil for the years ended 31 December 2007, 2008 and 2009 respectively are reflected in the PCB Business’ income statement based on specific identification of the use of the Listing proceeds.

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 PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 General information and basis of preparation (Continued)

(b) Basis of preparation (Continued)

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

1 General information and basis of preparation (Continued)

(b) Basis of preparation (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

Whether the adoption of HKFRS 3 (Revised) and HKAS 27 (Revised) has any 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)	Group cash-settled share-based payment transactions	1 January 2010
HK(IFRIC) — Int 14 (Amendment)	Prepayments of a minimum funding requirement	1 January 2011
HK(IFRIC) — Int 19	Extinguishing financial liabilities with equity instruments	1 July 2010

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 General information and basis of preparation (Continued)

(b) Basis of preparation (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 — Int 4 (Revised)	Leases — Determination of the length of lease term in respect of Hong Kong Land Leases	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

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 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.

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

(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.

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.

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

(c) Intangible assets (Continued)

(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.

(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.

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

(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 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.

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

(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.

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.

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

(j) Derivative financial instruments and hedging activities (Continued)

(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 years 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.

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

(k) Current and deferred income tax (Continued)

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.

(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.

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

(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.

(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.

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

(o) Employee benefits (Continued)

(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

2 Summary of significant accounting policies (Continued)

(f) 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.

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:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of reporting period;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

(f) Foreign currency translation (Continued)

(iii) Group companies (Continued)

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.

(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.

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(i) Foreign exchange risk (Continued)

If RMB had weakened/strengthened by 5.0%, 4.0% and 0.2% against the Hong Kong Dollar (“HK\$”) with all other variables held constant, post-tax profit for the year would have been HK\$26,400,000, HK\$19,875,000 and HK\$309,000 higher/lower respectively for the years ended 31 December 2007, 2008 and 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 0.4%, 0.7% and 0.1% against the HK\$ with all other variables held constant, post-tax profit for the year would have been HK\$3,092,000, HK\$13,817,000 and HK\$1,258,000 higher/lower respectively for the years ended 31 December 2007, 2008 and 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.

(ii) Credit risk

The credit risk of the PCB Business mainly arises from bank balances, amounts due from fellow subsidiaries 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 2007, 2008 and 2009, all the bank deposits are deposited in high quality financial institutions without significant credit risk.

The table below shows the bank deposit balances of the five major banks as at 31 December 2007, 2008 and 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		
		2007 HK\$’000	2008 HK\$’000	2009 HK\$’000
Bank 1	Aa1	142,397	243,428	189,575
Bank 2	Aa3	5,675	145,230	92,847
Bank 3	A1	106,732	144,979	145,999
Bank 4	A1	53,555	137,950	146,066
Bank 5	A1	76,187	104,461	175,828
		<u>384,546</u>	<u>776,048</u>	<u>750,315</u>

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

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(ii) Credit risk (Continued)

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 end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

As at 31 December 2007, 2008 and 2009, the credit quality of financial assets which include bank balances, amounts due from fellow subsidiaries 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.

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 31 December 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 31 December 2009					
Debtors	985,129	—	—	—	985,129
Cash and bank balances	842,899	—	—	—	842,899
	<u>1,828,028</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,828,028</u>

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iii) Liquidity risk (Continued)

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 2007, 2008 and 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 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
	<u>2,842,696</u>	<u>516,466</u>	<u>1,416,992</u>	<u>393,823</u>	<u>5,169,977</u>
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
	<u>3,192,153</u>	<u>583,035</u>	<u>2,526,733</u>	<u>—</u>	<u>6,301,921</u>

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iii) Liquidity risk (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 2009					
Creditors and accruals	1,084,023	—	—	—	1,084,023
Amounts due to fellow subsidiaries	128,396	—	—	—	128,396
Amount due to immediate holding company	47,381	—	—	—	47,381
Amount due to a minority shareholder	111,278	—	—	—	111,278
Amount due to a subsidiary of a minority shareholder	19,919	—	—	—	19,919
Borrowings	631,313	1,265,442	1,618,385	—	3,515,140
Derivative financial instruments	9,926	7,711	2,497	—	20,134
Financial liabilities	—	—	193,543	—	193,543
Long-term other payables	1,517	58,029	3,578	—	63,124
	<u>2,033,753</u>	<u>1,331,182</u>	<u>1,818,003</u>	<u>—</u>	<u>5,182,938</u>

The table below analyses the PCB Business' derivative financial instruments held at 31 December 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 31 December 2009					
Forward foreign exchange contracts — cash flow hedges:					
Outflow	(5,117)	—	(174,642)	—	(179,759)
Inflow	<u>5,398</u>	<u>—</u>	<u>193,532</u>	<u>—</u>	<u>198,930</u>

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

3 Financial risk management (Continued)

(a) Financial risk factors (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 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 and US\$40 million respectively.

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\$2,358,000, HK\$2,455,000 and HK\$3,087,000 or decrease of HK\$2,358,000, HK\$2,455,000 and HK\$3,087,000 for the years ended 31 December 2007, 2008 and 2009 respectively.

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

3 Financial risk management (Continued)

(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 2007, 2008 and 2009:

	At 31 December		
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
Total borrowings	2,587,435	3,586,243	3,370,088
Less: cash and bank balances (Note 20)	(402,822)	(797,874)	(850,109)
Net debt	<u>2,184,613</u>	<u>2,788,369</u>	<u>2,519,979</u>
Total capital	<u>1,860,055</u>	<u>1,776,609</u>	<u>2,357,288</u>
Gearing ratio	117%	157%	107%

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.

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

3 Financial risk management (Continued)

(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 as at 31 December 2009.

	At 31 December 2009 HK\$'000
Assets	
Level 2	
- Derivatives financial instruments	19,530
Level 3	
- Available-for-sale financial asset	17,714
	<u>37,244</u>
Liabilities	
Level 2	
- Derivatives financial instruments	<u>12,805</u>

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.

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

3 Financial risk management (Continued)

(c) Fair value estimation (Continued)

Specific valuation techniques used to value financial instruments include:

- (i) The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curve.
- (ii) The fair value of forward foreign exchange contracts is determined using forward exchange rates at the end of reporting period, with the resulting value discounted back to present value.
- (iii) Enterprise value calculation method is used to determine the fair value for the available-for-sale financial asset which 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.

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

4 Critical accounting estimates and judgements (Continued)

(b) Impairment of non-financial assets (Continued)

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 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 25. This formula requires the use of estimates and assumptions which are described in Note 25. Any changes in these assumptions will impact the present value determined and the amount recorded in the combined statement of financial position.

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

4 Critical accounting estimates and judgements (Continued)

(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 services provided to, or benefits received by the PCB Business.

Corporate expenses allocated to the PCB Business mainly represented share award expenses (Note 7) and certain legal and professional fees incurred for the purpose of the PCB Transaction and Laminate Transaction. 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.

In relation to the legal and professional fees incurred for the purpose of the PCB Transaction and Laminate Transaction, the related expenses are allocated based on the consideration of the PCB Transaction to the aggregate consideration of the PCB Transaction and Laminate Transaction.

The Company earned interest income on the deposits from the share subscriptions during the Listing in 2007. Interest income are reflected in the PCB Business' income statement based on specific identification of the use of the Listing proceeds.

The allocation basis requires the use of judgement and estimates. Management has performed sensitivity analysis by applying different allocation basis and there is no significant impact on combined income statement.

5 Revenue

Revenue represents the sales of printed circuit boards during the year.

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

6 Other income

	Year ended 31 December		
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
Sales of scrap	119,967	153,508	121,926
Investment tax credits	29,518	—	—
Dividend income from available-for-sale financial asset	—	—	1,971
Tooling charges	5,757	—	—
Government grant	664	181	5,504
Rental income from fellow subsidiaries	959	1,282	666
Sundries	4,465	3,839	7,655
	<u>161,330</u>	<u>158,810</u>	<u>137,722</u>

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. As at 31 December 2007, 2008 and 2009, out of the 27,160,000 shares which are subject to vesting condition, nil, 4,557,000 and 5,025,000 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 and HK\$0.8 million were credited to the combined income statement for the years ended 31 December 2007, 2008 and 2009 respectively as a result of the 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 and HK\$12.5 million were charged to the combined income statement for the years ended 31 December 2007, 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 years ended 31 December 2008 and 2009 in relation to those granted shares which are not subject to any vesting condition.

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****7 Share award expenses (Continued)**

In October 2009, Total Glory, a special vehicle for implementing the employee share award scheme, further granted 4,777,000 shares out of 5,025,000 shares (which were returned to Total Glory by certain former employees) to certain employees of the Company who are involved in the PCB Business to incentivise and reward them.

Out of the total 4,777,000 shares, 997,000 shares are not subject to any vesting condition whereas 3,780,000 shares are subject to certain vesting condition. Based on the fair value of HK\$2.01 per share, share award expenses of approximately HK\$3.1 million were charged to the combined income statement for the year ended 31 December 2009.

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

8 Employee benefit expenses

	Year ended 31 December		
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
Wages and salaries	532,879	691,296	705,205
Share award expenses (Note 7)	226,097	10,601	15,581
Retirement benefit costs	19,420	27,860	24,681
	<u>778,396</u>	<u>729,757</u>	<u>745,467</u>

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

9 Expenses by nature

	Year ended 31 December		
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
Raw materials and consumables used	2,049,998	2,600,715	2,401,663
Employee benefit expenses (Note 8)	778,396	729,757	745,467
Amortisation of intangible assets	1,337	2,991	1,170
Amortisation of leasehold land and land use rights	2,167	3,600	3,641
Depreciation of property, plant and equipment	278,664	420,885	487,524
Impairment of property, plant and equipment	10,612	—	21,504
Impairment of intangible assets	—	19,860	—
Loss on disposal/written-off of property, plant and equipment	2,563	19,493	10,235
Provision for/(written-back of) bad and doubtful debts	6,590	(1,659)	5,650
Provision for inventories	12,572	6,646	3,302
Sales commission	12,890	17,038	10,139
Subcontracting expenses	82,568	98,987	35,546
Auditor's remuneration	4,024	4,843	3,902
Operating lease rental expense			
- Land and buildings	4,645	6,036	5,677
Net exchange (gain)/loss	(68,349)	(152,479)	13,464
Others	598,356	926,067	851,906
Total cost of sales, selling and distribution expenses, general and administrative expenses and share award expenses	<u>3,777,033</u>	<u>4,702,780</u>	<u>4,600,790</u>

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

10 Interest income

	Year ended 31 December		
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
Interest income from banks	9,786	4,780	2,156
Interest income from fellow subsidiaries	6,683	12,660	3,992
Interest income from deposits relating to share subscription during the Listing	12,038	—	—
	<u>28,507</u>	<u>17,440</u>	<u>6,148</u>

11 Finance costs

	Year ended 31 December		
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
Interest expenses on bank loans, overdrafts and other short-term loans wholly repayable within five years	104,311	138,260	88,195
Less: amounts capitalised in property, plant and equipment (Note)	—	(24,777)	(14,933)
	104,311	113,483	73,262
Interest expenses to a fellow subsidiary	—	—	21
Interests on accretion of discount of financial liabilities	—	15,876	9,150
	<u>104,311</u>	<u>129,359</u>	<u>82,433</u>

Note:

Interest expenses of approximately HK\$24,777,000 and HK\$14,933,000 arising on borrowings for the construction and acquisition of qualifying assets were capitalised during the year ended 31 December 2008 and 2009 and are included in 'Additions' under property, plant and equipment. There was no such item in 2007. A capitalisation rate of approximately 3.9% and 1.9% per annum was used for the year ended 31 December 2008 and 2009, representing the interest rate of the loans used to finance the projects.

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

12 Income tax expense

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

	Year ended 31 December		
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
Current income tax			
- Hong Kong profits tax	(139)	138	1,985
- Overseas taxation	73,472	78,676	79,179
Deferred income tax (Note 24)	(9,140)	(5,919)	(12,366)
	<u>64,193</u>	<u>72,895</u>	<u>68,798</u>

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%, 16.5% and 16.5% on the estimated assessable profit for the years ended 31 December 2007, 2008 and 2009 respectively. The rates applicable for income tax in mainland China are 33%, 25% and 25% for the years ended 31 December 2007, 2008 and 2009 respectively. Certain subsidiaries established in mainland China are entitled to exemption and concessions from income tax under tax holidays. Income tax was calculated at rates given under the concessions.

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

Certain subsidiaries of the 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 PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

12 Income tax expense (Continued)

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		
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
Profit before income tax	<u>417,131</u>	<u>556,548</u>	<u>301,425</u>
Tax calculated at domestic applicable tax rate	166,417	134,385	76,841
Effect of change in tax rate	(10,940)	(14,200)	—
Effect of relief on income tax	(136,263)	(40,090)	(64,100)
Expenses not deductible for taxation purposes	51,338	40,228	51,464
Income not subject to taxation	(27,645)	(51,196)	(14,147)
Unrecognised tax loss utilised during the year	(2,128)	(1,086)	(5,526)
Tax losses for which no deferred tax recognised	23,414	4,854	24,266
Income tax expense	<u>64,193</u>	<u>72,895</u>	<u>68,798</u>
Weighted average domestic applicable tax rate	<u>39.9%</u>	<u>24.1%</u>	<u>25.5%</u>

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		
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
Dividend paid	<u>290,000</u>	<u>600,100</u>	<u>—</u>

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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 2007							
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	<u>399,282</u>	<u>5,664</u>	<u>52,501</u>	<u>1,317,317</u>	<u>6,574</u>	<u>112,334</u>	<u>1,893,672</u>
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	<u>596,862</u>	<u>6,225</u>	<u>103,547</u>	<u>1,938,081</u>	<u>8,329</u>	<u>1,168,368</u>	<u>3,821,412</u>
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	<u>596,862</u>	<u>6,225</u>	<u>103,547</u>	<u>1,938,081</u>	<u>8,329</u>	<u>1,168,368</u>	<u>3,821,412</u>
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	<u>1,019,934</u>	<u>6,170</u>	<u>108,250</u>	<u>2,528,025</u>	<u>8,765</u>	<u>1,270,634</u>	<u>4,941,778</u>
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	<u>1,019,934</u>	<u>6,170</u>	<u>108,250</u>	<u>2,528,025</u>	<u>8,765</u>	<u>1,270,634</u>	<u>4,941,778</u>

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

14 Property, plant and equipment (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
Year ended 31 December 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	1,884	—	119	4,702	8	1,800	8,513
Additions	5,966	5	22,800	18,786	1,054	328,440	377,051
Disposals/written-off	(40)	—	(335)	(247)	(2,680)	(10,038)	(13,340)
Depreciation	(60,539)	(154)	(41,286)	(382,598)	(2,947)	—	(487,524)
Reclassification	123,123	—	9,095	339,130	—	(471,348)	—
Impairment	—	—	—	—	—	(21,504)	(21,504)
Closing net book amount	<u>1,090,328</u>	<u>6,021</u>	<u>98,643</u>	<u>2,507,798</u>	<u>4,200</u>	<u>1,097,984</u>	<u>4,804,974</u>
At 31 December 2009							
Cost	1,348,796	11,027	290,682	4,205,805	21,383	1,119,488	6,997,181
Accumulated depreciation and accumulated impairment	<u>(258,468)</u>	<u>(5,006)</u>	<u>(192,039)</u>	<u>(1,698,007)</u>	<u>(17,183)</u>	<u>(21,504)</u>	<u>(2,192,207)</u>
Net book amount	<u>1,090,328</u>	<u>6,021</u>	<u>98,643</u>	<u>2,507,798</u>	<u>4,200</u>	<u>1,097,984</u>	<u>4,804,974</u>

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

	Year ended 31 December		
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
Cost of sales	261,906	397,621	446,888
Selling and distribution expenses	3,550	3,678	4,048
General and administrative expenses	13,208	19,586	36,588
	<u>278,664</u>	<u>420,885</u>	<u>487,524</u>

Impairment loss of approximately HK\$10,612,000, nil and HK\$21,504,000 has been charged to general and administrative expenses for the years ended 31 December 2007, 2008 and 2009 respectively.

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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		
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
Beginning of the year			
Cost	91,856	154,548	162,933
Accumulated amortisation	(8,811)	(11,506)	(15,677)
Net book amount	<u>83,045</u>	<u>143,042</u>	<u>147,256</u>
Opening net book amount	83,045	143,042	147,256
Exchange differences	6,271	7,814	204
Acquisition through business combination (Note 32(a))	55,893	—	—
Amortisation	(2,167)	(3,600)	(3,641)
Closing net book amount	<u>143,042</u>	<u>147,256</u>	<u>143,819</u>
End of the year			
Cost	154,548	162,933	163,168
Accumulated amortisation	(11,506)	(15,677)	(19,349)
Net book amount	<u>143,042</u>	<u>147,256</u>	<u>143,819</u>

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

	Year ended 31 December		
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
Cost of sales	157	157	157
General and administrative expenses	<u>2,010</u>	<u>3,443</u>	<u>3,484</u>
	<u>2,167</u>	<u>3,600</u>	<u>3,641</u>

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

15 Leasehold land and land use rights (Continued)

	At 31 December		
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
In Hong Kong held on:			
Leases of leasehold land between 10 to 50 years	6,213	6,056	5,899
In mainland China held on:			
Leases of land use rights between 10 to 50 years	130,673	135,325	132,157
In India held on:			
Leases of land use rights between 10 to 50 years	<u>6,156</u>	<u>5,875</u>	<u>5,763</u>
	<u>143,042</u>	<u>147,256</u>	<u>143,819</u>

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 2007, 2008 and 2009 amounted to approximately HK\$9,637,000, HK\$10,010,000 and HK\$9,807,000 respectively.

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

16 Intangible assets

	Goodwill HK\$'000 (Note (i))	Techno- logies fee HK\$'000	Customer relationship HK\$'000	Others HK\$'000	Total HK\$'000
At 1 January 2007					
Cost	34,201	11,700	—	800	46,701
Accumulated amortisation and accumulated impairment	(19,724)	(4,095)	—	(321)	(24,140)
Net book amount	<u>14,477</u>	<u>7,605</u>	<u>—</u>	<u>479</u>	<u>22,561</u>
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 32(a))	106,738	—	20,629	—	127,367
Amortisation	—	(1,170)	(167)	—	(1,337)
Closing net book amount	<u>122,229</u>	<u>6,435</u>	<u>20,756</u>	<u>479</u>	<u>149,899</u>
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	<u>122,229</u>	<u>6,435</u>	<u>20,756</u>	<u>479</u>	<u>149,899</u>
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	<u>16,415</u>	<u>5,265</u>	<u>—</u>	<u>479</u>	<u>22,159</u>
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	<u>16,415</u>	<u>5,265</u>	<u>—</u>	<u>479</u>	<u>22,159</u>

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

16 Intangible assets

	Goodwill HK\$'000 (Note (i))	Techno- logies fee HK\$'000	Customer relationship HK\$'000	Others HK\$'000	Total HK\$'000
Year ended 31 December 2009					
Opening net book amount	16,415	5,265	—	479	22,159
Exchange differences	30	—	—	—	30
Amortisation	—	(1,170)	—	—	(1,170)
Closing net book amount	<u>16,445</u>	<u>4,095</u>	<u>—</u>	<u>479</u>	<u>21,019</u>
At 31 December 2009					
Cost	36,169	11,700	22,260	800	70,929
Accumulated amortisation and accumulated impairment	<u>(19,724)</u>	<u>(7,605)</u>	<u>(22,260)</u>	<u>(321)</u>	<u>(49,910)</u>
Net book amount	<u>16,445</u>	<u>4,095</u>	<u>—</u>	<u>479</u>	<u>21,019</u>

Amortisation of approximately HK\$1,337,000, HK\$2,991,000 and HK\$1,170,000 has been included in general and administrative expenses in the combined income statement for the years ended 31 December 2007, 2008 and 2009, respectively.

Impairment charge of approximately nil, HK\$19,860,000 and nil has been included in general and administrative expenses in the combined income statement for the years ended 31 December 2007, 2008 and 2009, respectively.

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		
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
Mainland China	<u>122,229</u>	<u>16,415</u>	<u>16,445</u>

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.

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

16 Intangible assets

(i) Impairment test for goodwill (Continued)

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

	At 31 December		
	2007	2008	2009
Gross margin	23.0%	19.2%	19.6%
Growth rate	20.0%	10.0%	10.0%
Discount rate	8.3%	6.1%	6.0%

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 2007, 2008 and 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, the present value of the put option which represents a contingent consideration due in 2013 in relation to the acquisition of Meadville Aspocomp (BVI) Holdings Limited ("MAH"), (Note 32(a)), has been decreased by approximately HK\$129,000,000. 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.

As at 31 December 2009, the present value of the aforementioned put option has been increased by approximately HK\$1,807,000. In connection with the adjustments made for the year ended 31 December 2009, prior to entering into certain foreign exchange contracts to hedge against the foreign exchange risk in relation to the put option denominated in EUR, the present value of the put option has been further reduced by approximately HK\$13,425,000 and the corresponding amount has been recognised in the combined income statement. Subsequent to entering into certain foreign exchange contracts in February 2009 and upon the adoption of hedge accounting, the change in present value of the redemption amount of approximately HK\$15,232,000 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

17 Available-for-sale financial asset

	At 31 December		
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
Unlisted equity security Beginning of the year	—	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	<u>21,089</u>	<u>20,635</u>	<u>17,714</u>

The fair value of unlisted equity security is based on enterprise value calculation which uses an average of the latest two years' EBITDA extracted from the latest unaudited financial results of this security and an enterprise value multiplier of 5.5 times as at 31 December 2007, 2008 and 2009.

18 Inventories

	At 31 December		
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
Raw materials	121,233	150,286	150,066
Work in progress	114,755	101,448	123,874
Finished goods	161,860	173,315	174,082
Consumable stocks	572	2,004	2,465
	<u>398,420</u>	<u>427,053</u>	<u>450,487</u>

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

	Year ended 31 December		
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
Cost of inventories	<u>3,137,705</u>	<u>4,198,374</u>	<u>3,933,716</u>

Provision for inventories amounted to approximately HK\$12,572,000, HK\$6,646,000 and HK\$3,302,000 which have been included in cost of sales in the combined income statement for the years ended 31 December 2007, 2008 and 2009, respectively.

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

19 Debtors and prepayments

	At 31 December		
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
Debtors	1,368,801	986,983	985,129
Prepayments and other receivables	112,052	176,689	112,198
	<u>1,480,853</u>	<u>1,163,672</u>	<u>1,097,327</u>

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

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

	At 31 December		
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
Within credit period	906,067	718,206	793,605
0 - 30 days	206,755	171,635	97,585
31 - 60 days	135,678	36,756	65,852
61 - 90 days	73,682	40,565	22,425
Over 90 days	46,619	19,821	5,662
	<u>1,368,801</u>	<u>986,983</u>	<u>985,129</u>

As at 31 December 2007, 2008 and 2009, debtors of approximately HK\$31,945,000, HK\$40,495,000 and HK\$20,347,000 were considered for impairment, of which HK\$24,596,000, HK\$14,792,000 and HK\$14,808,000 have been provided for as at 31 December 2007, 2008 and 2009. The individually impaired receivables mainly relate to customers, which are in unexpected difficult economic situations. It was assessed that the remaining portion of the receivables is expected to be recovered.

As at 31 December 2007, 2008 and 2009, debtors of approximately HK\$455,385,000, HK\$243,074,000 and HK\$185,985,000 were past due but not considered impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these debtors is as follows:

	At 31 December		
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
0 - 30 days	206,755	171,635	97,585
31 - 60 days	135,678	36,756	65,852
61 - 90 days	68,528	21,096	16,886
Over 90 days	44,424	13,587	5,662
	<u>455,385</u>	<u>243,074</u>	<u>185,985</u>

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

19 Debtors and prepayments (Continued)

The carrying amounts of the PCB Business' debtors and prepayments are denominated in the following currencies:

	At 31 December		
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
HK\$	20,481	16,521	11,242
US\$	680,210	559,317	730,280
RMB	775,858	566,283	337,066
EUR	2,257	21,540	18,246
Other currencies	2,047	11	493
	<u>1,480,853</u>	<u>1,163,672</u>	<u>1,097,327</u>

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

	At 31 December		
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
Beginning of the year	34,855	24,596	14,792
Exchange differences	999	484	10
Provision for impairment of receivables	12,060	7,318	9,008
Receivables written off during the year as uncollectible	(17,848)	(8,629)	(5,644)
Unused amounts reversed	(5,470)	(8,977)	(3,358)
End of the year	<u>24,596</u>	<u>14,792</u>	<u>14,808</u>

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

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

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

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

20 Cash and bank balances

	At 31 December		
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
Cash in hand	376	406	381
Bank balances	402,446	797,468	849,728
	<u>402,822</u>	<u>797,874</u>	<u>850,109</u>

Cash and bank balances are denominated in the following currencies:

	At 31 December		
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
HK\$	19,215	20,765	31,941
RMB	196,140	351,062	490,748
US\$	133,129	382,772	303,945
Other currencies	54,338	43,275	23,475
	<u>402,822</u>	<u>797,874</u>	<u>850,109</u>

Cash and bank balances include the following:

	At 31 December		
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
Restricted bank balances	<u>3,901</u>	<u>5,873</u>	<u>7,210</u>

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

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

21 Capital and reserves

	Capital reserve HK\$'000	Available- for-sale financial asset reserve HK\$'000	Employee share- based compensation reserve HK\$'000 Note (i)	Hedging reserve HK\$'000	General reserve HK\$'000 Note (ii)	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 January 2007	134,811	—	—	—	81,395	53,690	163,725	433,621
Exchange differences	—	—	—	—	713	81,190	—	81,903
Profit for the year	—	—	—	—	—	—	246,094	246,094
Capital contribution from immediate holding company	826,612	—	—	—	—	—	—	826,612
Shares award expenses (Note 7)	—	—	226,097	—	—	—	—	226,097
Dividend (Note 13)	—	—	(226,097)	—	—	—	(63,903)	(290,000)
Transfer	—	—	—	—	48,461	—	(48,461)	—
At 31 December 2007	961,423	—	—	—	130,569	134,880	297,455	1,524,327
Exchange differences	—	—	—	—	649	60,104	—	60,753
Change in fair value of available-for-sale financial asset	—	(454)	—	—	—	—	—	(454)
Profit for the year	—	—	—	—	—	—	376,071	376,071
Shares award expenses (Note 7)	—	—	10,601	—	—	—	—	10,601
Dividend (Note 13)	—	—	(8,404)	—	—	—	(591,696)	(600,100)
Transfer	—	—	—	—	35,388	—	(35,388)	—
At 31 December 2008	961,423	(454)	2,197	—	166,606	194,984	46,442	1,371,198
Exchange differences	—	—	—	—	22	6,691	—	6,713
Change in fair value of available-for-sale financial asset	—	(2,921)	—	—	—	—	—	(2,921)
Cash flow hedge								
- Change in fair value of hedging instruments	—	—	—	19,530	—	—	—	19,530
- Transfer to income statement upon change in fair value of hedged items	—	—	—	(15,232)	—	—	—	(15,232)
- Transfer to property, plant and equipment	—	—	—	(191)	—	—	—	(191)
Profit for the year	—	—	—	—	—	—	140,078	140,078
Capital contribution from immediate holding company (Note 32(c))	266,120	—	—	—	—	—	—	266,120
Shares award expenses (Note 7)	—	—	15,581	—	—	—	—	15,581
Transfer	—	—	—	—	28,183	—	(28,183)	—
At 31 December 2009	<u>1,227,543</u>	<u>(3,375)</u>	<u>17,778</u>	<u>4,107</u>	<u>194,811</u>	<u>201,675</u>	<u>158,337</u>	<u>1,800,876</u>

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

21 Capital and reserves (Continued)

Notes:

- (i) The employee share-based compensation reserve relates to the share award expenses, details of which are described in Note 7.
- (ii) As stipulated by regulations in mainland China, subsidiaries established and operated in mainland China are required to appropriate a portion of their after-tax profit (after offsetting prior year losses) to the general reserve, at rates determined by their respective boards of directors. The general reserve can be utilised to offset prior year losses or be utilised for the issuance of bonus shares. During the years ended 31 December 2007, 2008 and 2009, the boards of directors of certain of the PCB Business' entities established in mainland China appropriated an aggregate amount of approximately HK\$48,461,000, HK\$35,388,000 and HK\$28,183,000 to the general reserve respectively.

22 Borrowings

	At 31 December		
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
Non-current			
Long-term bank loans (Note (a))	<u>1,679,147</u>	<u>2,763,230</u>	<u>2,815,156</u>
Current			
Current portion of long-term bank loans (Note (a))	379,294	358,982	515,169
Short-term bank loans (Note (b))	528,994	438,405	39,763
Bank overdrafts (Note (b))	—	25,626	—
	<u>908,288</u>	<u>823,013</u>	<u>554,932</u>

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

22 Borrowings (Continued)

	At 31 December		
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
Long-term bank loans	2,058,441	3,122,212	3,330,325
Less: current portion included under current liabilities	(379,294)	(358,982)	(515,169)
Long-term portion under non-current liabilities	<u>1,679,147</u>	<u>2,763,230</u>	<u>2,815,156</u>

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

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

	At 31 December		
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
Long-term bank loans			
Carrying amounts	2,058,441	3,122,212	3,330,325
Fair values	<u>2,116,387</u>	<u>3,419,564</u>	<u>3,330,256</u>

The fair values of non-current borrowings are estimated based on discounted cash flow approach using the prevailing market rates of interest available to the PCB Business of 4.11%, 0.50% and 1.43% for financial instruments with substantially the same terms and characteristics for the years ended 31 December 2007, 2008 and 2009 respectively, depending on the types and currencies of borrowings.

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

	At 31 December		
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
RMB	570,494	493,893	147,693
HK\$	1,019,000	709,644	668,805
US\$	952,223	2,382,706	2,553,590
EUR	45,718	—	—
	<u>2,587,435</u>	<u>3,586,243</u>	<u>3,370,088</u>

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

22 Borrowings (Continued)

(d) The effective interest rates (per annum) at the end of reporting years are as follows:

	At 31 December 2007			
	RMB	HK\$	US\$	EUR
Long-term loans	5.73%	4.19%	6.23%	—
Short-term loans	<u>6.34%</u>	<u>4.35%</u>	<u>6.02%</u>	<u>5.43%</u>
	At 31 December 2008			
	RMB	HK\$	US\$	EUR
Long-term loans	6.36%	4.16%	4.33%	—
Short-term loans	5.79%	—	3.79%	—
Bank overdrafts	<u>5.10%</u>	<u>—</u>	<u>—</u>	<u>—</u>
	At 31 December 2009			
	RMB	HK\$	US\$	EUR
Long-term loans	5.06%	0.91%	1.47%	—
Short-term loans	<u>4.10%</u>	<u>—</u>	<u>—</u>	<u>—</u>

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

	At 31 December		
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
Within one year	379,294	358,982	515,169
Between one and two years	451,185	525,225	1,215,728
Between two and five years	<u>1,227,962</u>	<u>2,238,005</u>	<u>1,599,428</u>
	<u>2,058,441</u>	<u>3,122,212</u>	<u>3,330,325</u>

(f) The exposure of the PCB Business' borrowings to interest rate changes and the contractual repricing dates at the end of reporting years are as follows:

	At 31 December		
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
Changes in interest rates			
- 6 months or less	562,322	1,329,429	724,897
- over 6 months and up to 12 months	<u>2,025,113</u>	<u>2,256,814</u>	<u>2,645,191</u>
	<u>2,587,435</u>	<u>3,586,243</u>	<u>3,370,088</u>

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

23 Derivative financial instruments

	At 31 December		
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
Assets			
Forward foreign exchange contracts (Note (i))	—	—	19,530
Less: current portion included under current assets	—	—	(306)
Long-term portion under non-current assets	—	—	19,224
Liabilities			
Interest rate swap contracts (Note (ii))	—	25,365	12,805
Less: current portion included under current liabilities	—	(8,015)	—
Long-term portion under non-current liabilities	—	17,350	12,805

Note:

- (i) At 31 December 2009, the PCB Business entered into certain foreign exchange contracts to buy EUR17,523,720 and JPY48,000,000 (equivalent to approximately HK\$198,930,000) in total and to sell US\$23,179,828 (equivalent to approximately HK\$179,759,000). These outstanding forward foreign exchange contracts were mainly entered into to hedge against the foreign exchange risk in relation to the financial liabilities denominated in EUR which will mature in 2013 and payables denominated in EUR and JPY for property, plant and equipment which will mature within twelve months from date of end of reporting period.
- (ii) As at 31 December 2008 and 2009, the aggregate notional principal amounts of the outstanding swap contracts were HK\$774,990,000 and HK\$310,200,000 respectively, of which the PCB Business pays fixed interest at 2.72% or 3.43% per annum and receives variable rates to hedge against interest rate risk of the bank borrowings and will mature between 19 November 2009 and 30 July 2012.

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

24 Deferred income tax

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

	At 31 December		
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
Deferred tax assets:			
- Deferred tax assets to be recovered after more than 12 months	(13,124)	(32,517)	(40,931)
Deferred tax liabilities:			
- Deferred tax liabilities to be settled after more than 12 months	65,183	79,520	75,550
Deferred tax liabilities — net	<u>52,059</u>	<u>47,003</u>	<u>34,619</u>

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

	At 31 December		
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
Beginning of the year	(155)	52,059	47,003
Exchange differences	(58)	863	(18)
Recognised in the combined income statement (Note 12)	(9,140)	(5,919)	(12,366)
Acquisition through business combination (Note 32(a))	61,412	—	—
End of the year	<u>52,059</u>	<u>47,003</u>	<u>34,619</u>
Representing:			
Accelerated tax depreciation	12,474	17,948	17,146
Tax losses	(9,726)	(11,034)	(13,195)
Valuation adjustment resulting from acquisition of a subsidiary	78,203	67,633	60,054
Decelerated tax depreciation	(27,210)	(38,043)	(44,032)
Others	(1,682)	10,499	14,646
	<u>52,059</u>	<u>47,003</u>	<u>34,619</u>

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

24 Deferred income tax (Continued)

The movement in deferred tax assets and liabilities during the year without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax assets:

	Decelerated tax depreciation HK\$'000	Tax losses HK\$'000	Others HK\$'000	Total HK\$'000
At 1 January 2007	—	10,110	—	10,110
Exchange differences	754	—	4	758
Recognised in the combined income statement	12,360	(384)	(700)	11,276
Acquisition through business combination (Note 32(a))	14,096	—	2,378	16,474
At 31 December 2007	27,210	9,726	1,682	38,618
Exchange differences	1,806	—	134	1,940
Recognised in the combined income statement	9,027	1,308	4,049	14,384
At 31 December 2008	38,043	11,034	5,865	54,942
Exchange differences	80	—	16	96
Recognised in the combined income statement	5,909	2,161	2,321	10,391
At 31 December 2009	44,032	13,195	8,202	65,429

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

24 Deferred income tax (Continued)

Deferred tax liabilities:

	Valuation adjustment resulting from acquisition of a subsidiary HK\$'000	Accelerated tax depreciation HK\$'000	Others HK\$'000	Total HK\$'000
At 1 January 2007	—	9,955	—	9,955
Exchange differences	700	—	—	700
Recognised in the combined income statement	(383)	2,519	—	2,136
Acquisition through business combination (Note 32(a))	<u>77,886</u>	<u>—</u>	<u>—</u>	<u>77,886</u>
At 31 December 2007	78,203	12,474	—	90,677
Exchange differences	2,801	—	2	2,803
Recognised in the combined income statement	<u>(13,371)</u>	<u>5,474</u>	<u>16,362</u>	<u>8,465</u>
At 31 December 2008	67,633	17,948	16,364	101,945
Exchange differences	59	—	19	78
Recognised in the combined income statement	<u>(7,638)</u>	<u>(802)</u>	<u>6,465</u>	<u>(1,975)</u>
At 31 December 2009	<u>60,054</u>	<u>17,146</u>	<u>22,848</u>	<u>100,048</u>

Pursuant to the new Corporate Income Tax Law with effect from 1 January 2008, a 5% withholding tax is levied on dividends distributed to foreign investors by the foreign investment enterprises established in mainland China. The requirement applies to earnings accumulated after 31 December 2007. As at 31 December 2008 and 2009, approximately HK\$9,914,000 and HK\$14,255,000 deferred tax liabilities have been recognised by the PCB Business and presented in the movement of deferred tax liabilities within "Others".

Deferred income tax assets are recognised for tax losses carry forwards to the extent that the realisation of the related benefit through the future taxable profits is probable. The PCB Business did not recognise deferred income tax assets of approximately HK\$55,444,000, HK\$70,959,000 and HK\$89,608,000 in respect of accumulated losses amounting to approximately HK\$235,894,000, HK\$303,043,000 and HK\$367,132,000 as at 31 December 2007, 2008 and 2009, respectively that can be carried forward against future taxable income. As at 31 December 2007, 2008 and 2009, these accumulated tax losses amounting to approximately HK\$185,977,000, HK\$245,225,000 and HK\$340,214,000 will be expired in five years. There is no expiry period for other tax losses.

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

25 Financial liabilities

	At 31 December		
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
Put option	<u>264,394</u>	<u>151,270</u>	<u>162,365</u>

Note:

In November 2007, the Company entered into a contract with Aspocomp Group OYJ (“Aspocomp”), an independent third party incorporated in Finland and listed on the Helsinki Stock Exchange, to acquire 80% of the equity interest in MAH. The PCB Business and Aspocomp Holding Pte. Ltd., a wholly-owned subsidiary of Aspocomp, also entered into a put and call option agreement (“Option Deed”) as part and parcel of the MAH acquisition. Under the Option Deed, MTG(PCB2) was granted a call, to buy the remaining 20% equity interests in MAH and Aspocomp Holding Pte. Ltd. was granted a put option to sell its remaining 20% equity interests in MAH in the period from 2013 to 2023.

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

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

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

25 Financial liabilities (Continued)

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

	At 31 December		
	2007	2008	2009
Gross margin	17.8%	19.2%	19.6%
Growth rate	25.0%	10.0%	10.0%
Discount rate	8.3%	6.1%	6.0%

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 2007, 2008 and 2009. Judgement is required to determine key assumptions adopted in the EBITDA projections and changes to key assumptions can significantly affect these EBITDA projections.

The value of put option as at 31 December 2008 and 2009 represent the present value of the minimum price which was the highest possible value under the put option (Note 16(ii)).

26 Long-term other payables

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

The balances are denominated in the following currencies:

	At 31 December		
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
US\$	87,862	44,349	60,713
JPY	26,272	13,039	—
EUR	1,524	17,176	—
HK\$	—	—	2,157
	<u>115,658</u>	<u>74,564</u>	<u>62,870</u>

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

27 Creditors and accruals

	At 31 December		
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
Creditors	598,331	667,797	561,847
Accruals	672,426	720,622	522,176
	<u>1,270,757</u>	<u>1,388,419</u>	<u>1,084,023</u>

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

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

	At 31 December		
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
Within credit period	368,096	408,312	377,976
0 - 30 days	127,096	181,909	128,897
31 - 60 days	58,889	55,412	36,278
61 - 90 days	25,078	10,287	11,196
Over 90 days	19,172	11,877	7,500
	<u>598,331</u>	<u>667,797</u>	<u>561,847</u>

The carrying amounts of the PCB Business' creditors and accruals are denominated in the following currencies:

	At 31 December		
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
HK\$	170,923	160,345	139,777
RMB	652,364	775,854	737,230
US\$	289,491	405,821	181,735
EUR	90,991	39,963	16,131
JPY	46,470	6,197	4,100
Other currencies	20,518	239	5,050
	<u>1,270,757</u>	<u>1,388,419</u>	<u>1,084,023</u>

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

28 Amounts due from/(to) a minority shareholder/a subsidiary of a minority shareholder

The amounts due from/(to) a minority shareholder and a subsidiary of a minority shareholder are unsecured, interest-free and payable on demand except for trading balances which are due within normal trade credit terms. The carrying amounts of these balances approximate their fair values.

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

	At 31 December		
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
US\$	2,529	—	—
EUR	36,526	—	—
	<u>39,055</u>	<u>—</u>	<u>—</u>

The carrying amount of the amount due to a minority shareholder is denominated in the following currencies:

	At 31 December		
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
US\$	165,969	77,898	58,146
RMB	7,708	91,761	53,132
	<u>173,677</u>	<u>169,659</u>	<u>111,278</u>

The carrying amount of the amount due to a subsidiary of a minority shareholder is denominated in the following currencies:

	At 31 December		
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
US\$	—	—	6,064
RMB	5,040	12,338	13,855
	<u>5,040</u>	<u>12,338</u>	<u>19,919</u>

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

29 Amounts due from/(to) fellow subsidiaries/loan to a fellow subsidiary

The amounts due from/(to) fellow subsidiaries are unsecured and repayable on demand, except for trading balances which are due within normal credit terms. The amounts due from/(to) fellow subsidiaries are interest-bearing at 5.50%, 4.00% and 1.54% per annum on outstanding amounts as at 31 December 2007, 2008 and 2009 respectively. The carrying amounts of these balances approximate their fair values. The amounts due from fellow subsidiaries are denominated in the following currencies:

	At 31 December		
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
HK\$	244,296	388,330	—
RMB	—	1,348	—
US\$	—	564	—
	<u>244,296</u>	<u>390,242</u>	<u>—</u>

The amounts due to fellow subsidiaries are denominated in following currencies:

	At 31 December		
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
HK\$	(6,562)	—	(7,623)
RMB	—	(41,719)	(35,331)
US\$	(93,276)	(46,762)	(85,442)
	<u>(99,838)</u>	<u>(88,481)</u>	<u>(128,396)</u>

The loan to a fellow subsidiary was unsecured, interest-bearing at 4.20% per annum as at 31 December 2008 and repaid during year ended 31 December 2009. The balance was denominated in US\$. The carrying amount of the balance approximated its fair value.

30 Amounts due from/(to) intermediate holding company and immediate holding company

The amounts due from/(to) intermediate holding company and immediate holding company are unsecured, interest-free and repayable on demand. The carrying amounts of these balances approximate their fair values. These amounts are denominated in HK\$.

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 Commitments

(a) Capital commitments

Capital commitments in respect of property, plant and equipment at the end of reporting years are as follows:

	At 31 December		
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
Contracted but not provided for	615,276	332,771	256,502
Authorised but not contracted for	101,379	3,342	11,298
	<u>716,655</u>	<u>336,113</u>	<u>267,800</u>

At 31 December 2007, 2008 and 2009, the PCB Business had commitment in respect of the injection of additional capital into certain subsidiaries established in mainland China totalling approximately HK\$664,265,000, HK\$654,574,000 and HK\$186,120,000 respectively.

(b) Operating lease commitments

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

	At 31 December		
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
Within one year	3,055	2,391	3,053
One to five years	3,908	2,992	3,896
More than five years	18,956	18,695	18,341
	<u>25,919</u>	<u>24,078</u>	<u>25,290</u>

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

32 Notes to the combined statements of cash flows

(a) Acquisition of a subsidiary through business combination

On 30 November 2007, the PCB Business acquired 80% of the share capital of MAH from a third party, Aspocomp, for a consideration of approximately HK\$724,166,000.

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

	HK\$'000
Purchase consideration:	
- Cash paid	707,666
- Financial liabilities — put option (Note 25)	264,394
- Direct costs relating to the acquisition	<u>16,500</u>
Total purchase consideration	988,560
Fair value of net assets acquired — shown as below	<u>(881,822)</u>
Goodwill (Note 16)	<u>106,738</u>

The goodwill is attributable to the workforce of the acquired business and the significant synergies expected to arise after the PCB Business' acquisition of MAH.

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

32 Notes to the combined statements of cash flows (Continued)

(a) Acquisition of a subsidiary through business combination (Continued)

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

	Acquiree's carrying amount before acquisition HK\$'000	Fair value adjustment HK\$'000	Acquiree's fair value amount HK\$'000
Net assets acquired comprised of:			
Property, plant and equipment	568,776	257,474	826,250
Leasehold land and land use rights	21,099	34,794	55,893
Intangible assets	—	20,629	20,629
Inventories	27,782	—	27,782
Debtors and prepayments	216,121	—	216,121
Deferred tax assets	16,474	—	16,474
Cash and bank balances	29,451	—	29,451
Creditors and accruals	(171,772)	—	(171,772)
Taxation payable	(3,905)	—	(3,905)
Borrowings	(57,215)	—	(57,215)
Deferred tax liabilities	—	(77,886)	(77,886)
	<u>646,811</u>	<u>235,011</u>	<u>881,822</u>
Goodwill (Note 16)			106,738
			<u>988,560</u>
Satisfied by:			
Cash consideration			724,166
Financial liabilities (Note 25)			<u>264,394</u>
			<u>988,560</u>
Net cash outflow arising on acquisition			
Cash consideration			724,166
Bank balances and cash acquired			<u>(29,451)</u>
Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary			<u>694,715</u>

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

32 Notes to the combined statements of cash flows (Continued)

(b) Analysis of cash and cash equivalents

	At 31 December		
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
Cash and bank balances (Note 20)	402,822	797,874	850,109
Bank overdrafts (Note 22)	—	(25,626)	—
	402,822	772,248	850,109
Less: restricted bank balances (Note 20)	(3,901)	(5,873)	(7,210)
Cash and cash equivalents	<u>398,921</u>	<u>766,375</u>	<u>842,899</u>

(c) Major non-cash transactions

During the year ended 31 December 2009, the immediate holding company of the PCB Business contributed capital of approximately HK\$266,120,000 to the PCB Business which was settled through current account.

During the year ended 31 December 2009, the PCB Business assigned an amount of approximately HK\$273,465,000 due from fellow subsidiaries to the immediate holding company of the PCB Business.

33 Related party transactions

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

The directors regard MTG Investment (BVI) Limited and SuSih, both incorporated in the British Virgin Islands, as being the immediate holding company and ultimate holding company respectively.

The PCB Business regularly conducts transactions in the normal course of business with a minority shareholder, a subsidiary of a minority shareholder and other related parties, details of which during the years are:

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

33 Related party transactions (Continued)

(a) Purchases of raw materials (Note i)

	Year ended 31 December		
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
A minority shareholder	<u>418,501</u>	<u>401,531</u>	<u>309,007</u>
A subsidiary of a minority shareholder	<u>37,272</u>	<u>30,047</u>	<u>55,741</u>
Fellow subsidiaries	<u>281,974</u>	<u>345,288</u>	<u>389,516</u>

(b) Rental expense (Note ii)

	Year ended 31 December		
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
A fellow subsidiary	<u>503</u>	<u>503</u>	<u>503</u>

(c) Interest expense (Note iii)

	Year ended 31 December		
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
A fellow subsidiary	<u>—</u>	<u>—</u>	<u>21</u>

(d) Rental income (Note ii)

	Year ended 31 December		
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
Fellow subsidiaries	<u>959</u>	<u>1,282</u>	<u>666</u>

(e) Interest income (Note iii)

	Year ended 31 December		
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
Fellow subsidiaries	<u>6,683</u>	<u>12,660</u>	<u>3,992</u>

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

33 Related party transactions (Continued)

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

	Note	At 31 December		
		2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
Non-trade balance Intermediate holding company	30	40,177	—	—
Non-trade balance Immediate holding company	30	(290,000)	(643,961)	(47,381)
Non-trade balance Fellow subsidiaries	29	244,296	390,242	—
Non-trade balance Fellow subsidiaries		(14,363)	—	(7,623)
Trade balance Fellow subsidiaries		(85,475)	(88,481)	(120,773)
	29	(99,838)	(88,481)	(128,396)
Loan to a fellow subsidiary	29	—	41,074	—
Non-trade balance A minority shareholder	28	39,055	—	—
Dividend payable A minority shareholder		(343)	(60,466)	—
Trade balance A minority shareholder		(173,334)	(109,193)	(111,278)
	28	(173,677)	(169,659)	(111,278)
Trade balance A subsidiary of a minority shareholder	28	(5,040)	(12,338)	(19,919)

Notes:

- (i) Purchases of raw materials from a minority shareholder, a subsidiary of a minority shareholder and fellow subsidiaries are made at prices and terms comparable to those charged by and contracted with other third party suppliers of the PCB Business.
- (ii) Rental income/expenses were based on underlying rental agreements which are renewed annually.
- (iii) Interest expenses/income were calculated at 5.50%, 4.00% and 1.54% per annum on the outstanding amounts for the years ended 31 December 2007, 2008 and 2009 respectively.

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

33 Related party transactions (Continued)

(g) Key management compensation

	Year ended 31 December		
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
Basic salaries, allowances and benefits in kind	34,777	45,720	41,643
Share award expenses (Note 7)	150,326	4,018	6,167
Bonuses	11,022	12,929	12,761
	<u>196,125</u>	<u>62,667</u>	<u>60,571</u>

34 Reconciliation to US GAAP

The PCB Business' combined financial statements have been prepared in accordance with HKFRS which differs in some respect from accounting principles generally accepted in the United States of America ("US GAAP"). The effect on profit attributable to equity holders and capital and reserves attributable to equity holders of the PCB Business arising from significant differences between HKFRS and US GAAP is as follows.

	Note	Year ended 31 December		
		2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
Profit for the year under HKFRS		352,938	483,653	232,627
US GAAP adjustments:				
Acquisition of non-controlling interest ("NCI")	(a)	108	108	108
Reversal of amortisation of goodwill	(b)	—	—	—
Put and call options on NCI:				
- Fair value step-up	(c1)	217	7,777	4,552
- Accretion of NCI to redemption value	(c2)	—	1,942	(4,137)
Derivatives	(d)	—	—	19,224
Available-for-sale financial asset	(e)	—	—	—
Deferred income taxes	(f)	(54)	(1,944)	(1,135)
Profit for the year under US GAAP	(g)	<u>353,209</u>	<u>491,536</u>	<u>251,239</u>

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

34 Reconciliation to US GAAP (Continued)

	Note	At 31 December		
		2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
Total equity under HKFRS		1,860,055	1,776,609	2,357,288
US GAAP adjustments:				
Acquisition of NCI	(a)	(946)	(838)	(730)
Reversal of amortisation of goodwill	(b)	535	535	535
Put and call options on NCI:				
- Fair value step-up	(c1)	(2,082)	(5,280)	(1,084)
- Accretion of NCI to redemption value	(c2)	131,255	134,153	145,557
Available-for-sale financial asset	(e)	—	454	3,375
Deferred income taxes	(f)	(56)	(2,021)	(3,161)
Total equity under US GAAP	(g,h)	<u>1,988,761</u>	<u>1,903,612</u>	<u>2,501,780</u>

(a) Acquisition of non-controlling interests

On 27 July 2006, the PCB Business acquired the remaining 10% non-controlling interest (“NCI”) of a 90% held subsidiary from the non-controlling shareholder.

Under HKFRS, the PCB Business adopted the parent company method whereby acquisition of NCI is considered to give rise to additional economic interest held by the parent company. Accordingly, the PCB Business recorded the excess of the carrying value of the NCI acquired over the consideration as negative goodwill.

Under US GAAP, acquisition of NCI prior to 1 January 2009 is accounted for using the purchase method, where the 10% of assets and liabilities acquired would be recorded at fair value. The negative goodwill resulted from this assessment was used to reduce the property, plant and equipment and land use rights on a pro-rata basis.

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

34 Reconciliation to US GAAP (Continued)

(b) Amortisation of goodwill

Prior to 1 January 2003, under HKFRS, the PCB Business amortised goodwill over its useful life of 10 years and performed impairment review if there was an indication that impairment might exist. With effect from 1 January 2003, the PCB Business adopted HKFRS 3 “Business Combinations” and HKAS 36 “Impairment of Assets”, whereby goodwill is no longer amortised but is tested for impairment annually and when there are indications of impairment.

Under US GAAP, the PCB Business ceased amortisation of goodwill since 1 January 2002 and performed impairment review annually and when there are indications of impairment. Accordingly, an adjustment has been included in the US GAAP reconciliation to reverse the amortisation of goodwill for the year ended 31 December 2002.

(c) Put and call options on non-controlling interests

In relation to the acquisition of 80% of MAH and its subsidiaries discussed in Note 25, under HKFRS, the PCB Business was deemed to have acquired 100% of MAH with a financial liability representing contingent consideration.

Under US GAAP, management determined that the put and call are considered not freestanding from the 20% NCI. The NCI, with embedded put and call options were assessed under ASC 815 “Derivative and Hedging”. As the put and call options cannot be bifurcated under FAS 133, the NCI with embedded put and call are classified as mezzanine equity and measured according to ASC 480 “Distinguishing Liabilities from Equity”. Under US GAAP, the transaction was accounted for as an acquisition of 80% of MAH, with a 20% NCI that is callable and puttable. As a result, management recorded reconciling adjustments in the US GAAP reconciliation for the following differences:

- (1) Under HKFRS, 100% of the assets and liabilities of MAH are stepped up to their fair values upon initial consolidation. Under US GAAP, only 80% of the assets and liabilities of MAH are stepped up to their fair values, with the remaining 20% stated at cost.
- (2) Under HKFRS, a financial liability is recorded and measured at the present value of the redemption price. Interest accrual on the financial liability is recorded as finance charge and changes in the redemption price is charged to goodwill or negative goodwill. Under US GAAP, no financial liability is recorded. The NCI with embedded put and call are classified as mezzanine equity. As the NCI is redeemable in the period from 2013 to 2023, management accreted changes in the redemption value from the date of acquisition to the earliest redemption date using the effective interest method.

Under HKFRS, as the transaction is deemed a 100% acquisition of MAH, no sharing of profit and loss with the NCI is recorded. Under US GAAP, 20% of the profit and loss is attributable to the NCI. However, there is no impact on the profit nor total equity of the PCB Business.

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

34 Reconciliation to US GAAP (Continued)

(d) Derivatives

In February 2009, the Company entered into a foreign exchange forward contract to hedge against the financial liability representing the contingent consideration in connection with its acquisition of 20% NCI of MAH which is denominated in EUR. Under HKFRS, the foreign exchange forward contract qualified as a hedge items and therefore the fair value change of the foreign exchange forward contract has been recognised directly to hedging reserve.

Under US GAAP, the forecasted transaction is not eligible for designation as a hedged transaction because the transaction involves a business combination involving a non-controlling interest in a consolidated subsidiary. As a result, the change in fair value of the foreign exchange forward contract has been recognised through condensed combined income statement.

(e) Available-for-sale financial asset

In 2007, the PCB Business acquired a 10% interest in Aspocomp Oulu Oy (“Oulu”). Under HKFRS, the PCB Business classified the investment as available-for-sale (“AFS”) financial asset and measured the investment at fair value at the end of reporting period.

Oulu is not publicly traded and the PCB Business calculates the fair value of the investment based on estimated enterprise value which uses an average of EBITDA from the latest two years extracted from Oulu’s unaudited financial results and an enterprise value multiplier of 5.5 times.

Under US GAAP, investments in non-marketable equity securities for which readily determinable fair values are not available are accounted for using the cost method. In general, fair values of unlisted equity securities are considered not readily determinable. As a result, the change in fair value of the investment in Oulu previously debited to the AFS reserve has been reversed.

(f) Deferred income tax

HKFRS and US GAAP are substantially the same with respect to deferred income tax expense or benefit that affects the PCB Business. The amounts included in the reconciliation show the deferred income tax effects of the differences between HKFRS and US GAAP as described above.

(g) Presentation of minority interests

Effective 1 January 2009, the PCB Business adopted ASC 810-10-65 “Noncontrolling Interests in Consolidated Financial Statements”. Accordingly, earnings attributable to NCI is included in the profit for the year and NCI is recorded in total equity. The presentation requirements have been applied retrospectively for all years presented.

THE PRINTED CIRCUIT BOARD BUSINESS OF MEADVILLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

34 Reconciliation to US GAAP (Continued)

(h) Cumulative translation adjustment

The impact on cumulative translation adjustment of each reconciling item is included in each respective reconciling item in the reconciliation of capital and reserves attributable to equity holders. The cumulative translation adjustment included in for the years ended 31 December 2007, 2008 and 2009 presented are debit balance of approximately HK\$2,291,000, debit balance of approximately HK\$18,030,000 and debit balance of approximately HK\$274,000 respectively.

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

The following unaudited pro forma financial statements and explanatory notes present how the condensed combined historical consolidated financial statements of TTM Technologies, Inc. (the "Company" or "TTM") and the printed circuit board business of Meadville Holdings Limited (the "PCB Business") would appear had the acquisition of the entire outstanding capital stock of all of the indirect wholly owned subsidiaries (collectively, the "PCB Subsidiaries") of Meadville Holdings Limited ("Meadville") (such acquisition being referred to as the "PCB Combination") been completed at earlier dates. The unaudited pro forma condensed combined financial statements show the impact of the PCB Combination on the Company's respective historical financial conditions and operating results under the purchase method of accounting with TTM treated as the acquirer of the PCB Subsidiaries as if the PCB Combination had been completed on January 1, 2009 for the unaudited pro forma condensed combined statement of operations for the year ended December 31, 2009, and on December 31, 2009 for the unaudited pro forma condensed combined balance sheet as of December 31, 2009. For purposes of the unaudited pro forma condensed combined financial statements, the PCB Business' financial data has been translated into U.S. Dollars and is presented in accordance with U.S. GAAP.

The preliminary allocation of purchase price in the PCB Combination as reflected in these unaudited pro forma condensed combined financial statements has been based upon preliminary estimates of the fair value of assets acquired and liabilities assumed as of the date of the PCB Combination. This preliminary allocation of purchase price is based on available information and is dependent upon certain estimates and assumptions, which are preliminary and have been made solely for the purpose of developing such pro forma condensed combined financial statements.

The final determination of the fair values of the PCB Subsidiaries' assets and liabilities, and noncontrolling interests, which is currently in process, will be based on the actual net tangible and intangible assets and noncontrolling interests of the PCB Subsidiaries that exist as of the date of completion of the transaction. Consequently, the preliminary purchase price allocation could change significantly from that used in the pro forma condensed combined financial statements presented below.

The unaudited pro forma condensed combined statement of operations does not include (1) any revenue or cost savings synergies that may be achievable subsequent to the completion of the PCB Combination, or (2) the impact of non-recurring items directly related to the PCB Combination. The unaudited pro forma condensed combined financial statements include related party transactions. Certain of these related party transactions will continue after the PCB Combination.

The pro forma condensed combined financial statements are unaudited, are presented for informational purposes only, and are not necessarily indicative of the financial condition or operating results that would actually have occurred had the PCB Combination been completed as of the dates or at the beginning of the periods presented. In addition, the unaudited pro forma condensed combined financial statements do not purport to project the future consolidated financial condition or operating results of the combined company. The unaudited pro forma condensed combined financial statements should be read together with:

- the accompanying notes to the unaudited pro forma condensed combined financial statement pro forma adjustments;
- the separate audited historical consolidated financial statements of TTM for the fiscal year ended December 31, 2009 included in the Company's Annual Report on Form 10-K that can be found at www.sec.gov; and
- the separate audited historical combined financial statements of the PCB Business for the fiscal year ended December 31, 2009 in Exhibit 99.1 in this Current Report on Form 8-K/A.

The combined statement of financial position of the PCB Business as of December 31, 2009 has been translated using an exchange rate of HK\$7.7543 to US\$1.00. The combined statement of operations of the PCB Business for the year ended December 31, 2009 has been translated using an average exchange rate of HK\$7.7516 to US\$1.00.

Certain reclassifications have been made to the PCB Business' historical amounts to conform to the Company's presentation of these pro forma financial statements.

Unaudited Pro Forma Condensed Combined Balance Sheet
As of December 31, 2009

	<u>TTM</u>	<u>PCB Business</u>	<u>Pro Forma Adjustments (In millions)</u>	<u>Note</u>	<u>Pro Forma Combined</u>
Current assets:					
Cash and cash equivalents	\$ 94.3	\$ 108.7	\$ 120.0 (114.0) 434.6 (434.6) (22.1)	(a) (b) (c) (d) (j)	\$ 186.9
Restricted cash	120.0	0.9	(120.0)	(a)	0.9
Short-term investments	1.4	—			1.4
Accounts receivable, net	89.5	127.1			216.6
Inventories	60.2	58.1	3.5	(e)	121.8
Prepaid expenses and other current assets	2.7	14.5			17.2
Income taxes receivable	—	0.9			0.9
Assets held for sale	7.9	—			7.9
Deferred income taxes	6.6	—			6.6
Total current assets	<u>382.6</u>	<u>310.2</u>	<u>(132.6)</u>		<u>560.2</u>
Property, plant and equipment, net	88.6	631.0	(20.1)	(g)	699.5
Debt issuance costs, net	3.6	—	4.8	(j)	8.4
Deferred income taxes	37.4	5.3			42.7
Goodwill	14.1	—	212.1	(h)	226.2
Definite-lived intangibles, net	15.1	5.4	68.6	(i)	89.1
Deposits and other non-current assets	1.7	5.2			6.9
Total assets	<u>\$ 543.1</u>	<u>\$ 957.1</u>	<u>\$ 132.8</u>		<u>\$ 1,633.0</u>
Current liabilities:					
Accounts payable	\$ 37.8	\$ 72.5			\$ 110.3
Current portion of borrowings	—	71.6	\$ (71.6) 30.0	(d) (c)	30.0
Related party payables	—	39.6			39.6
Accrued expenses and other current liabilities	21.6	70.0	0.9	(f)	92.5
Total current liabilities	<u>59.4</u>	<u>253.7</u>	<u>(40.7)</u>		<u>272.4</u>
Convertible senior notes, net	139.9	—			139.9
Other long-term borrowings	—	363.0	(363.0) 404.6	(d) (c)	404.6
Long-term financing obligation	—	—	21.0	(k)	21.0
Deferred tax liability	—	8.0	12.6	(f)	20.6
Other long-term liabilities	2.8	9.8			12.6
Total long-term liabilities	<u>142.7</u>	<u>380.8</u>	<u>75.2</u>		<u>598.7</u>
Stockholders' equity:					
Common stock	0.1	—	—	(l)	0.1
Additional paid-in-capital	215.5	—	293.6	(l)	509.1
Noncontrolling interest	—	91.9	58.4 (20.2)	(m) (k)	130.1
Retained earnings	122.3	21.6	(21.6) (2.8)	(n) (j)	119.5
Other equity reserves	—	50.8	(50.8)	(n)	—
Capital reserves	—	158.3	(158.3)	(n)	—
Accumulated other comprehensive income	3.1	—			3.1
Total stockholders' equity	<u>341.0</u>	<u>322.6</u>	<u>98.3</u>		<u>761.9</u>
Total liabilities and stockholders' equity	<u>\$ 543.1</u>	<u>\$ 957.1</u>	<u>\$ 132.8</u>		<u>\$ 1,633.0</u>

Unaudited Pro Forma Condensed Combined Statement of Operations
For the year ended December 31, 2009

	<u>TTM</u>	<u>PCB Business</u>	<u>Pro Forma Adjustments</u>	<u>Note</u>	<u>Pro Forma Combined</u>
		(In millions, except per share amount)			
Net sales	\$ 582.5	\$ 624.5			\$ 1,207.0
Cost of goods sold	<u>479.3</u>	<u>503.3</u>	<u>\$ (25.2)</u>	(o)	<u>957.4</u>
Gross profit	<u>103.2</u>	<u>121.2</u>	<u>25.2</u>		<u>249.6</u>
Operating expenses:					
Selling and marketing	26.5	19.0	(0.2)	(o)	45.3
General and administrative	36.5	50.3	(2.3)	(o)	76.5
			(8.0)	(p)	
Amortization of definite-lived intangibles	3.4	0.2	9.8	(q)	13.4
Restructuring charges	5.5	—			5.5
Impairment of long-lived assets	<u>12.8</u>	<u>2.8</u>			<u>15.6</u>
Total operating expenses	<u>84.7</u>	<u>72.3</u>	<u>(0.7)</u>		<u>156.3</u>
Operating income	<u>18.5</u>	<u>48.9</u>	<u>25.9</u>		<u>93.3</u>
Other income (expense):					
Interest expense	(11.2)	(9.5)	(5.1)	(r)	(25.8)
Interest income	0.5	0.8			1.3
Other, net	<u>0.4</u>	<u>1.1</u>			<u>1.5</u>
Total other expense, net	<u>(10.3)</u>	<u>(7.6)</u>	<u>(5.1)</u>		<u>(23.0)</u>
Income before income tax	8.2	41.3	20.8		70.3
Income tax provision	<u>(3.3)</u>	<u>(9.0)</u>	<u>(5.4)</u>	(s)	<u>(17.7)</u>
Net income	4.9	32.3	15.4		52.6
Net income attributable to noncontrolling interests	<u>—</u>	<u>9.1</u>	<u>2.7</u>	(t)	<u>11.8</u>
Net income attributable to stockholders	<u>\$ 4.9</u>	<u>\$ 23.2</u>	<u>\$ 12.7</u>		<u>\$ 40.8</u>
Earnings per share attributable to stockholders:					
Basic earnings per share	<u>\$ 0.11</u>			(u)	<u>\$ 0.51</u>
Diluted earnings per share	<u>\$ 0.11</u>			(u)	<u>\$ 0.51</u>
Weighted average common shares outstanding for earnings per share:					
Basic	43.1		36.3	(u)	79.4
Diluted	43.6		36.3	(u)	79.9

Notes to Unaudited Pro Forma Condensed Combined Financial Statements

Note 1. Basis of Presentation

On the evening of April 8, 2010 (April 9, 2010 at approximately 9:00 a.m. Hong Kong time), the Company acquired the PCB Subsidiaries in exchange for \$114.0 million in cash and 36,334,000 shares of the Company's common stock. Additionally, the Company assumed debt of the PCB Subsidiaries of approximately \$434.6 million.

As of December 31, 2009, there were approximately 1,964.0 million shares in the share capital of Meadville outstanding. Based on these amounts and the terms outlined above, upon the special dividend by Meadville to Meadville's shareholders of the consideration paid by the Company in the PCB Combination, Meadville shareholders or their transferees will receive a total of 36,334,000 shares of the Company's common stock, of which approximately 26,225,000 maintain restrictions, and approximately \$114.0 million in cash in the aggregate (other than Meadville shareholders who elect to receive cash in lieu of such shares of the Company's common stock through the dealing facility).

The preliminary purchase price of the PCB Combination is approximately \$842.2 million, estimated as follows (in millions):

Value of TTM shares to be issued :	
TTM shares to be issued with restrictions	\$ 202.0
TTM shares to be issued with out restrictions	91.6
Cash consideration	114.0
Proceeds paid from the issuance of debt	<u>434.6</u>
Total	<u>\$ 842.2</u>

The preliminary allocation of the purchase price as of December 31, 2009 is summarized below (in millions):

Current assets	\$ 299.2
Property, plant, and equipment	610.9
Identifiable intangible assets (including customer relationships of \$61.9 million, trade name of \$11.6 million, and order backlog of \$0.5 million)	74.0
Goodwill	212.1
Other assets	10.5
Current liabilities	(183.0)
Long-term financing obligation	(21.0)
Noncontrolling interest	(130.1)
Other liabilities	<u>(30.4)</u>
Total	<u>\$ 842.2</u>

The value of the shares of the Company's common stock used in determining the purchase price was \$9.06 per share, the closing price of the Company's common stock on April 8, 2010.

Further, under the terms of the purchase agreement and the shareholders agreement, approximately 26,225,000 of the Company's shares to be issued maintain certain restrictions on the transfer of such shares distributed to the principal shareholders in the PCB Combination, including among other restrictions, a "lock-up" transfer restriction during the 18-month period following the closing of the PCB Combination and therefore, the fair value of these shares have been determined considering the restrictions, resulting in a discount of 15% from the closing share price.

The determination of the final allocation of the purchase price is preliminary. The final determination of the purchase price allocation will be based on the fair value of assets acquired, including fair values of other identifiable intangibles and the fair value of liabilities assumed and noncontrolling interests as of the date that the PCB Combination is consummated and is currently in process. The excess purchase price over the fair value of assets acquired, liabilities assumed, and noncontrolling interests is allocated to goodwill. The purchase price allocation will remain preliminary until the Company completes a valuation of significant identifiable intangibles acquired and determines the fair values of other assets acquired, liabilities assumed, and noncontrolling interests.

Notes to Unaudited Pro Forma Condensed Combined Financial Statements — (Continued)

The final determination of the purchase price allocation is expected to be completed as soon as practicable. The final amounts allocated to assets acquired, liabilities assumed, and noncontrolling interests could cause material differences in the information presented in the unaudited pro forma condensed combined financial statements.

Note 2. Pro Forma Adjustments

Pro Forma Condensed Combined Balance Sheet Adjustments

- (a) Reflects the transfer of restricted cash to cash and cash equivalents to finance the cash portion of the purchase consideration.
 - (b) Reflects the use of the Company's cash and cash equivalents to finance the cash portion of the purchase consideration.
 - (c) Reflects the receipt of borrowings in the amount of \$434.6 million consisting of a \$350.0 million term loan, a \$54.6 million revolving loan and \$30.0 million in line of credit arrangements.
 - (d) Reflects the use of the borrowing proceeds of \$434.6 million to pay in full the historical outstanding borrowings of the PCB Business.
 - (e) Reflects adjustment of the historical PCB Business inventories to estimated fair value. Because this adjustment is directly attributed to the transaction and will not have an ongoing impact in excess of one year, it is not reflected in the unaudited pro forma condensed combined statement of operations. However, this inventory adjustment will impact cost of goods sold in the year subsequent to the consummation of the PCB Combination.
 - (f) Reflects an increase in deferred income tax liability of \$13.5 million related to purchase price basis adjustments at an estimated statutory tax rate for the PCB Business of 26.0%, consisting of \$0.9 million in current deferred tax liability and \$12.6 million in long-term deferred tax liabilities.
 - (g) Reflects the portion of the purchase price allocation to property, plant and equipment, including leasehold land and land use rights of \$31.0 million; buildings of \$170.4 million; plant, machinery, and equipment of \$267.1 million; construction in progress of \$126.4 million; and \$16.0 million of other.
 - (h) Reflects the addition of goodwill from the preliminary purchase price allocation of \$212.1 million.
 - (i) Reflects the portion of the purchase price allocation to acquired intangible assets, including customer relationships of \$63.2 million, trade name of \$10.3 million, and other intangibles of \$0.5 million, less the PCB Business' historical net intangible assets of \$5.4 million.
 - (j) Reflects the use of cash and cash equivalents to pay the remaining estimated transaction costs. Estimated transaction costs consist primarily of investment banker fees, legal and professional fees, and debt issuance costs. Estimated debt issuance costs of \$4.8 million are capitalized and reflected as a component of non-current assets in the unaudited pro forma condensed combined balance sheet. The other \$17.3 million of transaction costs will be expensed as incurred.
 - (k) Reflects the reclassification from noncontrolling interests and the estimated fair value of the remaining 20% interest of a majority-owned subsidiary with a put/call option that has similar terms that, for accounting purposes under U.S. GAAP, is recorded as a long-term financing obligation.
 - (l) Reflects the estimated fair value of the Company's common stock issued to finance a portion of the PCB Combination.
 - (m) Reflects adjustment of the historical noncontrolling interests to estimated fair value.
 - (n) Reflects the elimination of historical PCB Business' retained earnings and other equity reserves.
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Notes to Unaudited Pro Forma Condensed Combined Financial Statements — (Continued)

Pro Forma Condensed Combined Statement of Operations Adjustments

(o) Reflects a decrease in depreciation of \$27.7 million for the year ended December 31, 2009, for the reduction in the carrying value of leasehold land and land rights and property, and plant and equipment to its fair value based on straight-line depreciation over 5 to 35 years of useful life. Assuming an aggregate weighted average useful life of 17 years and straight-line depreciation, for every additional \$10.0 million allocated to leasehold land and land rights and property, plant and equipment, pre-tax earnings will decrease by \$0.6 million for the year ended December 31, 2009. The decreased depreciation is allocated between cost of good sold, selling and marketing, and general and administrative expenses.

(p) To adjust for non-recurring acquisition transaction costs incurred and expensed during the year ended December 31, 2009. Additional transaction costs of \$17.3 million will be incurred and expensed subsequent to January 1, 2010.

(q) Reflects total amortization of \$9.8 million for year ended December 31, 2009, for identified intangible assets based on the estimated fair values assigned to these assets at the date of the PCB Combination. A substantial portion of the intangible assets relate to customer relationships and as a result amortization expense is recognized over a weighted average useful life of 8 years. Other intangibles consisting of trade name and order backlog are amortized on a straight-line basis over the aggregate useful lives of 7.0 years. Amortization expense for the customer relationships is \$8.0 million in year 1; \$9.1 million in year 2; \$8.8 million in year 3; \$8.2 million in year 4; and \$7.6 million in year 5.

Assuming an aggregate weighted average useful life of 8 years, and the amortization methods discussed above, for every additional \$1.0 million allocated to identified intangible assets, pre-tax earnings will decrease by \$0.1 million for the year ended December 31, 2009.

(r) Reflects total higher incremental interest expense of \$5.1 million for the year ended December 31, 2009, which includes the amortization of debt issuance costs of \$1.4 million, due to new borrowings of \$434.6 million, at varying interest rates obtained to finance the pay-off of the historical outstanding PCB Business' borrowings and maintain operating lines of credit in China and interest accretion expense of \$1.3 million related to the long-term financing obligation for the remaining 20% interest of a majority-owned subsidiary.

The Company obtained \$350.0 million in the form of a term loan, \$54.6 million in a revolver arrangement, as well as \$30.0 million in the form of line of credit facilities. Historical PCB Business' borrowings consist of short and long-term bank loans approximating \$434.6 million at varying interest rates. For purposes of these pro forma financial statements, estimated maturities of total pro forma combined long-term debt are as follows: \$30.0 million in year 1, \$52.5 million in year 2, \$105.0 million in year 3, and \$247.1 million in year 4. The effect of a 1/8th percentage point variance in the interest rate on pre-tax earnings is \$0.5 million for the year ended December 31, 2009. Additionally, the Company has and expects to continue to have available an \$80.0 million letter of credit and a \$65.0 million factoring facility. The Company expects to utilize approximately \$25.0 million of the letter of credit facility to replace the PCB Business' existing letter of credit facilities.

Interest accretion expense associated with the long-term financing obligation for the majority-owned subsidiary is based on an effective interest rate of 6.0%. At the earliest date the put/call option can be exercised in 2013, the long-term financing obligation would be approximately EUR 17.4 million.

(s) Represents the income tax effect of unaudited pro forma condensed combined statement of operations adjustments using an estimated statutory tax rate of 26% for the year ended December 31, 2009 for adjustments to the PCB Business' depreciation, amortization, and the interest expense.

(t) Reflects an adjustment to remove the \$2.7 million loss incurred in 2009 of the historical 20% majority-owned subsidiary that upon the acquisition, for accounting purposes, is 100% consolidated and a long-term financing obligation has been recorded for the purchase of the 20% minority interest as discussed in note (k) above.

Notes to Unaudited Pro Forma Condensed Combined Financial Statements — (Continued)

(u) Pro forma basic earnings per share is calculated by dividing the pro forma combined net income by the pro forma weighted average shares outstanding. Pro forma diluted earnings per share is calculated by dividing the pro forma combined net income by the pro forma weighted shares outstanding and potential dilutive weighted shares outstanding. A reconciliation of the shares used to calculate the Company's historical basic and diluted earnings per share to shares used to calculate the pro forma basic and diluted earnings per share follows (in millions):

	Year Ended December 31, 2009
Basic	
Shares used to calculate TTM's historical basic earnings per share	43.1
Shares issued in connection with the acquisition of the PCB Subsidiaries	36.3
Shares used to calculate pro forma basic earnings per share	<u>79.4</u>
Diluted	
Shares used to calculate TTM's historical diluted earnings per share	43.6
Shares issued in connection with the acquisition of the PCB Subsidiaries	36.3
Shares used to calculate pro forma diluted earnings per share	<u>79.9</u>