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HannStar Board International Holdings Limited

瀚宇博德國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00667)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcement of the Company dated 23 November 2007 in relation to the Existing Sub-contracting Agreement, pursuant to which the Company agreed to engage HannStar Taiwan as a sub-contractor for the production and processing of PCBs. The Existing Sub-contracting Agreement will expire on 31 December 2010.

On 8 October 2010, the Company has entered into the New Sub-contracting Agreement with HannStar Taiwan whereby the Company conditionally agreed to renew the term of the Existing Sub-contracting Agreement and continue to engage HannStar Taiwan as a sub-contractor for the production and processing of PCBs for three years from 1 January 2011 to 31 December 2013 (both days inclusive) on and subject to the terms and condition of the New Sub-contracting Agreement.

HannStar Taiwan is the controlling shareholder of the Company holding approximately 74.99% of the issued share capital of the Company as at the date of this announcement. HannStar Taiwan is therefore a connected person of the Company. The transactions under the New Sub-contracting Agreement will accordingly constitute continuing connected transactions for the Company. As the applicable percentage ratios in respect of the Proposed Annual Caps calculated on an annual basis exceed 5%, the transactions under the New Sub-contracting Agreement will constitute non-exempt continuing connected transactions under Rule 14A.35 of the Listing Rules and thus will be subject to reporting, announcement and Independent Shareholders' approval requirements under Rules 14A.45 to 14A.47 and 14A.48 of the Listing Rules.

An independent committee of the Board will be established to consider the terms of the New Sub-contracting Agreement and the Proposed Annual Caps. An independent financial adviser will be appointed to advise the independent committee of the Board and the Independent Shareholders regarding the New Sub-contracting Agreement and the Proposed Annual Caps.

An EGM will be convened at which an ordinary resolution will be proposed to consider and, if thought fit, approve the New Sub-contracting Agreement and the Proposed Annual Caps. The Company will seek the approval of the Independent Shareholders on the New Sub-contracting Agreement and the Proposed Annual Caps at the EGM. It is expected that the Company will dispatch the circular containing, among others, further information on the New Sub-contracting Agreement and the Proposed Annual Caps, the advice of the independent financial adviser to the independent committee of the Board and Independent Shareholders and the recommendation of the independent committee of the Board to the Independent Shareholders in connection therewith, and the notice of the EGM, to the Shareholders on or before 1 November 2010.

INTRODUCTION

Reference is made to the announcement of the Company dated 23 November 2007 in relation to the Existing Sub-contracting Agreement, pursuant to which the Company agreed to engage HannStar Taiwan as a sub-contractor for the production and processing of PCBs. The Existing Sub-contracting Agreement will expire on 31 December 2010. On 8 October 2010, the Company has entered into the New Sub-contracting Agreement with HannStar Taiwan whereby the Company conditionally agreed to renew the term of the Existing Sub-contracting Agreement and continue to engage HannStar Taiwan as a sub-contractor for the production and processing of PCBs for three years from 1 January 2011 to 31 December 2013 (both days inclusive) on and subject to the terms and condition of the New Sub-contracting Agreement set out below.

THE NEW SUB-CONTRACTING AGREEMENT

Date

8 October 2010

Parties involved

- (1) The Company
- (2) HannStar Taiwan

HannStar Taiwan, a company incorporated in Taiwan and whose shares are listed on Taiwan Stock Exchange, is the controlling shareholder of the Company holding approximately 74.99% of the issued share capital of the Company as at the date of this announcement. HannStar Taiwan is therefore a connected person of the Company. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, as at the date of this announcement, HannStar Taiwan is owned as to approximately 20% by Walsin Technology and its associate, as to approximately 29.85% by Walsin Lihwa and its wholly owned subsidiary, as to approximately 4.49% by Mr. Chiao and his relatives, as to approximately 0.02% by Mr. Lai, as to approximately 0.02% by Mr. Shu, as to approximately 0.06% by Mr. Yeh and as to approximately 0.02% by Mr. Zhong.

Term

Three years commencing on 1 January 2011 and ending on 31 December 2013 (both days inclusive).

Scope

Pursuant to the New Sub-contracting Agreement, the Company agreed to engage HannStar Taiwan to act as a sub-contractor for the production and processing of PCBs on and subject to the terms and condition of the New Sub-contracting Agreement.

Pricing basis, sub-contracting fee, payment terms and other terms

The basis of determining the prices for the transactions under the New Sub-contracting Agreement will be determined with reference to the prevailing market price in respect of similar services provided by comparable sub-contractors in the PCB manufacturing industry in Taiwan. Please refer to the Proposed Annual Caps for the three years ending 31 December 2013 in the paragraph headed "Proposed Annual Caps under the New Sub-contracting Agreement" of this announcement.

Under the New Sub-contracting Agreement, the Group will pay 97% of the contracted sum as sub-contracting fee to HannStar Taiwan and will retain the 3% balance as its profits. HannStar Taiwan will be responsible for all production and delivery costs of the products, as well as any claims relating to product liabilities. In other words, the 3% retained by the Group represents pure profit for the Group as it need not incur any production, logistical and transportation costs. The Group will also not be liable for any claims as a result of delay in delivery or defective products. The basis of the 3% profits is determined with reference to (a) the market price payable to a sub-contractor in the PCB manufacturing industry in Taiwan; (b) the commission rate of approximately 2% to 5% payable by HannStar Taiwan to its sales agents; (c) any potential claim relating to product liability as may be borne by HannStar Taiwan; and (d) the delivery costs of the products as may be borne by HannStar Taiwan.

Payments for the transactions under the New Sub-contracting Agreement will be made by the Group to HannStar Taiwan after the Group has received payment from the customers who have placed orders to the Group. It is agreed that HannStar Taiwan will grant to the Group a credit period of 60 to 120 days. Other terms of the transactions under the New Sub-contracting Agreement will be determined on an individual order basis on normal commercial terms and on terms no less favourable to the Company than the terms available from independent third parties.

The Directors (excluding independent non-executive Directors who will express their view after receiving advice from the independent financial adviser) are of the view that the terms of the transactions contemplated under the New Sub-contracting Agreement are on normal commercial terms, in the ordinary and usual course of business of the Company, fair and reasonable and in the interests of the Company and its Shareholders as a whole.

PROPOSED ANNUAL CAPS UNDER THE NEW SUB-CONTRACTING AGREEMENT

The table below sets out (i) the historical amount under the Existing Sub-contracting Agreement for the two years ended 31 December 2009 and the nine months ended 30 September 2010; (ii) the approved annual caps for each of the three years ending 31 December 2010 in respect of the transactions under the Existing Sub-contracting Agreement; (iii) the utilisation rate of the approved annual caps for the two years ended 31 December 2009 and the nine months ended 30 September 2010; and (iv) the Proposed Annual Caps for the three years ending 31 December 2013.

	For the year ended		Nine	For the year ending 31 December		
	31 December		months ended	31 December		
	2008	2009	30 September	2011	2012	2013
	(US\$ million)	(US\$ million)	(US\$ million)	(US\$ million)	(US\$ million)	(US\$ million)
Historical amount	47.5	43.9	36.0	–	–	–
Approved annual caps	63.4	63.4	47.6	–	–	–
			(Note)			
Utilisation rate	74.9%	69.2%	75.6%	–	–	–
Proposed Annual Caps				63.4	63.4	63.4

Note: The approved annual cap for the year ending 31 December 2010 amounted to US\$63.4 million. The amount of US\$47.6 million represents such approved annual cap pro-rated on the 9-month basis and was unaudited based on the unaudited management accounts of the Group for the nine months ended 30 September 2010.

Basis of the Proposed Annual Caps

As shown above, the Group had utilised approximately 75% and 69% of the approved annual caps for the two years ended 31 December 2009 despite the slowdown in business as a result of the global economic downturn during those periods. During the 9-month period ended 30 September 2010, utilisation of the approved annual caps recovered to approximately 76% on an annualised basis. Given the seasonality where the last quarter of a calendar year is typically a busy period for manufacturers, the management of the Group expects utilisation rate to increase for the remaining year. Based on the above, the historical utilisation rate has been at around 70% to 75% level despite the fact that business in 2008 and 2009 had been adversely affected by the global economic downturn. The Company is of the view that with the continued recovery of the global markets and demand for the Group's products, it is reasonable to have a buffer to the Proposed Annual Caps in anticipation of higher sales in the coming three years.

The Directors (excluding independent non-executive Directors who will express their view after receiving advice from the independent financial adviser) are of the view that the Proposed Annual Caps are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

REASONS AND BENEFITS FOR THE NEW SUB-CONTRACTING AGREEMENT

Since the listing of the Company in October 2006, the Group has been continuously obtaining certifications from those customers placing the Migrated Orders of whom the Group was yet to become an approved vendor. As of the date of this announcement, the Group is in the process of obtaining certifications from new customers and certain existing customers who are yet to certify the Group as an approved vendor. Since HannStar Taiwan was an approved vendor of those customers, the Company considered that it would be in the interest of the Company and its Shareholders to continue the sub-contracting arrangement with HannStar Taiwan in order to retain the orders from those customers. The Company considered that the arrangement under the New Sub-contracting Agreement is important for the Group to retain these customers pending the certification having been obtained by the Group.

Furthermore, in view of the increasing customers demand and the utilisation rate of the Group's production capacity which may fluctuate on a seasonal basis due to the seasonality of the PCB industry, the renewal of the sub-contracting arrangement with HannStar Taiwan will afford the Group with more flexibility in planning its production schedules and also allow the Group to capture and/or retain purchase orders which the Group would otherwise fail to meet in the event of insufficient production capacity. Given that the Group will enter into such sub-contracting arrangement only when its production capacity is insufficient, the Company considered that it would be more efficient to engage HannStar Taiwan to process these orders in these circumstances.

On the basis of the foregoing, the Directors (excluding independent non-executive Directors who will express their view after receiving advice from the independent financial adviser) are of the view that the New Sub-contracting Agreement and the transaction contemplated thereunder are on normal commercial terms and in the ordinary and usual course of business of the Company and that the terms of the New Sub-contracting Agreement and the Proposed Annual Caps set out above are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

HannStar Taiwan is the controlling shareholder of the Company holding approximately 74.99% of the issued share capital of the Company as at the date of this announcement. HannStar Taiwan is therefore a connected person of the Company. The transactions under the New Sub-contracting Agreement will accordingly constitute continuing connected transactions for the Company. As the applicable percentage ratios in respect of the Proposed Annual Caps calculated on an annual basis exceed 5%, the transactions under the New Sub-contracting Agreement will constitute non-exempt continuing connected transactions under Rule 14A.35 of the Listing Rules and thus will be subject to reporting, announcement and Independent Shareholders' approval requirements under Rules 14A.45 to 14A.47 and 14A.48 of the Listing Rules.

INFORMATION OF THE GROUP

The Group is one of the leading manufacturers of PCBs for the notebook computer industry worldwide. The Group produces a wide range of double-sided PCBs and multi-layer PCBs of up to 12 layers, which are principally used in notebook computers. The Group also supplies PCBs for the consumer electronics and communication industries for the use in game consoles, set-top boxes, servers and mobile phones.

INFORMATION OF HANNSTAR TAIWAN

HannStar Taiwan was incorporated as a limited liability company in Taiwan on 22 March 1989. It is currently listed on the Taiwan Stock Exchange. The principal business of HannStar Taiwan has been the production and sale of PCBs since its establishment. At present, HannStar Taiwan has two PCB production plants in Taiwan with an aggregate monthly production capacity of 350,000 sq.ft. of PCBs. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, HannStar Taiwan is owned as to approximately 20% by Walsin Technology and its associate, as to approximately 29.85% by Walsin Lihwa and its wholly owned subsidiary, as to approximately 4.49% by Mr. Chiao and his relatives, as to approximately 0.02% by Mr. Lai, as to approximately 0.02% by Mr. Shu, as to approximately 0.06% by Mr. Yeh and as to approximately 0.02% by Mr. Zhong.

EGM

An independent committee of the Board will be established to consider the terms of the New Sub-contracting Agreement and the Proposed Annual Caps. An independent financial adviser will be appointed to advise the independent committee of the Board and the Independent Shareholders regarding the New Sub-contracting Agreement and the Proposed Annual Caps.

An EGM will be convened at which an ordinary resolution will be proposed to consider and, if thought fit, approve the New Sub-contracting Agreement and the Proposed Annual Caps. The Company will seek the approval of the Independent Shareholders on the New Sub-contracting Agreement and the Proposed Annual Caps at the EGM. HannStar Taiwan, which is interested in 987,050,000 shares of the Company, representing approximately 74.99% in the issued share capital of the Company as at the date of this announcement, will abstain from voting in the EGM. It is expected that the Company will dispatch the circular containing, among others, further information on the New Sub-contracting Agreement and the Proposed Annual Caps, the advice of the independent financial adviser to the independent committee of the Board and Independent Shareholders and the recommendation of the independent committee of the Board to the Independent Shareholders in connection therewith, and the notice of the EGM, to the Shareholders on or before 1 November 2010.

DEFINITIONS

“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	HannStar Board International Holdings Limited (瀚宇博德國際控股有限公司), a company listed on the main board of the Stock Exchange
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“EGM”	extraordinary general meeting to be convened by the Company
“Existing Sub-contracting Agreement”	the existing framework sub-contracting agreement entered into between the Company and HannStar Taiwan on 23 November 2007
“Group”	the Company and its subsidiaries from time to time
“HannStar Taiwan”	HannStar Board Corporation (瀚宇博德股份有限公司), a company incorporated in Taiwan with limited liability on 22 March 1989 and whose shares are listed on Taiwan Stock Exchange. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, as at the date of this announcement, HannStar Taiwan is owned as to approximately 20% by Walsin Technology and its associate, as to approximately 29.85% by Walsin Lihwa and its wholly owned subsidiary, as to approximately 4.49% by Mr. Chiao and his relatives, as to approximately 0.02% by Mr. Lai, as to approximately 0.02% by Mr. Shu, as to approximately 0.06% by Mr. Yeh and as to approximately 0.02% by Mr. Zhong
“Independent Shareholders”	Shareholders other than HannStar Taiwan and its associates
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Migrated Orders”	the purchase orders placed by HannStar Taiwan’s customers involving delivery of products outside Taiwan and migrated to the Group subject to the terms of the deed of non-competition dated 22 September 2006 between HannStar Taiwan and the Company

“Mr. Chiao”	Mr. Chiao Yu-heng (焦佑衡先生), a director of HannStar Board (SAMOA) Holdings Corp., HannStar Board Precision (SAMOA) Holdings Corp., Walsin Board Corporation, HannStar Board Holdings (Hong Kong) Limited, HannStar Board International (Singapore) Private Ltd., HannStar Board Technology (Jiangyin) Corp. and HannStar Precision Technology (Jiangyin) Corporation, which are wholly owned subsidiaries of the Company. Mr Chiao was also a non-executive Director of the Company prior to 30 September 2010. Mr Chiao is therefore a connected person of the Company
“Mr. Lai”	Mr. Lai Wei-chen (賴偉珍先生), a director of HannStar Board (SAMOA) Holdings Corp. and Walsin Board Corporation which are wholly owned subsidiaries of the Company. Mr. Lai is therefore a connected person of the Company at subsidiary level
“Mr. Shu”	Mr. Norman Shu (束耀先先生), a director of HannStar Board Precision (SAMOA) Holdings Corp., HannStar Board International (Singapore) Private Ltd., HannStar Board Technology (Jiangyin) Corp. and HannStar Precision Technology (Jiangyin) Corporation, which are wholly owned subsidiaries of the Company. Mr. Shu is therefore a connected person of the Company at subsidiary level
“Mr. Yeh”	Mr. Yeh Shin-jiin (葉新錦先生), an executive Director of the Company and a director of HannStar Board Technology (Jiangyin) Corp. and HannStar Precision Technology (Jiangyin) Corporation, which are wholly owned subsidiaries of the Company. Mr. Yeh is therefore a connected person of the Company
“Mr. Zhong”	Mr. Zhong Qiang (鍾強先生), a director of HannStar Precision Technology (Jiangyin) Corporation which is a wholly owned subsidiary of the Company. Mr. Zhong is therefore a connected person of the Company at subsidiary level
“New Sub-contracting Agreement”	the framework sub-contracting agreement entered into between the Company and HannStar Taiwan on 8 October 2010
“PCB”	printed circuit board, the board that the electronics is mounted on, usually made from a copper-coated insulator that has the circuit chemically etched onto one or both sides. The board is then drilled and the components are fitted into the holes and then soldered to the remaining copper
“Proposed Annual Caps”	the proposed annual caps in respect of the transactions under the New Sub-contracting Agreement for each of the three years ending 31 December 2013
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Taiwan Stock Exchange”	the Taiwan Stock Exchange Corporation
“Walsin Lihwa”	Walsin Lihwa Corporation (華新麗華股份有限公司), a company incorporated in Taiwan with limited liability on 2 December 1966, the shares of which are listed on the Taiwan Stock Exchange and to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiry, as at the date of this announcement, Walsin Lihwa is owned as to approximately 11.45% by Mr. Chiao and his relatives
“Walsin Technology”	Walsin Technology Corporation (華新科技股份有限公司), a company incorporated in Taiwan with limited liability on 29 July 1970, the shares of which are listed on the Taiwan Stock Exchange and to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiry, as at the date of this announcement, Walsin Technology is owned as to approximately 21.92% by Walsin Lihwa and its wholly owned subsidiary, as to approximately 1.97% by Mr. Chiao and his relatives and as to approximately 2.63% by HannStar Taiwan
“%”	per cent.

By order of the Board
HannStar Board International Holdings Limited
瀚宇博德國際控股有限公司
Chang Chia-ning
Chairman

Hong Kong, 11 October 2010

As at the date of this announcement, the Board of the Company comprises Mr. Yeh Shin-jiin as the executive Director, Mr. Chang Chia-ning and Ms. Cao Jianhua as non-executive Directors and Mr. Chao Yuan-san, Ms. Chen Shun Zu, Deborah, Mr. Yeh Yu-an, Ms. Chang Pi-lan and Mr. Yen Chin-chang as independent non-executive Directors.