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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

The board of directors (the "Board") of HannStar Board International Holdings Limited 瀚宇博德國際控股有限公司 (the "Company") is pleased to announce the annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2010.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2010

		Year ended 31 December	
	NOTES	**2010**	2009
		US$'000	*US$'000*
Revenue	3	**677,445**	569,125
Cost of sales		**(626,800)**	(486,181)
Gross profit		**50,645**	82,944
Other income		**22,939**	12,777
Other gains and losses		**213**	1,189
Distribution and selling expenses		**(15,145)**	(12,966)
Administrative expenses		**(23,383)**	(15,752)
Finance costs		**(3,559)**	(4,644)
Profit before tax		**31,710**	63,548
Income tax expense	4	**(6,769)**	(2,198)
Profit for the year	5	**24,941**	61,350
Other comprehensive income			
Exchange differences arising on translation to presentation currency		**13,208**	92
Reclassification adjustments for the cumulative gain included in profit or loss upon disposal of available-for-sale investments		**(716)**	-
Fair value adjustment on available-for-sale investments		**(554)**	1,270
Other comprehensive income for the year		**11,938**	1,362
Total comprehensive income for the year		**36,879**	62,712
Earnings per share US$ - basic	6	**0.019**	0.047

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2010

	NOTES	At 31 December 2010 US$'000	2009 US$'000 (restated)
NON-CURRENT ASSETS			
Property, plant and equipment		**392,086**	329,183
Prepaid lease payments		**5,556**	5,516
Available-for-sale investments		**-**	3,436
		397,642	338,135
CURRENT ASSETS			
Inventories		**55,438**	56,736
Trade and other receivables	8	**250,229**	238,574
Prepaid lease payments		**131**	126
Amount due from ultimate holding company		**-**	1,422
Derivative financial instruments		**1,273**	-
Pledged bank deposits		**-**	1,147
Bank balances and cash		**169,756**	95,664
		476,827	393,669
CURRENT LIABILITIES			
Trade and other payables	9	**181,463**	143,509
Amount due to ultimate holding company		**1,969**	-
Derivative financial instruments		**243**	549
Tax liabilities		**2,329**	3,217
Bank borrowings - due within one year		**106,058**	112,751
		292,062	260,026
NET CURRENT ASSETS		**184,765**	133,643
TOTAL ASSETS LESS CURRENT LIABILITIES		**582,407**	471,778
NON-CURRENT LIABILITY			
Bank borrowings - due after one year		**212,087**	129,040
		370,320	342,738
CAPITAL AND RESERVES			
Share capital		**16,925**	16,925
Reserves		**353,395**	325,813
		370,320	342,738

Notes:

1. GENERAL

The consolidated financial statements are presented in United States dollars ("USD" or "US$") while the functional currency of the Company is Renminbi ("RMB"). The directors selected USD as the presentation currency because most of the shareholders of the Company are located outside the People's Republic of China (the "PRC") and USD was considered to be more useful to the shareholders.

2. APPLICATIONS OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised standards, amendments to standards and interpretations ("new and revised HKFRSs") issued by the HKICPA.

HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (as revised in 2008)	Business Combinations
HKAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HK(IFRIC) - Int 17	Distributions of Non-cash Assets to Owners
HK(IFRIC) – Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a repayment on Demand Clause

Except for described below, the application of the new and revised standards and interpretations in the current year has had no material effect on the consolidated financial statements of the Group.

Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ("HK Int 5") clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time ("repayment on demand clause") should be classified by the borrower as current liabilities. The Group has applied HK Int 5 for the first time in the current year. Hong Kong Interpretation 5 requires retrospective application.

In order to comply with the requirements set out in HK Int 5, the Group has changed its accounting policy on classification of term loans with a repayment on demand clause. In the past, the classification of such term loans were determined based on the agreed scheduled repayment dates set out in the loan agreements. Under HK Int 5, term loans with a repayment on demand clause are classified as current liabilities.

As a result, bank loans that contain a repayment on demand clause with the aggregate carrying amounts of US$10,000,000 have been reclassified from non-current liabilities to current liabilities as at 31 December 2009. No such clause was noted for bank loans of the Group as at 1 January 2009. As at 31 December 2010, bank loans (that are repayable more than one year after the end of the reporting period but contain a repayment on demand clause) with the aggregate carrying amount of US$25,000,000 have been classified as current liabilities. The application of HK Int 5 has had no impact on the reported profit or loss for the current and prior years.

Summary of the effects of the above change in accounting policy

The effects of the above changes in accounting policies on financial positions of the Group as at 31 December 2009 is as follows:

	As at 31.12.2009 (originally stated)	Adjustments	As at 31.12.2009 (restated)
	US$'000	*US$'000*	*US$'000*
Borrowings - current	102,751	10,000	112,751
Borrowings – non-current	139,040	(10,000)	129,040
	241,791	-	241,791

The above changes in accounting policies have no impact on the financial position of the Group as at 1 January 2009 because the Group's facilities on that date did not include any repayment on demand clause. As such, the consolidated statement of financial position as at 1 January 2009 is not presented.

The Group has not early applied the following new and revised standards and interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[1]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[3]
HKFRS 9	Financial Instruments[4]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
HKAS 24 (as revised in 2009)	Related Party Disclosures[6]
HKAS 32 (Amendments)	Classification of Rights Issues[7]
HK(IFRIC) - Int 14 (Amendments)	Prepayments of a Minimum Funding Requirements[6]
HK(IFRIC) - Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

[1] Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate
[2] Effective for annual periods beginning on or after 1 July 2010
[3] Effective for annual periods beginning on or after 1 January 2011
[4] Effective for annual periods beginning on or after 1 January 2013
[5] Effective for annual periods beginning on or after 1 January 2012
[6] Effective for annual periods beginning on or after 1 January 2011
[7] Effective for annual periods beginning on or after 1 February 2010

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. Based on the Group's financial assets and financial liabilities as at 31 December 2010, the directors anticipate that the application of HKFRS 9 will have no material impact on the consolidated financial statements.

The directors anticipate that the application of the other new and revised standards or interpretations will have no material impact on the consolidated financial statements.

3. REVENUE AND GEOGRAPHICAL SEGMENT INFORMATION

Revenue represents the fair value of the consideration received and receivable for goods sold in the normal course of business, net of discount and sales related taxes for the year.

For the purpose of resources allocation and performance assessment, the Group's board of directors reviews operating results and financial information on a plant by plant basis. It focuses on the operating result of each of the plants ("Plant 1", "Plant 2", "Plant 3" and "Plant 4") operated under HannStar Board Technology (Jiangyin) Corp. 瀚宇博德科技（江陰）有限公司 ("HannStar Jiangyin") and the plant operated under HannStar Precision Technology (Jiangyin) Corporation 瀚宇精密科技（江陰）有限公司 ("HannStar Precision"), both of each are subsidiaries of the Company. Accordingly, each of the plants constitutes an operating segment of the Group. As each plant shares similar economic characteristics, produces similar products by using similar production process and all of products produced are distributed and sold to same level of customers through a central sales function, the Group's operating segments are aggregated into a single reportable segment and accordingly no separate segment information is prepared other than entity-wide disclosures.

Segment revenues and results

The revenues, operating results and financial information on a plant by plant basis presented to the board of directors is consistent with the consolidated statement of comprehensive income, except for information related to other comprehensive income.

The board of directors considers the profit for the year as the measurement of the segment’s results.

Entity-wide disclosures

As at both of 31 December 2009 and 2010, substantially all of the Group’s non-current assets are located in the place of domicile of the relevant group entities, namely the PRC, and substantially all of the Group’s revenue generated from manufacturing and sales of printed circuit board (“PCB”).

The following is an analysis of the Group’s revenue by places of domicile, which represents the place of major operation, and other places for the year:

	2010	2009
	US$’000	*US$’000*
Place of domicile of relevant group entities		
- The PRC	**456,886**	422,323
Other places		
- The United States of America (the “USA”)	**43,064**	27,974
- Others	**177,495**	118,828
	677,445	569,125

Each of the two (2009: three) largest customers of the Group contributes more than 10% of the Group’s revenue for the current year. Revenue of approximately US$174,129,000 and US$113,307,000 are attributed to these two customers, respectively, for the year ended 31 December 2010 (2009: approximately US$115,640,000, US$62,494,000 and US$57,407,000, respectively).

4. INCOME TAX EXPENSE

	2010	2009
	US$’000	*US$’000*
Tax charge represents:		
PRC Enterprise Income Tax ("EIT")	**6,890**	6,811
Overprovision of EIT in prior years	**(121)**	(4,613)
	6,769	2,198

No provision for Hong Kong Profits Tax has been made as the Group's income neither arose in, nor derived from Hong Kong.

Pursuant to the relevant laws and regulations in the PRC, HannStar Jiangyin and HannStar Precision, subsidiaries of the Company, are entitled to exemptions from the EIT for two years commencing from its first profit-making year, and thereafter, entitled to a 50% relief from EIT for the next three years ("Tax Exemptions").

Under the Law of the People’s Republic of China on Enterprise Income Tax ("the EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards. The relevant tax rates for the Group's subsidiaries in the PRC range from 11% to 22% (2009: 0% to 20%).

In accordance with the Investment Catalogue as approved by the State Council, each newly invested project in a Foreign Investment Enterprise can be assessed independently and are also entitled to the Tax Exemptions. Accordingly, upon approval from the relevant Tax Bureau, each of the plants of HannStar Jiangyin (“Plant 1, Plant 2, Plant 3 and Plant 4”) and HannStar Precision could be subject to independent assessment. Plant 1, Plant 2, Plant 3 and Plant 4 and HannStar Precision have been approved by the relevant Tax Bureau and treated as a separate invested project for tax purposes.

The first profit making year of Plant 1 was the year ended 31 December 2003. Accordingly, Plant 1 is exempted from EIT for the two years ended 31 December 2004, and is subject to a 50% relief from EIT for the three years ended 31 December 2007. After the end of Tax Exemptions, the EIT rate applicable to Plant 1 is 18%, 20%, 22%, 24% and 25% thereafter from the year ended 31 December 2008.

The first profit making year of Plant 2 was the year ended 31 December 2004. Accordingly, Plant 2 is exempted from the EIT for the two years ended 31 December 2005 and is subject to a 50% relief from EIT for the three years ended 31 December 2008. After the end of Tax Exemptions, the EIT rate applicable to Plant 2 will be 20%, 22%, 24% and 25% thereafter from the year ended 31 December 2009.

The first profit making year of Plant 3 was the year ended 31 December 2006. Accordingly, Plant 3 is exempted from EIT for the two years ended 31 December 2007. Applying this 50% relief, the EIT rate applicable to Plant 3 is 9%, 10% and 11% for the three years ending 31 December 2010. After the end of Tax Exemptions, the EIT rate applicable to Plant 3 will be 24% and 25% thereafter from the year ending 31 December 2011.

The approval for Tax Exemptions effective from 1 January 2008 has been obtained for Plant 4 during 2009 and the first profit making year of Plant 4 was the year ended 31 December 2008. Accordingly, Plant 4 is exempted from the EIT for the two years ended 31 December 2009, and it is subject to a 50% relief from EIT for the three years ending 31 December 2012. Applying this 50% relief, the EIT rate applicable to Plant 4 is 11%,12% and 12.5% for the three years ending 31 December 2012. After the end of Tax Exemptions, the EIT rate applicable to Plant 4 will be 25 % thereafter from the year ending 31 December 2013.

As HannStar Precision is still under the Tax Exemptions and the first profit making year is 31 December 2008, no provision for EIT has been provided for the two years ended 31 December 2009 and it is subject to a 50% relief from EIT for the three years ending 31 December 2012. Applying the 50% relief from EIT, the applicable rate to HannStar Precision will be 12.5% for the three years ending 31 December 2012 and 25% thereafter.

The tax charge for the year can be reconciled to the profit before tax as follows:

	2010 *US$'000*	2009 *US$'000*
Profit before tax	**31,710**	63,548
Tax at the PRC EIT rate of 22% (2009: 20%)	**6,976**	12,709
Tax effect of expenses not deductible for tax purposes	**1,085**	1,122
Tax effect of income not taxable for tax purposes	**(461)**	(78)
Tax effect of deductible temporary differences not recognized	**786**	58
Overprovision in respect of prior years	**(121)**	(4,613)
Tax effect of tax losses not recognised	121	1
Effect of Tax Exemptions granted to PRC subsidiaries	**(1,617)**	(7,001)
Tax charge for the year	**6,769**	2,198

During the reporting period ended 31 December 2009, approval for Tax Exemptions has been obtained for Plant 4. Overprovision of EIT amounted to US$4,613,000 for the year ended 31 December 2008 has been reversed.

At the end of the reporting period, the Group has unused tax losses of approximately US$3,379,000 (2009: US$2,828,000) available for offset against future profits and a written down of inventories accumulated approximately US$9,786,000 (2009: US$6,212,000). No deferred tax asset has been recognised in respect of the unused tax losses and the written down of inventories due to the unpredictability future profit streams.

Under the New Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards amounted to approximately US$145,570,000 (2009: US$120,716,000). Deferred taxation has not been provided for in respect of temporary differences attributable to retained profits of the PRC subsidiaries as the Group is able to control the timing difference of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

5. PROFIT FOR THE YEAR

	2010 *US$'000*	2009 *US$'000*
Profit for the year has been arrived at after charging:		
Directors' emoluments	**186**	168
Other staff costs	**47,117**	36,407
Retirement benefit scheme contributions, excluding directors	**4,851**	3,892
Total staff costs	**52,154**	40,467
Auditor's remuneration	**148**	137
Cost of inventories recognised as an expense (note)	**626,800**	486,181
Depreciation for property, plant and equipment	**54,836**	54,062
(Reversal of) impairment loss on trade receivables	**(800)**	784
Release of prepaid lease payments	**131**	126
and after crediting:		
Bank interest income	**2,922**	2,850
Sale of scrap materials net of related expense (included in other income)	**17,683**	8,828

Note:

During the reporting period ended 31 December 2010, there was some inventories stated higher than the net realizable value. As a result, a written down of inventories of approximately US$3,574,000 (2009: US$288,000) has been recognized.

6. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	2010	2009
	US$'000	*US$'000*
Earnings for the purposes of basic earnings per share	**24,941**	61,350

	2010	2009
Weighted average number of ordinary shares for the purposes of basic earnings per share	**1,316,250,000**	1,316,250,000

No diluted earnings per share has been presented because the Company has no potential dilutive shares for both years.

7. DIVIDENDS

	2010	2009
	US$'000	*US$'000*
Dividends recognised as distribution during the year		
Final – HK5.5 cents per share in respect of the financial year ended 31 December 2009 (2009: HK4.5 cents per share in respect of the financial year ended 31 December 2008)	**9,297**	7,642

A final dividend of HK2.2 cents (2009: HK5.5 cents) per share in respect of the financial year ended 31 December 2010 has been proposed by the directors and is subject to approval by the shareholders at the forthcoming annual general meeting.

8. TRADE AND OTHER RECEIVABLES

	2010	2009
	US$'000	*US$'000*
Trade receivables	**232,437**	224,051
Less: Allowance for doubtful debts	**(1,524)**	(2,324)
	230,913	221,727

The Group allows a credit period from 90 days to 150 days to its trade customers.

The following is an aged analysis of trade receivables at the end of the reporting period:

	2010	2009
	US$'000	*US$'000*
Trade receivables:		
0 - 30 days	**44,564**	51,563
31 - 60 days	**60,907**	50,011
61 - 90 days	**53,450**	42,799
91 - 120 days	**47,087**	44,907
121 - 180 days	**24,830**	32,408
181 - 365 days	**75**	39
	230,913	221,727
Other receivables:		
Prepayments for utility	**3,990**	4,568
Prepayment for maintenance	**1,718**	917
Deposits paid	**1,267**	3,004
Value added tax recoverable	**10,460**	6,629
Others	**1,881**	1,729
	19,316	16,847
	250,229	238,574

Movement in the allowance for doubtful debts

	2010	2009
	US$'000	*US$'000*
Balance at beginning of the year	**2,324**	1,540
(Reversal of) impairment losses recognised on receivables	**(800)**	784
Balance at end of the year	**1,524**	2,324

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of reporting period. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of US$1,524,000 (2009: US$2,324,000). The Group does not hold any collateral over these balances.

9. TRADE AND OTHER PAYABLES

The aged analysis of the Group's trade payables at the end of reporting period are as follows:

	2010	2009
	US$'000	*US$'000*
Trade payables:		
0 - 30 days	**70,231**	58,259
31 - 60 days	**35,353**	28,870
61 - 90 days	**11,366**	13,842
91 - 180 days	**12,150**	14,845
181 - 365 days	**1,404**	515
Over 365 days	**1,662**	1,941
	132,166	118,272
Other payables:		
Accruals	**24,428**	19,891
Amounts payable for purchase of property, plant and equipment	**24,869**	5,346
	49,297	25,237
	181,463	143,509

The average credit period on purchases of goods is 150 days (2009: 150 days). The Group has financial risk management policies in place to ensure that all payables are within the credit timeframe.

Included in the Group's trade and other payables are balances with aggregated amounts of approximately US$70,886,000 (2009: US$61,589,000) denominated in USD which is other than the functional currency of the respective group entities.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

HannStar Board is a competitive and professional PCB fabrication and service enterprise, a major global PCB provider to the notebook and electronics industry. In year 2010, the shipments of notebook PCB by the Group is over 40% of the global market share, which is in the leading position of notebook PCB field.

FINANCIAL REVIEW

Performance Review

For the year ended 31 December 2010, the Group generated turnover of approximately US$677 million (2009: US$569 million), representing an increase of 19% in revenue as compared with the year 2009. The low sales volume in first quarter was brought about by the financial crisis which dragged the annual sales down and the status was improved from the middle of the year. Currently, the sale of notebook PCB application and other PCB applications account for around 75% and 25% of the revenue respectively.

Total gross profit was US$51 million in 2010, a decrease of 39% from US$83 million in 2009 due to a huge rise in manufacturing costs, especially materials costs and labour costs as a result of the basic wage adjustment in the PRC during the year.

Net profit of the Group decreased by US$36 million to US$25 million for the year ended 31 December 2010 compared to US$61 million last year, representing a 59% decrease in operational results after combination of the rise in manufacturing cost, administrative expenses and income taxes rate in the year.

Financial Position

By the year end of 2010, the debt ratio was 58%, up 5% from 53% of year 2009; the current ratio was up 12% to 163% from 151% of year 2009; and the gearing ratio (calculated as bank borrowings divided by total assets) was up 3% to 36% from 33% of year 2009.

Liquidity, Financial Resources and Capital Structure

The Group normally finances its operations with internally generated cash flow and banking facilities provided by its principal bankers in Hong Kong, Taiwan and the PRC. The Group's cash and bank balances and time deposits amounted to US$170 million (2009: US$96 million) as at 31 December 2010. The Group's bank loans were US$318 million (2009: US$242 million) of which US$106 million is due within one year while all borrowings should be repaid within 5 years. To maximize the return of our assets, we monitor cash management seriously and negotiate with the banks for favorable interest rates. The Group is dedicated to maintaining a healthy financial position and improving the equity return to its shareholders.

Total non-current assets of the Group increased to approximately US$398 million (2009: US$338 million) as at 31 December 2010, mainly owing to the capital expenditure for constructing the Plant 6 in Jiangyin, Jiangsu Province, China.

Our working capital requirements depend upon our effective management of the cash conversion cycle. The Group always monitors closely the number of days that elapse from the day we pay for the purchase of raw materials to the collection of cash from our customers.

The Group keeps a moderate level of inventory. At the end of 2010, the inventory amount was US$55 million, a slight decrease from US$57 million in 2009. The average inventory turnover period was 33 days, decreased by 1 day compared with 34 days of 2009.

The accounts receivable amounted to US$231 million as at 31 December 2010 (2009: US$222 million). The average accounts receivable credit period was 122 days, a decrease of 10 days compared with 132 days of 2009.

The accounts payable amounted to US$132 million as at 31 December 2010 (2009: US$118 million). The average accounts payable credit period was 73 days, a decrease of 6 days from 79 days of 2009.

According to the periods calculated above, the average cash conversion cycle was 82 days compared with 87 days of 2009, a decrease of 5 days. The decrease in the average conversion cycle days was due to the earlier collection from our clients and the reduction of inventory at the end of 2010.

As at 31 December 2010, the total shareholders' equity of the Group was approximately US$370 million, an increase of 8% as compared with the last year.

Exposure to fluctuations in exchange rates

The Group's core operation facilities including HannStar Jiangyin and HannStar Precision, are located in mainland China. These subsidiaries adopt Renminbi ("RMB") as its functional currency while most of the operations were settled in USD. The bank borrowings are also mainly dominated in USD. The Group monitors the foreign exchange policy closely to avoid the exchange risk. As a result, the Group has entered into necessary foreign exchange contracts, currency swaps or other financial derivatives to mitigate possible risk derived from fluctuations in exchange rates. During the year, the Group recorded a net foreign exchange loss US$2 million for the reason of the appreciation of the RMB and a gain from changes in fair value of financial assets US$2 million

EMPLOYEE AND REMUNERATION

The Group's employees are remunerated in line with the prevailing market terms and individual performance, with the remuneration package and policies reviewed on a regular basis. Discretionary bonuses may be rewarded to employees after assessment of the performance of the Group and the individual employee. The Group also provides other benefits such as medical insurance and training to keep a steady work-force. As at 31 December 2010, the Group had a work-force of over 10,000 based in the PRC, Taiwan and Singapore. During the year, the relevant employee costs (including directors' remuneration) were approximately US$52.2 million (2009: US$40.5 million).

During the year, no option has been granted or agreed to be granted to any person under the share option scheme adopted by the Company on 21 September 2006.

EVENT AFTER THE REPORTING PERIOD

On 20 February 2011, there was a fire in Plant 4, the cause of the incident is under investigation. The Company preliminarily estimates that the loss and disruption caused by the fire to the Group would have no material adverse effect to its financial position. The Group has taken up fire insurance policy for Plant 4 and the loss is expected to be covered by the insurance policy. The Group will make its best endeavors to avoid and minimise the damages and losses caused by the incident.

BUSINESS REVIEW AND OUTLOOK

The outlook of the global economy and level of confidence are increasing as of the date of this report whilst the worldwide economy is anticipated to be in a better shape. Looking ahead, we see opportunities as well as challenges in the market as we expected the continuing appreciation of the RMB, inflation in the PRC , cost increase caused by the continuous rise in prices of international commodities and another financial crisis in European countries. The management will endeavour to overcome the challenges and improve every aspect of our operation in the coming year. The Group will continue to implement cost control measures to improve its overall operational efficiency, and will also seize expansion opportunities to improve its profitability.

The Group intends to cement internal management, strengthen operating efficiency, develop new products and control production costs. Efforts will be made to diversify product application range and expand customer base, with an aim to expand sales revenue. To achieve this goal, the Group will engage more actively in marketing and promotional activities, and provide collaboration partners with more products in a variety of applications.

In addition, in order to reduce the production cost, especially in raw materials, the Group seeks more alternative qualified suppliers to seize competitive purchasing price. The Group will keep a more serious sourcing policy and conduct its operation in multiple channels in a move to improve its performance by reducing production cost and increasing profitability.

In year 2011, the Group will devote more resources to fabrication of high value-added products, especially in high density interconnect ("HDI") process. Based on this, our competitive advantage will continue, and more reasonable return will be driven soon.

With the strong determination of the management, we are confident that with the successful execution of its strategic priorities, HannStar Board will continue to be a competitive and professional PCB fabrication and service company.

PROPOSED FINAL DIVIDEND

The Directors recommended the payment of a final dividend of HK2.2 cents per share for the year ended 31 December 2010, subject to the approval of the shareholders at the forthcoming annual general meeting. Upon approval of the shareholders, the proposed final dividend will be paid on 16 June 2011 to the shareholders of the Company whose name appeared on the Company's register of members as at 20 May 2011.

PURCHASE, SALE OR REDEMPTION OF COMPANY'S SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board of Directors hereby confirms that the Company has complied with the Code on Corporate Governance Practices specified in Appendix 14 to the Listing Rules throughout the year except Code Provision E.1.2 which requires the chairman of the board to attend the annual general meeting. Mr. Chiao Yu-heng, the former chairman of the board, was absent from the 2010 annual general meeting of the Company because of an unanticipated business commitment.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2010 as set out in this preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this preliminary announcement.

REVIEW BY THE AUDIT COMMITTEE

The financial results for the year ended 31 December 2010 have been reviewed by the audit committee of the Company.

On the date of this announcement, the audit committee consists of five independent non-executive directors, including Mr. Chao Yuan-san (Committee Chairman), Ms. Chen Shun Zu Deborah, Mr. Yeh Yu-an, Ms. Chang Pi-lan and Mr. Yen Chin-chang.

RE-ELECTION OF RETIRING DIRECTORS

Pursuant to the Company's articles of association, Mr. Yeh Shin-jiin, Mr. Yeh Yu-an and Ms. Chen Shun Zu Deborah shall retire as Directors at the forthcoming 2011 annual general meeting of the Company (the "2011 AGM"). All retiring Directors, being eligible, offer themselves for re-election at the 2011 AGM. The Board also recommended the re-appointment of the Directors standing for re-election at the 2011 AGM.

Biographical details of the above retiring Directors proposed for re-election will be disclosed in the circular to be sent to the shareholders in respect of the proposals for granting of general mandates to Directors to repurchase shares and to issue shares as well as re-election of retiring Directors (the "Circular").

2011 ANNUAL GENERAL MEETING

The 2011 AGM will be held at Empire Room 1, 1/F., Empire Hotel Hong Kong Wan Chai, 33 Hennessy Road, Wan Chai, Hong Kong on Friday, 20 May 2011 to transact the ordinary businesses of the Company including, in addition to the proposals mentioned in the above paragraph, the adoption of the audited consolidated financial statements of the Group and the reports of the Directors and auditors for the year ended 31 December 2010, the declaration of final dividend, the authorization of the Board of Directors to fix the Directors' remuneration as well as the re-appointment of Messrs. Deloitte Touche Tohmatsu as auditors and authorizing the Board of Directors to fix their remuneration. Notice for convening the 2011 AGM will be included in the Circular and dispatched to the shareholders of the Company as soon as practicable.

CLOSURE OF REGISTER OF MEMBERS

The Company's register of members will be closed from Tuesday, 17 May 2011 to Friday, 20 May 2011 both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the entitlement to the proposed final dividend and to attend and vote at the 2011 AGM, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's share registrars in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 16 May 2011.

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

17 March 2011

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