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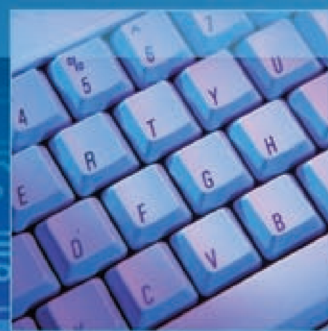
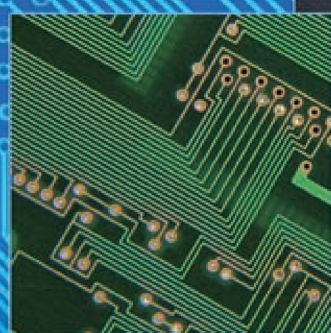
HannStar Board International Holdings Limited

瀚宇博德國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 00667





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ANNUAL REPORT

Contents

Corporate Information

DIRECTORS

Executive Director

Mr. Yeh Shin-jiin (葉新錦)
(Chief Executive Officer)

Non-executive Directors

Mr. Chang Chia-ning (張家寧) *(Chairman)*
Ms. Cao Jianhua (曹建華)

Independent Non-executive Directors

Mr. Chao Yuan-san (趙元山)
Ms. Chen Shun Zu Deborah (陳淳如)
Mr. Yeh Yu-an (葉育恩)
Ms. Chang Pi-lan (張碧蘭)
Mr. Yen Chin-chang (嚴金章)

AUDIT COMMITTEE

Mr. Chao Yuan-san (趙元山) *(Chairman)*
Ms. Chen Shun Zu Deborah (陳淳如)
Mr. Yeh Yu-an (葉育恩)
Ms. Chang Pi-lan (張碧蘭)
Mr. Yen Chin-chang (嚴金章)

REMUNERATION COMMITTEE

Mr. Chang Chia-ning (張家寧) *(Chairman)*
Mr. Chao Yuan-san (趙元山)
Ms. Chen Shun Zu Deborah (陳淳如)
Mr. Yeh Yu-an (葉育恩)
Ms. Chang Pi-lan (張碧蘭)
Mr. Yen Chin-chang (嚴金章)

COMPANY SECRETARY

Ms. Cheng Pik Yuk (鄭碧玉)

AUTHORISED REPRESENTATIVES

Mr. Yeh Shin-jiin (葉新錦)
Mr. Chang Chia-ning (張家寧)

SHARE LISTING

The Company's shares are listed
on the Main Board of
The Stock Exchange of Hong Kong Limited
under Stock Code No. 00667

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN PEOPLE'S REPUBLIC OF CHINA

No. 97, Chengjiang Dong Road
Jiangyin City
Jiangsu Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Level 28, Three Pacific Place
1 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Far Eastern International Bank
Taishin International Bank
Agricultural Bank of China Jiangyin Sub-branch
Bank of China Limited Jiangyin Sub-branch
Australia and New Zealand Banking Group Limited
Shanghai Branch
The Hongkong and Shanghai Banking Corporation
Limited OBU Branch

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

On behalf of the Board of Directors, I am pleased to present the annual report of HannStar Board International Holdings Limited ("HannStar Board") for the year ended 31 December 2010.

The financial year 2010 remained challenging for HannStar Board although improvement was noted in several key economic indexes during the year. Like most of the manufacturers in the PRC, the Group suffered from inflation pressure which resulted in rise in manufacturing costs, especially material costs and labour costs. To cope with the changing business environment, the Group continued in launching various types of products-applied field to differentiate itself, implementing cost saving measures and improving the production to reduce the increasing production cost. While the Group's consolidated revenue for the year increased by 19% to US$677.4 million (2009: US$ 569.1 million), the profit after tax amounted to US$ 24.9 million, representing a decrease of 59% as compared to that of 2009.

During the year, we recorded substantial growth in sales revenue. The selling performance improved from the second quarter of the year. From the third quarter, the price of major materials increased dramatically, especially raw materials related to copper. Nevertheless, the Company generated US$92.8 million (2009: US$ 81 million) of cash from operating activities in 2010. Through the implementation of Toyota Production System in 2010, we made solid progress on a number of core initiatives, including production and quality improvement.

With the foundation of the new plant in October last year, we continued implementing a long-term strategy to create as the world's leading PCB supplier. HannStar Board gained key share in note-book mainboard PCB market from past years and is continuing to show our efforts in other PCB application segment to diversify revenue base. With the positive feedback, we have successfully entered the field of TV PCB in 2010. Additionally, we are pursuing HDI technology to strengthen our presence in new markets to meet the need of our customers.

Although the outlook of the global economy and level of confidence are increasing, the Group anticipates a very high price of commodity, especially raw materials. It means that margins for most of PCB suppliers are decreasing. In view of this, the Group is likely going to face a fairly challenging operating environment in coming years but our management team will continue to pursue higher operating performance to protect the interests of our shareholders.

I would like to express my heartfelt gratitude for all who contributed to HannStar Board during the year of 2010: our customers, suppliers, financiers, our Board of Directors and our dedicated employees. It takes the support of many for any company to succeed in the long run. We look forward to continuing to work together with all our valued business partners and associates during the year of 2011.

Chang Chia-ning
Chairman

17 March 2011

The Board of Directors ("the Board") of Hannstar Board International Holdings Limited (the "Company") is pleased to present this Corporate Governance Report in the Group's annual report for the year ended 31 December 2010.

The Company recognizes good governance as an essential component of the development of the Company and had, basing on the Principles and Code Provisions as set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"), established the Company's corporate governance practices appropriate to the conduct and growth of its business.

During the year, the Company has fully complied with all the Code Provisions set out in the CG Code except Code Provision E.1.2 which requires the chairman of the board to attend the annual general meetings. 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.

The key corporate governance principles and practices of the Company are summarized as follows:

THE BOARD

Roles and Responsibilities

The Board is responsible for the leadership and control of the Company and promoting the success of the Company.

Principal responsibilities of the Board including:

- to make decision on the Company's mission, objectives and overall strategies as well as to monitor the implementation;
- to appoint directors and senior executives;
- to determine the appropriate internal control and risk management systems;
- to approve annual budgets and control operational and financial performance; and
- to determine the material transactions (in particular those may involve conflict of interests) and other significant financial and operational matters.

The Board has delegated to the senior management the authority and responsibilities for the day-to-day management and operations of the Company and its subsidiaries. In addition, the Board has also established Board committees and has delegated to these Board committees various responsibilities set out in their terms of reference respectively.

All directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable rules and regulations are followed. Each director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

THE BOARD (continued)

Board Composition

The composition of the Board reflects the necessary balance of skills and experience desirable for effective leadership of the Company and independence in decision making.

The Board currently comprises eight members, consisting of one executive director, two non-executive directors and five independent non-executive directors. During the financial year ended 31 December 2010, Mr. Chiao Yu-heng resigned and Mr. Chang Chia-ning was appointed as a non-executive director, the Chairman of the Board and the Chairman of Remuneration Committee of the Company on 30 September 2010. Biographical details of the directors are set out in the "Biographies of Directors and Senior Management" on pages 13 to 15 of this report. None of the members of the Board is related to one another.

The Board has at all times exceeded the requirements of the Listing Rules in respect of the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise.

The Company has met the recommended best practice under the CG Code for the Board to have at least one-third of its members comprising independent non-executive directors.

The Company has received written annual confirmation from each independent non-executive director of his/her independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

Chairman and Chief Executive Officer

The Company fully supports the division of responsibility between the Chairman of the Board and the Chief Executive Officer to ensure a balance of power and authority. Both of Mr. Chiao Yu-heng and Mr. Chang Chia-ning, the former and present Chairmen, were non-executive directors. The position of Chief Executive Officer is held by Mr. Yeh Shin-jiin. The respective responsibilities of the Chairman and the Chief Executive Officer are clearly defined and set out in writing.

The Chairman provides leadership and is responsible for the effective functioning of the Board in accordance with good corporate governance practices. With the support of the senior management, the Chairman is also responsible for ensuring that the directors receive adequate, complete and reliable information in a timely manner and that all key and appropriate issues are discussed by the Board in a timely manner.

The Chief Executive Officer focuses on implementing objectives and strategies approved and delegated by the Board. He is in charge of the Company's day-to-day management and operations.

THE BOARD (continued)

Appointment and Succession Planning of Directors

The procedures and process of appointment, re-election and removal of directors are laid down in the Company's Articles of Association (the "Articles"). The Board as a whole is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of directors, monitoring the appointment and succession planning of directors and assessing the independence of independent non-executive directors.

Each of the directors of the Company is engaged on a service contract for a term of three years until determined by three months' notice in writing (for executive and non-executive directors) and two months notice in writing (for independent non-executive directors) served by either party.

In accordance with the Company's Articles, Mr. Yeh Shin-jiin, Mr Yeh Yu-an and Ms. Chen Shun Zu, Deborah shall retire at the forthcoming 2011 annual general meeting (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.

The Company's circular dated 11 April, 2011 to be sent to the shareholders contains detailed information of the directors standing for re-election.

Induction and Continuing Development for Directors

The Company has conducted corporate governance training to all of the directors. Each newly appointed director receives comprehensive, formal and tailored induction on the first occasion of his/her appointment, so as to ensure that he/she has proper understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

The directors are continually updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities.

Board Meetings

The Company has held seven board meetings, 4 of which were regular meetings, during the year ended 31 December 2010.

Board papers together with all appropriate, complete and reliable information are sent to all directors at least 3 days before the Board meetings to keep the directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each director also have separate and independent access to the senior management whenever necessary.

Draft minutes are normally circulated to directors for comment within a reasonable time after each meeting and the final version is open for directors' inspection. The minutes also record in sufficient detail the matters considered and decisions reached.

According to current Board practice, any material transaction, which involves a conflict of interests for a substantial shareholder or a director, will be considered and dealt with by the Board at a duly convened Board meeting. The Company's Articles also contain provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest.

BOARD COMMITTEES

The Board has established two committees, namely the Remuneration Committee and the Audit Committee, for overseeing particular aspects of the Company's affairs. Both Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are available to shareholders upon request and available on the Company's website.

The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

Remuneration Committee

The Remuneration Committee consists of six members, five of whom are independent non-executive directors and one non-executive director, Mr. Chang Chia-ning, who is the chairman of the Committee.

The primary objectives of the Remuneration Committee include reviewing and making recommendation on the policy and structure of the remuneration for the directors and senior management. The Remuneration Committee is also responsible for establishing formal and transparent procedures for developing such remuneration policy and structure and to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

The Remuneration Committee normally meets towards the end of each year for reviewing the remuneration policy and structure and determination of the annual remuneration packages of the directors and the senior management and other related matters. The Human Resources Department is responsible for collection and administration of the human resources data and making recommendations to the Remuneration Committee for consideration. The Remuneration Committee shall consult the Chairman and/or the Chief Executive Officer of the Company about these recommendations on the remuneration policy and structure and the remuneration packages.

The Remuneration Committee has held one meeting during the year ended 31 December 2010. The following is a summary of the work performed by the Remuneration Committee during the year:

- reviewed and assessed executive director's performance of the year and approved performance-based remuneration offered by the Company with reference to operation objectives;

- recommended a service contract and remuneration package of Mr. Chang Chia-ning who was newly appointed as a non-executive Director on 30 September 2010 to the board of directors for approval;

- reviewed the Group's policy on reimbursement of expenses for directors and senior management.

BOARD COMMITTEES (continued)

Audit Committee

The Audit Committee comprises five independent non-executive directors with Mr. Chao Yuan-san as the chairman. None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

The main duties of the Audit Committee include the following:

(a) To review the financial statements and reports and consider any significant or unusual items raised by the internal auditor or external auditors before submission to the Board.

(b) To review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditors.

(c) To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

The Audit Committee held two meetings during the year ended 31 December 2010 to discuss the financial reporting and compliance procedures system with the external auditors and review the internal control system, and annual financial results for the year ended 31 December 2009 as well as the interim results for the six months ended 30 June 2010.

The Company's annual results for the year ended 31 December 2010 has been reviewed by the Audit Committee. There is no disagreement between the Board and the Audit Committee regarding the selection and appointment of the external auditors.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2010.

The Company has also established written guidelines on no less exacting terms than the Model Code for securities transactions by employees (the "Employees Written Guidelines") who are likely to be in possession of unpublished price-sensitive information of the Company. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements.

The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2010.

The statement of the external auditors of the Company about their reporting responsibilities on the financial statements is set out in "Independent Auditor's Report" on pages 22 to 23 of the Annual Report.

INTERNAL CONTROLS

The Board has overall responsibility for the internal control system of the Company and for reviewing its effectiveness. The Board is also responsible for maintaining an adequate internal control system to safeguard the interests of the shareholders and the assets of the Company.

The Company has developed its systems of internal control including financial, operational and compliance controls and risk management. The internal audit is performed on a quarterly basis. The Audit Committee receives the internal audit report include procedures implemented after the audit. The Audit Committee reports to the Board on any material issues and makes recommendations to the Board based on the work performed by the internal auditor. During the year ended 31 December 2010, the Board has conducted an annual review of the effectiveness of the system of internal control of the Company and its subsidiaries including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programs and budget and are of the view that the internal control system is effective and adequate.

AUDITORS' REMUNERATION

The remuneration paid to Deloitte Touche Tohmatsu Certified Public Accountants ("Deloitte"), the external auditors of the Company in respect of audit services for the year ended 31 December 2010 amounted to HK$1,150,000. Deloitte also provided to the Company 2010 interim review service and a fee amounted to HK$200,000 was paid by the Company.

SHAREHOLDERS' RIGHTS

The rights of shareholders are contained in the Company's Articles.

The general meetings of the Company provide a forum for communication between the shareholders and the Board. Directors are available to answer questions at the shareholders' meetings.

Separate resolutions have been proposed at the general meetings on each substantial issue, including the re-election of the retiring directors and the election of new director, if any.

MEETINGS ATTENDANCE RECORD

The following table summarizes the meetings attendance record of the Company's Board and Committee meetings held during the year ended 31 December 2010.

Meetings attended/held in 2010

	Board	Audit Committee	Remuneration Committee
Number of meetings held during the year	7	2	1
Executive Directors			
Mr. Yeh Shin-jiin	5	N/A	N/A
Non-executive Directors			
Mr. Chiao Yu-heng *(resigned on 30 September 2010)*	3[1]	N/A	1
Mr. Chang Chia-ning *(appointed on 30 September 2010)*	3[2]	N/A	N/A
Ms. Cao Jianhua	5	N/A	N/A
Independent Non-executive Directors			
Mr. Chao Yuan-san	5	2	0
Ms. Chen Shun Zu Deborah	6	2	1
Mr. Yeh Yu-an	5	2	1
Ms. Chang Pi-lan	6	2	0
Mr. Yen Chin-chang	7	2	1

1 Only 3 meetings held during his tenure of directorship

2 Only 4 meetings held during his tenure of directorship

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.

FINANCIAL POSITION (continued)

Liquidity, Financial Resources and Capital Structure (continued)

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.

EXECUTIVE DIRECTOR

Mr. Yeh Shin-jiin (葉新錦先生), aged 55, is the Executive Director, Chief Executive Officer and Authorised Representative of the Company. Mr. Yeh is also a director and the general manager of HannStar Jiangyin and a director of HannStar Precision, the Company's indirect subsidiaries. He joined the Group in August 2007. Mr. Yeh is in charge of the day-to-day management and operation of the Group and is responsible for the implementation of the Group's objectives, policies and strategies approved by the Board. Mr. Yeh has over 33 years of experience in the PCB industry. Prior to joining the Group, he was the Executive Vice-President of Compeq Manufacturing (Huizhou) Co., Ltd. (華通電腦(惠州)有限公司), a subsidiary of Compeq Manufacturing Company Limited (華通電腦股份有限公司) from November 2003 to June 2007. He graduated with a degree of master of business administration (on-job program) from Chung Yuan Christian University (中原大學) in Taiwan in 1990.

NON-EXECUTIVE DIRECTORS

Mr. Chang Chia-ning (張家寧先生), aged 54, joined the Company on 30 September 2010 as a Non-executive Director, the Chairman of the Board, a member and the Chairman of the Remuneration Committee and one of the authorized representatives. Mr. Chang is currently the Board Supervisor of Global Brands Manufacture Limited (精成科技股份有限公司), a company listed on the Taiwan Stock Exchange, of which HannStar Board Corporation (瀚宇博德股份有限公司) ("HannStar Taiwan"), the Company's controlling and substantial shareholder, is a substantial shareholder. He is also currently a Vice President and the Chief Strategy Officer of Walsin Technology Corporation (華新科技股份有限公司) ("WTC"), a company listed on the Taiwan Stock Exchange and the controlling and substantial shareholder of the Company as it controls the composition of a majority of the board of directors of HannStar Taiwan. He was the Chairman of Kamaya Electric Company, Ltd. (日本釜屋電機株式會社), an indirect subsidiary of WTC from May 2006 to June 2010. Prior to that, Mr. Chang was a Vice President and the Chief Financial Officer of WTC since 2000. He was formerly a director of ING Barings Group and the General Manager of ING Bank N.V., Shanghai Branch. Before that, Mr. Chang was with JP Morgan Chase for over 13 years in charge of both investment banking and corporate banking in Taiwan. Mr. Chang has over 25 years of top-level experience in finance, strategy, operations and business growth in various fields including information technologies, electronics, emerging technologies, investment, and financial services and banking. Mr. Chang received a Master of Business Administration from the Graduate School of National Sun Yat-Sen University, Taiwan and a Bachelor of Science degree from the National Taiwan University.

Ms. Cao Jianhua (曹建華女士), aged 58, is a Non-executive Director of the Company. She joined HannStar Jiangyin in April 2002 as a director. Ms. Cao is currently the Chairwoman of Walsin (China) Investment Limited (華新(中國)投資有限公司), a subsidiary of Walsin Lihwa Group (華新麗華集團). Ms. Cao was the vice-mayor of Jiangyin Municipal Government from February 1993 to January 1999. She was a director of Jiangyin Foreign Economy and Trade Committee from October 1987 to January 1993 and vice-director of Jiangyin Economy and Trade Committee from May 1985 to September 1987. Ms. Cao graduated from East China Normal University (華東師範大學) in 1995 with an on-job Master degree majoring in Chinese modern history. She is a senior economist and has extensive experience in economic management.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chao Yuan-san (**趙元山先生**), aged 60, joined the Company since September 2006 as an Independent Non-executive Director. Mr. Chao is also the Chairman of the Audit Committee and a member of the Remuneration Committee of the Company. He has over ten years of experience in the electronic component industry. Since August 2007, Mr. Chao has been appointed as the chairman of Taiwan Microloops Corp. (邁萪科技股份有限公司), a supplier of advanced thermal components for various industries and the Chairman of Danen Technology Corporation (達能科技股份有限公司), a company producing ingot and wafer for the solar cell industry. He was the chief financial officer of Worldwide Semiconductor Manufacturing Corp. (世大積體電路股份公司) from January 1997 to June 1998 and the vice-president of China Development Industrial Bank (中華開發工業銀行股份有限公司). Mr. Chao graduated from City University in the US with a Bachelor's degree in Science in 1981 and is a certified public accountant in the US.

Ms. Chen Shun Zu Deborah (**陳淳如女士**), aged 47, joined the Company since September 2006 as an Independent Non-executive Director. Ms. Chen is also a member of the Audit Committee and the Remuneration Committee of the Company. Ms. Chen is currently a director of Alpha Star Limited (昇振有限公司). She was an assistant vice-president in operation of The Hongkong and Shanghai Banking Corporation Limited from January 2002 to October 2004 and a vice-president of Pacific Resources Technology Corporation (太聯科技股份有限公司) and a senior member of Allied Pacific Century Corporation (太平洋聯合股份有限公司) from February 1997 to August 2001. Ms. Chen graduated from University of Southern California in the US with a Bachelor of Science degree in business administration in 1989.

Mr. Yeh Yu-an (**葉育恩先生**), aged 49, joined the Company since September 2006 as an Independent Non-executive Director. Mr. Yeh is also a member of the Audit Committee and the Remuneration Committee of the Company. He served as the chairman of the board of directors of Da-Yeh University (大葉大學) from November 2004 to April 2007 and was a supervisor of the Da Yeh Takashimaya Department Store (大葉高島屋百貨股份有限公司) from March 1992 to March 2009. Mr. Yeh received a degree of Master of Business Administration from Loyola Marymount University in the US in 1992 and registered as a Certified Management Accountant of Canada in October 2009.

Ms. Chang Pi-lan (**張碧蘭女士**), aged 53, joined the Company since September 2006 as an Independent Non-executive Director. Ms. Chang is also a member of the Audit Committee and the Remuneration Committee of the Company. Mr. Chang has served Walton Chaintech Corporation (華東承啟科技股份有限公司), a company currently listed on the Taiwan Stock Exchange and engaged in the manufacture and sale of motherboards, graphic cards and information appliances, since November 1986 and is currently a director of Walton Chaintech Corporation. During the period she worked for Walton Chaintech Corporation, Ms. Chang gained approximately 20 years of experience in the procurement of PCB products for PCs. Ms. Chang graduated from Fu Jen Catholic University (私立輔仁大學) in Taiwan with a degree in business management.

Mr. Yen Chin-chang (**嚴金章先生**), aged 49, joined the Company since September 2006 as an Independent Non-executive Director. Mr. Yen is also a member of the Audit Committee and the Remuneration Committee of the Company. Mr. Yen has almost 13 years of experience in the PCB industry. He was a sales manager of Shye Feng Name Plate Industrial, Co., Ltd (協峰銘版印刷股份有限公司), a private company engaged in the sale and manufacture of PCBs from May 2004 to May 2005 and a marketing manager of Vertex Precision Electronics Inc. (佳鼎科技股份有限公司), a company currently listed on the Taiwan Stock Exchange and engaged in the sales and manufacturing of PCBs from January 2003 to January 2004. Mr. Yen also worked for Lan An Electronics Inc. (連安電子股份有限公司), a private company engaged in the sales and manufacturing of PCBs from June 2001 to January 2003 and was a sales manager for Yeti Electronics Co., Ltd (九德電子股份有限公司), a company listed on the Taiwan Stock Exchange and engaged in the sales and manufacturing of PCBs from June 1990 to September 1995. Mr. Yen was a project manager of Taiwan Express Co., Ltd. (台灣航空貨運承攬股份有限公司), a private company providing logistics services from August 2005 to August 2006.

SENIOR MANAGEMENT

Ms. Xu Yu-pei (徐玉佩女士), aged 65, is the director of accounting center of HannStar Jiangyin (an indirectly wholly owned subsidiary of the Company) and joined the Group in May 2004. Prior to joining the Group, she was working in the finance department of Shanghai Textile Bureau (上海紡織局) from January 1973 to July 1993 and also the chief accountant of Shanghai Walsin Lihwa Power Wire and Cable Co., Ltd. (上海華新麗華電線電纜有限公司) from August 1993 to April 2004. Ms. Xu graduated with the college degree in Shanghai TV University (上海電視大學) in September 1983.

Mr. Lai Wei-chen (賴偉珍先生), aged 46, is the Vice President of the Group's Quality Center and also a director of HannStar Board (SAMOA) Holdings Corp ("HannStar Samoa") and Walsin Board, the Company's subsidiaries. He joined the Group in April 2002. Prior to joining the Group, he was working in the quality assurance department of Compeq Manufacturing Co., Ltd. from June 1988 to October 1999 and an assistant vice president of the quality assurance centre of HannStar Board Corporation from October 1999 to August 2006. Mr. Lai graduated with a bachelor's degree in management science from National Chiao Tung University (國立交通大學) in Taiwan in 1986. He has 20 years of experience in the field of quality control.

Mr. Chen Kuen Hwang (陳坤煌先生), aged 49, is the Chief Material Management Officer of the Group. He joined the Group in December 2008. Prior to joining the Group, he had been working in Hocheng Corporation (和成欣業股份有限公司) for 7 years since 1988 and was promoted to plant manager from R&D engineer. Mr. Chen joined Walsin Technology Corporation (華新科技股份有限公司) in 1995 with diversified job assignment in production, quality assurance and material management including general manager of Suzhou Walsin Technology Electronics Co., Ltd (蘇州華新電子公司). Mr. Chen graduated with a master degree in Mineral, Metallurgy and Material Engineering from National Cheng Kung University (國立成功大學) in Taiwan in 1985. He has extensive experience in the areas of production and material management.

Mr. Chao Kun-yin (趙冠胤先生), aged 49, is the Sales Director of the Group, joined the Group in July 2006. Prior to joining the Group, he held various positions including section manager, manager and assistant vice president in Walsin Lihwa Corporation from 1988 to 2006. Mr. Chao graduated from mechanical engineering department of Hsinpu Institute of Business and Industry (新埔工專) in 1982.

Mr. Hsueh Yung-lung (薛永龍先生), aged 43, is the Manufacturing Director of Production of the Group. He joined the Group in March 2004 as a deputy manager and was promoted to his current position in April 2007. Prior to joining the Group, he was the deputy manager of Compeq Manufacturing Co., Ltd (華通電腦股份有公司) from August 1997 to April 2002. Mr. Hsueh graduated with a bachelor's degree in chemical engineering from Feng Chia University (逢甲大學) and received a master degree of chemical engineering from the Graduate School of National Chung Cheng University (國立中正大學) in Taiwan in 1993.

The directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 32 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2010 are set out in the consolidated statement of comprehensive income on page 24.

The directors recommend the payment of a final dividend of HK2.2 cents per share to the shareholders whose names appear on the register of members on 20 May 2011, amounting to approximately HK$28,958,000 (equivalent to approximately US$3,726,000), and the retention of the remaining profit for the year.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

No movement in the share capital of the Company was noted during the year and details are set out in note 24 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31 December 2010 were as follows:

	2010 **US$'000**	2009 US$'000
Share premium	**58,119**	58,119
Contributed surplus	**82,140**	82,140
Revaluation reserve	**–**	1,270
Retained profits	**78,381**	8,850
	218,640	150,379

Under the Companies Law of the Cayman Islands, the share premium account, contributed surplus and revaluation reserve are distributable to the shareholders of the Company provided that immediately following the date on which any dividend is proposed to be distributed, the Company will be able to pay its debts as they fall due in the ordinary course of business.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive Director

Mr. YEH Shin-jiin *(Chief Executive Officer)*

Non-executive Directors

Mr. CHANG Chia-ning *(Chairman)*	*(appointed on 30 September 2010)*
Ms. CAO Jianhua	
Mr. CHIAO Yu-heng	*(resigned on 30 September 2010)*

Independent Non-executive Directors

Mr. CHAO Yuan-san
Ms. CHEN Shun Zu Deborah
Ms. CHANG Pi-lan
Mr. YEH Yu-an
Mr. YEN Chin-chang

In accordance with the provisions of the Company's Articles of Association, Mr. YEH Shin-jiin, Mr. YEH Yu-an and Ms. CHEN Shun Zu Deborah shall retire by rotation at the forthcoming annual general meeting. All the retiring directors, being eligible, offer themselves for re-election at the meeting.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

SHARE OPTION SCHEME

Particulars of the Company's share option scheme are set out in note 26 to the consolidated financial statements.

No option has been granted under the Company's share option scheme since its adoption.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the Company's share option scheme disclosed above, at no time during the year was the Company, its holding companies, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2010, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance (the "SFO") shows that the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

Long positions:

Ordinary shares of HK$0.1 each of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
HannStar Board (BVI) Holdings Corp. ("HannStar BVI")	Beneficial owner	987,050,000	74.99%
HannStar Board Corporation ("HannStar Taiwan")	Held by controlled corporation (Note)	987,050,000	74.99%
Walsin Technology Corporation ("Walsin Tech")	Held by controlled corporation (Note)	987,050,000	74.99%

Note: HannStar BVI is wholly-owned by HannStar Taiwan. Walsin Tech and its associate beneficially own approximately 20% of the issued share capital of HannStar Taiwan and have the power to appoint or remove the majority of its board of directors. HannStar Taiwan and Walsin Tech are deemed to be interested in 987,050,000 shares in the Company which are held by HannStar BVI.

Other than as disclosed above, the Company has not been notified of any other notifiable interests or short positions in the shares or underlying shares of the Company as at 31 December 2010.

DIRECTORS' INTERESTS IN SHARES

As at 31 December 2010, the interests of the directors and their associates in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long positions:

Ordinary shares of the associated corporation of the Company:

Name of director	Capacity	Name of associated corporation	Number of issued ordinary shares held	Shareholding percentage
Mr. YEH Shin-jiin	Beneficial owner	HannStar Taiwan	189,102	0.05%
Mr. CHANG Chia-ning	Beneficial owner	Walsin Tech	148,663	0.02%
	Interest of spouse	Walsin Tech	74,641	0.01%

Other than as disclosed above, none of the directors, chief executives, nor their associates had any interests or short positions in any shares or underlying shares of the Company or any of its associated corporations as at 31 December 2010.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive directors, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Rules Governing the Listing Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company considers all of the independent non-executive directors are independent.

CONNECTED TRANSACTIONS

Details of the continuing connected transactions of the Company are as follows:

(1) Non-exempt continuing connected transactions

The following transaction constituted non-exempt continuing connected transactions for the Company and thus are subject to reporting, announcement and independent shareholders' approval requirements under Rule 14A.45 to 14A.48 of the Listing Rules.

New Sub-contracting agreement between HannStar Taiwan and the Company
On 23 November 2007, the Company and HannStar Taiwan entered into a new sub-contracting agreement (the "Sub-contracting Agreement") pursuant to which the Company agreed to engage HannStar Taiwan to act as a sub-contractor for the production and processing of PCBs when the Company has insufficient production capacity prior to 31 December 2010. According to the announcement dated 23 November 2007, the proposed annual cap of the sub-contracting fee payable by the Company to HannStar Taiwan for each of the three years ending 31 December 2010 is estimated to be US$63.4 million. During the year ended 31 December 2010, the sub-contracting fee paid was approximately US$50.23 million under the New Master Sub-contracting Agreement.

On 8 October 2010, the Company and HannStar Taiwan entered into a new sub-contracting agreement pursuant to which the Company conditionally agreed to renew the term of the 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. According to the announcement dated 11 October 2010, the proposed annual cap of the sub-contracting fee payable by the Company to HannStar Taiwan for each of the three years ending 31 December 2013 is estimated to be US$63.4 million.

In accordance with rule 14A.38 of the Listing Rules, the Board engaged the auditor of the Company to perform certain agreed-upon procedures in respect of the above continuing connected transactions. The auditor has reported its factual findings on these procedures in respect of the continuing connected transactions to the Board and has confirmed the continuing connected transactions are in accordance with rule 14A.38.

The independent non-executive directors of the Company have reviewed and confirmed that the above continuing connected transactions have been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) either on normal commercial terms or on terms no less favourable than terms available to or from independent third parties; and

(iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

CONNECTED TRANSACTIONS (continued)

(2) Continuing connected transactions exempt from reporting, announcement and the independent shareholders' approval requirements

The following transaction constituted continuing connected transactions for the Company under Rule 14A.65(4) of the Listing Rules and thus would be exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Loan from the controlling shareholder of the Company

Pursuant to various loan agreements entered into between the Group, HannStar BVI and HannStar Taiwan, the Company's controlling shareholder, loans in an aggregate amount of approximately US$46,000,000 were granted and have been fully repaid during the year. The Group incurred interest payment of US$124,000 for the year.

Particulars of the connected transactions, which are also related party transactions, are disclosed in note 31 to the consolidated financial statements in accordance with Hong Kong Accounting Standard 24 "Related Party Disclosures" issued by the Hong Kong Institute of Certified Public Accountants.

Other than as disclosed above, no contracts of significance to which the Company, or any of its holding companies, subsidiaries or fellow subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of purchases and sales for the year attributable to the Group's largest and five largest suppliers and customers, respectively, were as follows:

– the largest supplier	14.75%
– five largest suppliers	38.76%
– the largest customer	25.70%
– five largest customers	61.72%

None of the directors, their associates or any shareholders of the Company which, to the knowledge of the directors, owned more than 5% of the Company's issued share capital, had any interest in any of the five largest suppliers or customers of the Group.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the management of the Group on the basis of their merit, qualifications, and competence.

The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors as at the date of this annual report, the Company has maintained a sufficient public float throughout the year ended 31 December 2010.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 70 of the annual report.

AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

CHANG Chia-ning
Chairman

17 March 2011

Deloitte.
德勤

TO THE MEMBERS OF
HANNSTAR BOARD INTERNATIONAL HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of HannStar Board International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 24 to 69, which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2010, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
17 March 2011

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	Notes	2010 US$'000	2009 US$'000
Revenue	6	**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	7	**213**	1,189
Distribution and selling expenses		**(15,145)**	(12,966)
Administrative expenses		**(23,383)**	(15,752)
Finance costs	8	**(3,559)**	(4,644)
Profit before tax		**31,710**	63,548
Income tax expense	9	**(6,769)**	(2,198)
Profit for the year	10	**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-sales 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	13	**0.019**	0.047

Consolidated Statement of Financial Position

At 31 December 2010

	Notes	2010 US$'000	2009 US$'000 (restated)
NON-CURRENT ASSETS			
Property, plant and equipment	14	**392,086**	329,183
Prepaid lease payments	15	**5,556**	5,516
Available-for-sale investments	16	**–**	3,436
		397,642	338,135
CURRENT ASSETS			
Inventories	17	**55,438**	56,736
Trade and other receivables	18	**250,229**	238,574
Prepaid lease payments	15	**131**	126
Amount due from ultimate holding company	19	**–**	1,422
Derivative financial instruments	20	**1,273**	–
Pledged bank deposits	21	**–**	1,147
Bank balances and cash	21	**169,756**	95,664
		476,827	393,669
CURRENT LIABILITIES			
Trade and other payables	22	**181,463**	143,509
Amount due to ultimate holding company	19	**1,969**	–
Derivative financial instruments	20	**243**	549
Tax liabilities		**2,329**	3,217
Bank borrowings – due within one year	23	**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	23	**212,087**	129,040
		370,320	342,738
CAPITAL AND RESERVES			
Share capital	24	**16,925**	16,925
Reserves		**353,395**	325,813
		370,320	342,738

The consolidated financial statements on pages 24 to 69 were approved and authorised for issue by the Board of Directors on 17 March 2011 and are signed on its behalf by:

Mr. Chang Chia-ning
DIRECTOR

Mr. Yeh Shin-jiin
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

	Share capital US$'000	Share premium US$'000	Special reserve US$'000 (Note 25)	Revaluation reserve US$'000	Exchange reserve US$'000	Retained profits US$'000	Total US$'000
At 1 January 2009	16,925	58,119	51,987	–	30,518	130,119	287,668
Profit for the year	–	–	–	–	–	61,350	61,350
Other comprehensive income	–	–	–	1,270	92	–	1,362
Total comprehensive income for the year	–	–	–	1,270	92	61,350	62,712
Dividend paid (Note 12)	–	–	–	–	–	(7,642)	(7,642)
At 31 December 2009	16,925	58,119	51,987	1,270	30,610	183,827	342,738
Profit for the year	–	–	–	–	–	24,941	24,941
Other comprehensive income	–	–	–	(1,270)	13,208	–	11,938
Total comprehensive income for the year	–	–	–	(1,270)	13,208	24,941	36,879
Dividend paid (Note 12)	–	–	–	–	–	(9,297)	(9,297)
At 31 December 2010	**16,925**	**58,119**	**51,987**	**–**	**43,818**	**199,471**	**370,320**

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	2010 US$'000	2009 US$'000
OPERATING ACTIVITIES		
Profit before tax	**31,710**	63,548
Adjustments for:		
Depreciation of property, plant and equipment	**54,836**	54,062
Finance costs	**3,559**	4,644
Write-down of inventories	**3,574**	288
(Reversal of) impairment loss on trade receivables	**(800)**	784
Release of prepaid lease payments	**131**	126
Loss (gain) on disposal of property, plant and equipment	**370**	(672)
Reclassification adjustment on disposal of available-for-sale investments	**(716)**	–
Interest income	**(2,922)**	(2,850)
Operating cash flows before movements in working capital	**89,742**	119,930
Increase in inventories	**(2,276)**	(22,775)
Increase in trade and other receivables	**(10,855)**	(34,416)
Increase in derivative financial instruments	**(1,554)**	(308)
Decrease (increase) in amount due from ultimate holding company	**1,422**	(1,422)
Increase in trade and other payables	**18,431**	27,124
Increase (decrease) in amount due to ultimate holding company	**1,969**	(5,238)
Cash generated from operations	**96,879**	82,895
Income Tax paid	**(7,735)**	(4,764)
Interest received	**2,922**	2,850
NET CASH FROM OPERATING ACTIVITIES	**92,066**	80,981
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(88,242)**	(26,399)
Proceeds from disposal of available-for-sale investments	**2,882**	–
Decrease in pledged bank deposits	**1,147**	733
Proceeds from disposal of property, plant and equipment	**1,071**	3,682
Purchase of available-for-sale investments	**–**	(2,166)
NET CASH USED IN INVESTING ACTIVITIES	**(83,142)**	(24,150)
FINANCING ACTIVITIES		
New bank borrowings raised	**439,016**	351,612
Repayment of bank borrowings	**(362,662)**	(401,821)
Dividend paid	**(9,297)**	(7,642)
Interest paid	**(3,559)**	(4,644)
Repayment of immediate holding company	**–**	10
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**63,498**	(62,485)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**72,422**	(5,654)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**95,664**	102,130
Effect of foreign exchange rate changes	**1,670**	(812)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**169,756**	95,664

1. GENERAL

The Company was incorporated in the Cayman Islands on 17 May 2006 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The Company's parent is HannStar Board (BVI) Holdings Corp. ("HannStar BVI"), which was incorporated in the British Virgin Islands ("BVI") and its ultimate parent is HannStar Board Corporation ("HannStar Taiwan"), which was incorporated in the Republic of China. The address of the registered office and principal place of business of the Company are disclosed in the Corporate Information of the annual report.

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

The Company acts as an investment holding company. Particulars of the principal activities of its subsidiaries are set out in note 32.

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

In the current year, the Group has applied the following new and revised Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("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.

The application of HKFRS 3, HKAS 27 and HKAS 17 has resulted in changes in the Group's accounting polices but has had no impact on the consolidated financial statement of the Group for the current and prior years.

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

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.

Such term loans have been presented in the earliest time band in the maturity analysis for financial liabilities (see note 5 for details).

Summary of the effects of the above change in accounting policy

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

	As at 31.12.2009 (originally stated) US$'000	Adjustments US$'000	As at 31.12.2009 (restated) 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.

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

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 Requirement[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 July 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 *Financial Instruments* (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 *Financial Instruments* (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

- Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

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

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. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations

Business combinations that took place on or after 1 January 2010

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations are measured* in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Where the consideration the Group transfers in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. Measurement period does not exceed one year from the acquisition date.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

Business combinations that took place on or after 1 January 2010 (continued)

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

Changes in the value of the previously held equity interest recognised in other comprehensive income and accumulated in equity before the acquisition date are reclassified to profit or loss when the Group obtains control over the acquiree.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Business combinations that took place prior to 1 January 2010

Acquisition of businesses was accounted for using the purchase method. The cost of the acquisition was measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that met the relevant conditions for recognition were generally recognised at their fair value at the acquisition date.

Goodwill arising on acquisition was recognised as an asset and initially measured at cost, being the excess of the cost of the acquisition over the Group's interest in the recognised amounts of the identifiable assets, liabilities and contingent liabilities recognised. If, after assessment, the Group's interest in the recognised amounts of the acquiree's identifiable assets, liabilities and contingent liabilities exceeded the cost of the acquisition, the excess was recognised immediately in profit or loss.

Contingent consideration was recognised, if and only if, the contingent consideration was probable and could be measured reliably. Subsequent adjustments to contingent consideration were recognised against the cost of the acquisition.

Business combinations achieved in stages were accounted for as separate steps. Goodwill was determined at each step. Any additional acquisition did not affect the previously recognised goodwill.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment, including buildings held for use in the production or supply of goods or services, or for administrative purposes other than properties under construction, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment, other than properties under construction less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the assets and is recognised in profit and loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Buildings under development for future owner-occupied purpose

When buildings are in the course of development for production or for administrative purposes, the amortisation of prepaid lease payments provided during the construction period is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the leasee. All other leases are classified as operating leases.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted-average method.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising in the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations with functional currency other than the presentation currency of the Group are translated into the presentation currency of the Group (i.e. United States dollars) at the rates of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuated significantly during the period, in which cases, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the exchange reserve).

From 1 January 2010 onwards, on the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit and loss in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profit will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Retirement benefit costs

Payments to state-managed retirement benefit schemes are charged as expenses when employees have rendered service entitling them to the contributions.

Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified as fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Financial assets at fair value through profit or loss

Financial assets at FVTPL are derivative financial instruments classified as held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amount due from ultimate holding company, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Available-for-sale financial assets are measured at fair value at the end of each reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in revaluation reserve, until the financial asset is disposal of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the revaluation reserve is reclassificated to profit or loss (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For trade receivables that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 120 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in revaluation reserve.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at FVTPL and other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis other than those financial liability classified as at FVTPL, of which the interest expense is included in net gains or losses.

Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL are derivative financial instruments classified as held for trading.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are measured at fair value, with changes in fair value arising on remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any interest paid on the financial liabilities.

Other financial liabilities

Other financial liabilities including trade and other payables, amount due to ultimate holding company and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue cost.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the borrowings disclosed in note 23, net of cash and cash equivalents disclosed in note 21, and equity attributable to owners of the Company, comprising issued share capital, reserves and retained earnings.

The directors of the Company review the capital structure periodically. As part of this review, the directors consider the cost of capital and the risks associated with the capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and have buy-backs as well as the issue of new debt or the redemption of existing debt.

5. FINANCIAL INSTRUMENTS

5a. Categories of financial instruments

	2010 **US$'000**	2009 US$'000
Financial assets		
Available-for-sale investments	**–**	3,436
Loans and receivables (including cash and cash equivalents)	**402,189**	321,154
Derivative financial instruments	**1,273**	–
Financial liabilities		
Derivative financial instruments	**243**	549
Amortised cost	**477,149**	365,409

5. FINANCIAL INSTRUMENTS (continued)

5b. Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investments, trade and other receivables, amounts due from/to ultimate holding company, derivative financial instruments, pledged bank deposits, bank balances and cash, trade and other payables and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

Currency risk

The Group mainly operates in the PRC. Its foreign currency sales and purchases expose the Group to foreign currency risk, particularly US Dollars. Most of the sales of the Group are denominated in US Dollars, whilst approximately 45% (2009: 43%) of production costs are denominated in US Dollars.

The carrying amounts of the Group's monetary assets and monetary liabilities at the end of reporting period, which are denominated in US Dollars are as follows:

	Assets		Liabilities	
	2010	2009	**2010**	2009
	US$'000	US$'000	**US$'000**	US$'000
US Dollars	**270,070**	172,953	**369,531**	279,379

The Group's exposure to currency risk mainly related to US Dollars trade receivables, bank balances and cash, trade payables and bank borrowings. The Group currently does not have a foreign currency hedging policy for monetary assets and monetary liabilities. However, management monitors foreign exchange exposure closely and considers the usage of hedging instruments when the need arise. For the US Dollars trade receivables, management enters into foreign exchange forward contract to partially hedge the currency risk.

The carrying amount of foreign exchange forward contract as at year end amounted to approximately US$1,273,000 and US$168,000 which classified as current assets and current liabilities respectively (2009: US$8,000 classified as current liabilities), in which the Group was in the position of selling US Dollars and buying US Dollars with aggregate notional amount of US$76,100,000 and US$10,000,000 respectively (2009: US$91,500,000 and nil).

5. FINANCIAL INSTRUMENTS (continued)

5b. Financial risk management objectives and policies (continued)

Market risk (continued)

Currency risk (continued)

Sensitivity analysis

Non-derivative financial instruments

The Group is mainly exposed to the fluctuation in US Dollars against Renminbi.

The following table details the Group's sensitivity to a 5% (2009: 5%) increase and decrease in Renminbi against US Dollars. 5% (2009: 5%) represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% (2009: 5%) change in foreign currency rates. The sensitivity analysis includes mainly trade receivables, bank balances and cash, trade payables and bank borrowings where the denomination of these balances are in currencies other than the functional currency of the relevant entities. A negative number for assets and a positive number for liabilities below indicates a decrease and an increase in profit where Renminbi strengthen 5% against US Dollars respectively. For a 5% (2009: 5%) weakening of Renminbi against US Dollars, there would be an equal and opposite impact on the profit or loss.

	US Dollars	
	2010	2009
	US$'000	US$'000
Assets	**(10,533)**	(6,918)
Liabilities	**14,412**	11,175
Profit or loss (Note)	**3,879**	4,257

Note: This is mainly attributable to the exposure outstanding on US Dollars trade receivables, trade payables, bank balances and cash and bank borrowings at year end in the Group.

Derivative financial instruments

The Group's derivative financial instruments exposed the Group to market forward foreign exchange rates.

The Group's sensitivity is to a 5% (2009: 5%) increase/decrease in market forward exchange rate of Renminbi against US Dollars. The sensitivity analysis includes only outstanding foreign exchange forward contracts at the year end for a 5% (2009: 5%) change in market bid forward foreign exchange rates.

If Renminbi strengthens/weakens against US Dollars, profit for the year ended 31 December 2010 would increase/decrease by approximately US$43,000 (2009: increase/decrease by US$320).

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year and exposure does not reflect the exposure during the year.

5. FINANCIAL INSTRUMENTS (continued)

5b. Financial risk management objectives and policies (continued)

Market risk (continued)

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank deposits and bank borrowings (see notes 21 and 23 for detail of these bank deposits and bank borrowings respectively). Management will monitor interest rate risk exposure closely. By management's discretion, the Group keeps its borrowings at floating rate and entered into interest rate swaps to balance the fair value interest rate risk and cash flow interest rate risk exposure of the Group.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of The London Interbank Offer Rate ("LIBOR") arising from the Group's US$ borrowings.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments. For variable-rate bank balances and bank borrowings, the analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 20 basis points (2009: 50 basis points) increase or decrease is used which represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 20 basis points (2009: 50 basis points) higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2010 would decrease/increase by approximately US$231,000 (2009: decrease/increase by US$544,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank balances and bank borrowings.

Other price risk

The Group was exposed to equity price risk through its investments in listed equity security classified as available-for-sale investment in the year ended 31 December 2009 and subsequently disposed during the year ended 31 December 2010. The management manages this exposure by closely monitoring the price risk and considered hedging the risk exposure should the need arise.

Credit risk

As at 31 December 2010, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team 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 addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

5. FINANCIAL INSTRUMENTS (continued)

5b. Financial risk management objectives and policies (continued)

Credit risk (continued)

The credit risk on liquid funds is limited because the counterparties are banks with good reputation.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 77% (2009: 79%) of the total trade receivables as at 31 December 2010. The Group also has concentration of credit risk by customer as 62% (2009: 56%) and 26% (2009: 20%) of the total trade receivable were due from the Group's five largest customers and largest customer respectively.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant sources of liquidity. Details of which are set out in note 23. As at 31 December 2010, the Group has available unutilised bank loan facilities of approximately US$366,598,000 (2009: US$451,134,000).

The following table details the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amounts is derived from interest rate curve at the end of the reporting period. For derivative instruments settle on a net basis, undiscounted net cash flows are presented. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities on the management consider that the contractual maturities are essential for an understanding of the financing of the cash flows of derivatives.

5. FINANCIAL INSTRUMENTS (continued)

5b. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity and interest risk tables

	Weighted average effective interest rate %	On demand or less than 3 months US$'000	3-6 months US$'000	6 months to 1 year US$'000	1-5 years US$'000	Total undiscounted cash flows US$'000	Carrying amount at 31.12.2010 US$'000
2010							
Non-derivative financial liabilities							
Trade and other payables	–	114,455	42,580	–	–	157,035	157,035
Amount due to ultimate holding company	–	1,969	–	–	–	1,969	1,969
Bank loans – variable rate	2.46	116,273	10,040	–	199,683	325,996	318,145
		232,697	52,620	–	199,683	485,000	477,149
Derivatives financial liabilities – net settlement							
Interest rate swaps	–	75	–	–	–	75	75
Foreign exchange forward contracts	–	–	168	–	–	168	168
		75	168	–	–	243	243

	Weighted average effective interest rate %	On demand or less than 3 months US$'000	3-6 months US$'000	6 months to 1 year US$'000	1-5 years US$'000	Total undiscounted cash flows US$'000	Carrying amount at 31.12.2009 US$'000
2009							
Non-derivative financial liabilities							
Trade and other payables	–	88,124	35,494	–	–	123,618	123,618
Bank loans – variable rate	1.55	95,785	–	17,497	131,040	244,322	241,791
		183,909	35,494	17,497	131,040	367,940	365,409
Derivatives financial liabilities – net settlement							
Interest rate swaps	–	–	–	–	541	541	541
Foreign exchange forward contracts	–	3	3	2	–	8	8
		3	3	2	541	549	549

5. FINANCIAL INSTRUMENTS (continued)

5b. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity and interest risk tables (continued)

Bank loans with a repayment on demand clause are included in the "on demand or less than 3 month" time band in the above maturity analysis. As at 31 December 2010 and 31 December 2009, the aggregate undiscounted principal amounts of these bank loans amounted to US$25,000,000 and US$10,000,000 respectively. Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans will be repaid two years after both reporting dates in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to US$25,661,000 and US$10,018,000 for 2010 and 2009 respectively.

The amount included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rate differ to those estimates of interest rates determined at the end of the reporting period.

5c. Fair value

The fair value of financial assets and financial liabilities (including available-for-sale investments and derivative instruments) with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market price.

The fair values of interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rate. The fair values of foreign exchange contracts are determined based on the difference between the market forward rates at the end of each reporting period for the remaining duration of the outstanding contracts and their contracted forward rates and discounted using an appropriate discount rate to take account of the time value of money.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to 2 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets and liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived form prices).

5. FINANCIAL INSTRUMENTS (continued)

5c. Fair value (continued)

	2010 Level 2 US$'000
Financial assets at FVTPL	
Derivative financial assets	**1,273**
Financial liabilities at FVTPL	
Derivative financial liabilities	**243**

	2009 Level 1 US$'000	 Level 2 US$'000	 Total US$'000
Available-for-sale financial assets			
Listed equity security	3,436	–	3,436
Financial liabilities at FVTPL			
Derivative financial liabilities	–	549	549

There were no transfers between Level 1 and 2 in current year.

6. REVENUE AND 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. ("HannStar Jiangyin") and the plant operated under HannStar Precision Technology (Jiangyin) Corporation ("HannStar Precision"), both of which 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.

6. REVENUE AND SEGMENT INFORMATION (continued)

Entity-wide disclosures

As at 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 **US$'000**	2009 US$'000
Place of domicile of relevant group entities		
– The PRC	**456,886**	422,323
Other places		
– The United States of American ("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 is 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).

7. OTHER GAINS AND LOSSES

	2010 **US$'000**	2009 US$'000
(Loss) gain on disposal of property, plant and equipment	**(370)**	672
Net foreign exchange (loss) gain	**(2,456)**	751
Gain (loss) from changes in fair value of derivative financial instruments	**2,323**	(234)
Cumulative gain reclassified from equity on disposal of investment classified as available-for-sale	**716**	–
	213	1,189

8. FINANCE COSTS

	2010 **US$'000**	2009 US$'000
Interests on borrowings wholly repayable within five years:		
– bank loans	**3,435**	4,445
– other loan	**124**	199
	3,559	4,644

9. INCOME TAX EXPENSE

	2010 US$'000	2009 US$'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 PRC on EIT ("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 ended 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.

9. INCOME TAX EXPENSE (continued)

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 recognised	**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 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.

10. PROFIT FOR THE YEAR

	2010 US$'000	2009 US$'000
Profit for the year has been arrived at after charging:		
Directors' emoluments (note 11)	**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 expenses (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 realisable value. As a result, a written down of inventories of approximately US$3,574,000 (2009: US$288,000) has been recognised.

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments paid or payable to each of the directors of the Company were as follows:

	YEH Shin-jiin US$'000	CAO Jianhua US$'000	CHANG Chia-ning US$'000 (Note)	CHIAO Yu-heng US$'000 (Note)	CHAO Yuan-san US$'000	CHEN Shun Zu Deborah US$'000	YEH Yu-an US$'000	CHANG Pi-lan US$'000	YEN Chin-chang US$'000	2010 Total US$'000
Fees	85	11	3	–	11	11	11	11	11	154
Other emoluments – salaries and other benefits	32	–	–	–	–	–	–	–	–	32
Total emoluments	117	11	3	–	11	11	11	11	11	186

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

	YEH Shin-jiin US$'000	CHEN Cheng-chieh US$'000 (Note)	CAO Jianhua US$'000 (Note)	CHIAO Yu-heng US$'000	Ho Ai-tang Simon US$'000 (Note)	CHAO Yuan-san US$'000	CHEN Shun Zu Deborah US$'000	YEH Yu-an US$'000	CHANG Pi-lan US$'000	YEN Chin-chang US$'000	2009 Total US$'000
Fees	51	20	6	–	–	11	11	11	11	11	132
Other emoluments											
– salaries and other benefits	31	5	–	–	–	–	–	–	–	–	36
Total emoluments	82	25	6	–	–	11	11	11	11	11	168

Note: Ms. Cao Jianhua was elected and Mr. Chang Chia-ning was appointed as directors of the Company on 15 May 2009 and 30 September 2010 respectively and Mr. Chen Cheng-chieh and Mr. Chiao Yu-heng resigned and Mr. Ho Ai-tang, Simon retired as directors of the Company on 16 July 2009, 30 September 2010 and 15 May 2009 respectively.

Of the five individuals with the highest emoluments in the Group, one (2009: one) was the directors of the Company whose emoluments are included above. The emoluments of the remaining four (2009: four) individuals are as follows:

	2010 US$'000	2009 US$'000
Employee		
– salaries and other benefits	**141**	91

The emolument of each individual for both years was within the emoluments band of less than HK$1,000,000 (equivalent to approximately US$129,000).

During both years, no emoluments were paid by the Group to any of the directors or the five highest paid individuals (including directors and employee) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments during the year.

12. DIVIDENDS

	2010 **US$'000**	2009 US$'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

The 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.

13. EARNINGS PER SHARE

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

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

	2010	2009
Weighted average number of ordinary shares for the purpose 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.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings US$'000	Plant and machinery US$'000	Furniture, fixture and equipment US$'000	Leasehold improvement US$'000	Motor vehicles US$'000	Construction in progress US$'000	Total US$'000
COST							
At 1 January 2009	105,557	351,272	34,284	9,966	1,621	14,737	517,437
Exchange adjustments	100	817	33	10	2	13	975
Additions	824	143	131	200	3	20,284	21,585
Transfer	1,528	15,975	2,049	465	–	(20,017)	–
Disposals	–	(7,503)	(303)	–	–	–	(7,806)
At 31 December 2009	108,009	360,704	36,194	10,641	1,626	15,017	532,191
Exchange adjustments	4,129	12,159	1,241	340	55	1,005	18,929
Additions	465	84	95	10	–	107,111	107,765
Transfer	33,453	45,566	3,677	383	287	(83,366)	–
Disposals	–	(2,981)	(212)	–	(62)	–	(3,255)
At 31 December 2010	**146,056**	**415,532**	**40,995**	**11,374**	**1,906**	**39,767**	**655,630**
DEPRECIATION							
At 1 January 2009	12,987	123,050	11,223	5,245	666	–	153,171
Exchange adjustments	15	536	13	6	1	–	571
Provided for the year	5,424	41,670	5,153	1,557	258	–	54,062
Eliminated on disposals	–	(4,538)	(229)	–	(29)	–	(4,796)
At 31 December 2009	18,426	160,718	16,160	6,808	896	–	203,008
Exchange adjustments	699	5,926	610	246	33	–	7,514
Provided for the year	5,598	42,488	4,973	1,515	262	–	54,836
Eliminated on disposals	–	(1,575)	(183)	–	(56)	–	(1,814)
At 31 December 2010	**24,723**	**207,557**	**21,560**	**8,569**	**1,135**	**–**	**263,544**
CARRYING VALUES							
At 31 December 2010	**121,333**	**207,975**	**19,435**	**2,805**	**771**	**39,767**	**392,086**
At 31 December 2009	89,583	199,986	20,034	3,833	730	15,017	329,183

The above items of property, plant and equipment are depreciated on a straight-line basis over the following years:

Buildings	20 years or the lease term of the relevant land, whichever is shorter
Plant and machinery	5 – 8 years
Furniture, fixture and equipment	5 years
Leasehold improvement	5 years
Motor vehicles	5 years

The carrying value of properties of the Group comprises buildings on land under medium-term lease in the PRC.

15. PREPAID LEASE PAYMENTS

	2010 US$'000	2009 US$'000
Balance at beginning of the year	**5,642**	5,764
Exchange adjustment	**176**	4
Released to the consolidated statement of comprehensive income	**(131)**	(126)
Balance at end of the year	**5,687**	5,642
Current portion of non-current assets	**(131)**	(126)
Non-current portion	**5,556**	5,516

The carrying amount represents an upfront payment for medium-term land use rights situated in the PRC.

The Group had paid substantially all the consideration for the land use rights in the PRC. However, the relevant government authorities have not yet granted formal title to certain of these land use rights to the Group. As at 31 December 2010, the carrying amount of the land use rights for which the Group had not yet been granted formal title amounted to approximately US$1,212,000 (2009: US$1,202,000). In the opinion of the directors, the absence of formal title to these land use rights does not impair the value of the relevant properties to the Group. The directors also believe that formal title to these land use rights will be granted to the Group in due course.

16. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	2010 US$'000	2009 US$'000
Equity security listed in Republic of China ("ROC")	**–**	3,436
Analysed for reporting purpose as:		
Non-current assets	**–**	3,436
Current assets	**–**	–
	–	3,436

Note: The Group disposed of the available-for-sale investments during the reporting period ended 31 December 2010.

Details of the Group's available-for-sale investments as at 31 December 2010 is as follows:

Name of company	Place of incorporation/ establishment	Proportion of nominal value of issued/registered capital indirectly held by the Group 2010	2009	Principal activities
Info-Tek Corporation 台灣精星科技股份有限公司	ROC	**–**	7.52%	Providing PCB assembly services

17. INVENTORIES

	2010 US$'000	2009 US$'000
Raw materials	**21,837**	27,646
Work-in-progress	**17,245**	14,005
Finished goods	**16,356**	15,085
	55,438	56,736

18. TRADE AND OTHER RECEIVABLES

	2010 US$'000	2009 US$'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 US$'000	2009 US$'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

18. TRADE AND OTHER RECEIVABLES (continued)

Included in the Group's trade and other receivable are balances with aggregated amounts of approximately US$142,991,000 (2009: US$135,648,000) denominated in US Dollars which is other than the functional currency of the respective group entities.

Before accepting any new customer, the Group has to assess the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed periodically. Majority of the trade receivables that are neither past due nor impaired have no default payment history.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of US$624,000 (2009: US$670,000) which are past due at the end of reporting period for which the Group has not provided for impairment loss and fully settled subsequently after the end of reporting period. The Group does not hold any collateral over these balances.

Ageing of trade receivables which are past due but not impaired

	2010 **US$'000**	2009 US$'000
151-180 days	**549**	631
181-365 days	**75**	39
	624	670

The Group has provided fully for all receivables over 365 days because historical experience is such that receivables that are past due beyond 365 days are generally not recoverable.

Movement in the allowance for doubtful debts

	2010 **US$'000**	2009 US$'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.

19. AMOUNT DUE FROM/TO ULTIMATE HOLDING COMPANY

The amounts due from and to ultimate holding company are unsecured, non-interest bearing and repayable on demand.

20. DERIVATIVE FINANCIAL INSTRUMENTS

	2010		2009
	Assets	**Liabilities**	Liabilities
	US$'000	**US$'000**	US$'000
Interest rate swaps	**–**	**(75)**	(541)
Forward foreign exchange contracts	**1,273**	**(168)**	(8)
	1,273	**(243)**	(549)

The Group uses interest rate swaps to swap a proportion of the floating rate borrowings from floating rates to fixed rates. Major terms of the interest rate swaps as at 31 December 2010 which classified as current liabilities are set out below:

Notional amount	**Maturity**	**Swaps**
USD4,800,000	25 March 2011	LIBOR+0.625% to 4.98%
USD3,200,000	25 March 2011	LIBOR+0.85% to 1.59%
USD10,000,000	25 March 2011	LIBOR+0.85% to 3.765%
USD5,000,000	25 March 2011	LIBOR+0.85% to 3.5%
USD5,000,000	25 March 2011	LIBOR+0.85% to 1.59%

The Group is a party to a variety of foreign currency forward contracts in the management of its exchange rate exposures.

Payments of all swaps are being settled on the maturity date.

At 31 December 2010, details of the outstanding forward foreign exchange contracts which classified as current liabilities of the Group is committed are as follows:

Notional amount	**Maturity**	**Exchange rate**
Buy USD5,000,000	25 April 2011	USD/RMB6.6988
Buy USD5,000,000	25 April 2011	USD/RMB6.6988

20. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

At 31 December 2010, details of the outstanding forward foreign exchange contracts which classified as current assets of the Group is committed are as follows:

Notional amount	Maturity	Exchange rate
Sell USD2,600,000	4 January 2011	RMB/USD6.6615
Sell USD1,500,000	10 January 2011	RMB/USD6.7627
Sell USD500,000	10 January 2011	RMB/USD6.6712
Sell USD1,500,000	10 January 2011	RMB/USD6.7622
Sell USD2,000,000	10 January 2011	RMB/USD6.6712
Sell USD500,000	10 January 2011	RMB/USD6.6606
Sell USD500,000	10 January 2011	RMB/USD6.7627
Sell USD500,000	10 January 2011	RMB/USD6.7622
Sell USD1,500,000	25 January 2011	RMB/USD6.7617
Sell USD1,500,000	25 January 2011	RMB/USD6.7612
Sell USD2,000,000	25 January 2011	RMB/USD6.6700
Sell USD500,000	25 January 2011	RMB/USD6.6546
Sell USD500,000	25 January 2011	RMB/USD6.7617
Sell USD500,000	25 January 2011	RMB/USD6.7612
Sell USD1,500,000	10 February 2011	RMB/USD6.7590
Sell USD500,000	10 February 2011	RMB/USD6.7590
Sell USD1,500,000	25 February 2011	RMB/USD6.7557
Sell USD2,000,000	25 February 2011	RMB/USD6.6610
Sell USD1,500,000	25 February 2011	RMB/USD6.7552
Sell USD500,000	25 February 2011	RMB/USD6.7557
Sell USD500,000	25 February 2011	RMB/USD6.7560
Sell USD500,000	25 February 2011	RMB/USD6.7543
Sell USD1,500,000	10 March 2011	RMB/USD6.7533
Sell USD1,500,000	10 March 2011	RMB/USD6.6494
Sell USD500,000	10 March 2011	RMB/USD6.7538
Sell USD500,000	10 March 2011	RMB/USD6.7520
Sell USD1,500,000	25 March 2011	RMB/USD6.6438
Sell USD1,500,000	25 March 2011	RMB/USD6.6438
Sell USD500,000	25 March 2011	RMB/USD6.7510
Sell USD500,000	25 March 2011	RMB/USD6.7500
Sell USD1,500,000	8 April 2011	RMB/USD6.7482
Sell USD1,500,000	8 April 2011	RMB/USD6.6398
Sell USD500,000	8 April 2011	RMB/USD6.7480
Sell USD500,000	8 April 2011	RMB/USD6.7470
Sell USD1,500,000	25 April 2011	RMB/USD6.7453
Sell USD1,500,000	25 April 2011	RMB/USD6.6338
Sell USD500,000	25 April 2011	RMB/USD6.7450
Sell USD500,000	25 April 2011	RMB/USD6.7441
Sell USD1,500,000	11 May 2011	RMB/USD6.6293
Sell USD1,500,000	11 May 2011	RMB/USD6.7423
Sell USD500,000	11 May 2011	RMB/USD6.7416
Sell USD500,000	11 May 2011	RMB/USD6.7409
Sell USD1,500,000	25 May 2011	RMB/USD6.7400
Sell USD1,500,000	25 May 2011	RMB/USD6.6244
Sell USD500,000	25 May 2011	RMB/USD6.7400
Sell USD1,500,000	10 June 2011	RMB/USD6.7358
Sell USD500,000	10 June 2011	RMB/USD6.7745
Sell USD1,500,000	24 June 2011	RMB/USD6.7327

20. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Notional amount	Maturity	Exchange rate
Sell USD500,000	24 June 2011	RMB/USD6.7715
Sell USD1,500,000	8 July 2011	RMB/USD6.7435
Sell USD500,000	8 July 2011	RMB/USD6.7685
Sell USD1,500,000	22 July 2011	RMB/USD6.7395
Sell USD500,000	22 July 2011	RMB/USD6.7645
Sell USD1,500,000	10 August 2011	RMB/USD6.7369
Sell USD500,000	10 August 2011	RMB/USD6.7610
Sell USD1,500,000	10 August 2011	RMB/USD6.7335
Sell USD500,000	10 August 2011	RMB/USD6.7580
Sell USD1,500,000	9 September 2011	RMB/USD6.5750
Sell USD500,000	9 September 2011	RMB/USD6.5750
Sell USD1,500,000	23 September 2011	RMB/USD6.5710
Sell USD500,000	23 September 2011	RMB/USD6.5710
Sell USD1,000,000	11 October 2011	RMB/USD6.5637
Sell USD500,000	11 October 2011	RMB/USD6.5685
Sell USD500,000	11 October 2011	RMB/USD6.5655
Sell USD1,000,000	25 October 2011	RMB/USD6.5612
Sell USD500,000	25 October 2011	RMB/USD6.5655
Sell USD500,000	25 October 2011	RMB/USD6.5618
Sell USD1,000,000	10 November 2011	RMB/USD6.5584
Sell USD500,000	10 November 2011	RMB/USD6.5620
Sell USD500,000	10 November 2011	RMB/USD6.5600
Sell USD1,000,000	25 November 2011	RMB/USD6.5564
Sell USD500,000	25 November 2011	RMB/USD6.5690
Sell USD500,000	25 November 2011	RMB/USD6.5578
Sell USD1,000,000	9 December 2011	RMB/USD6.5529
Sell USD500,000	9 December 2011	RMB/USD6.5560
Sell USD500,000	9 December 2011	RMB/USD6.5540
Sell USD1,000,000	23 December 2011	RMB/USD6.5500
Sell USD500,000	23 December 2011	RMB/USD6.5540
Sell USD500,000	23 December 2011	RMB/USD6.5525

At 31 December 2009, the major term of the interest rate swaps which classified as current liabilities are set out below:

Notional amount	Maturity	Swaps
USD4,800,000	25 March 2011	LIBOR+0.625% to 4.98%
USD3,200,000	25 March 2011	LIBOR+0.85% to 1.59%
USD10,000,000	25 March 2011	LIBOR+0.85% to 3.765%
USD5,000,000	25 March 2011	LIBOR+0.85% to 3.5%
USD5,000,000	25 March 2011	LIBOR+0.85% to 1.59%

20. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

At 31 December 2009, details of the outstanding forward foreign exchange contracts which classified as current liabilities of the Group is committed are as follows:

Payments of all swaps are being settled on the maturity date.

Notional amount	Maturity	Exchange rate
Sell USD4,000,000	8 January 2010	RMB/USD6.8247
Sell USD1,000,000	8 January 2010	RMB/USD6.8289
Sell USD4,000,000	22 January 2010	RMB/USD6.8267
Sell USD3,000,000	22 January 2010	RMB/USD6.8290
Sell USD4,000,000	9 February 2010	RMB/USD6.8210
Sell USD4,000,000	9 February 2010	RMB/USD6.8210
Sell USD1,000,000	9 February 2010	RMB/USD6.8233
Sell USD4,000,000	24 February 2010	RMB/USD6.8170
Sell USD3,000,000	24 February 2010	RMB/USD6.8182
Sell USD4,000,000	9 March 2010	RMB/USD6.8211
Sell USD1,500,000	9 March 2010	RMB/USD6.8215
Sell USD4,000,000	24 March 2010	RMB/USD6.8166
Sell USD1,500,000	24 March 2010	RMB/USD6.8170
Sell USD3,000,000	9 April 2010	RMB/USD6.8091
Sell USD1,000,000	9 April 2010	RMB/USD6.8211
Sell USD1,000,000	9 April 2010	RMB/USD6.8238
Sell USD3,000,000	23 April 2010	RMB/USD6.8055
Sell USD1,000,000	23 April 2010	RMB/USD6.8191
Sell USD1,000,000	23 April 2010	RMB/USD6.8205
Sell USD3,000,000	7 May 2010	RMB/USD6.8173
Sell USD1,000,000	7 May 2010	RMB/USD6.8200
Sell USD2,000,000	25 May 2010	RMB/USD6.8130
Sell USD1,500,000	25 May 2010	RMB/USD6.8096
Sell USD1,500,000	25 May 2010	RMB/USD6.8152
Sell USD1,000,000	25 May 2010	RMB/USD6.8121
Sell USD2,000,000	9 June 2010	RMB/USD6.8100
Sell USD1,500,000	9 June 2010	RMB/USD6.8081
Sell USD1,500,000	9 June 2010	RMB/USD6.8130
Sell USD1,000,000	9 June 2010	RMB/USD6.8100
Sell USD3,000,000	24 June 2010	RMB/USD6.8080
Sell USD1,000,000	24 June 2010	RMB/USD6.8080
Sell USD3,000,000	9 July 2010	RMB/USD6.8040
Sell USD1,000,000	9 July 2010	RMB/USD6.8080
Sell USD1,000,000	9 July 2010	RMB/USD6.8040
Sell USD3,000,000	23 July 2010	RMB/USD6.8000
Sell USD1,000,000	23 July 2010	RMB/USD6.8055
Sell USD1,000,000	23 July 2010	RMB/USD6.8000
Sell USD3,000,000	10 August 2010	RMB/USD6.8000
Sell USD1,000,000	10 August 2010	RMB/USD6.8035
Sell USD3,000,000	25 August 2010	RMB/USD6.8007
Sell USD1,000,000	25 August 2010	RMB/USD6.8017
Sell USD1,500,000	9 September 2010	RMB/USD6.8000
Sell USD1,000,000	24 September 2010	RMB/USD6.7970
Sell USD1,000,000	8 October 2010	RMB/USD6.7934
Sell USD1,000,000	22 October 2010	RMB/USD6.7894

20. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

All of the Group's derivative financial instruments are denominated in US Dollars which is other than the functional currency of the respective group entities.

21. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Bank balances carry interest at market rates which range from 0.1% to 0.36% (2009: 0.36% to 0.5%) per annum. The pledged bank deposits carry interest at market rates which range from 1.17% to 5.0% (2009: 1.95% to 4.75%) per annum.

Pledged bank deposits represent deposits pledged to banks to secure general banking facilities granted to the Group. None of the deposits have been pledged to secure short-term bank loans (2009: US$1,147,000). The pledged bank deposits was released upon the settlement of the relevant bank borrowings.

Included in bank balances is of approximately US$127,079,000 (2009: US$37,305,000) denominated in US Dollars which is other than the functional currency of the respective group entities.

22. TRADE AND OTHER PAYABLES

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

	2010 **US$'000**	2009 US$'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 US Dollars which is other than the functional currency of the respective group entities.

23. BANK BORROWINGS

	2010 US$'000	2009 US$'000
Bank loans	**318,145**	241,791
Secured	**–**	–
Unsecured	**318,145**	241,791
	318,145	241,791
Carrying amount repayable:		
Within one year	**81,058**	102,751
More than one year, but not exceeding two years	**212,087**	129,040
	293,145	231,791
Carrying amount of bank loan that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	**25,000**	10,000
	318,145	241,791
Less: Amount due within one year shown under current liabilities	**(106,058)**	(112,751)
	212,087	129,040

As at 31 December 2010, all bank borrowings of the Group carry variable interest rate at prevailing market rate ranging from LIBOR + 0.6% to LIBOR + 2.5% per annum.

As at 31 December 2009, all bank borrowings of the Group carry variable interest rate at prevailing market rate ranging from LIBOR + 0.2% to LIBOR + 3.3% per annum.

The average effective interest rates (which are also equal to contracted interest rates) on the variable-rate borrowings of the Group are as follows:

	2010	2009
Effective interest rate	**2.46%**	1.55%

All of the Group's bank borrowings are denominated in US Dollars. Included in the Group's bank borrowings are balances of approximately US$298,645,000 (2009: US$217,790,000) denominated in US Dollars which is other than the functional currency of the respective group entities.

23. BANK BORROWINGS (continued)

At the end of reporting period, the Group has the following undrawn borrowing facilities:

	2010 US$'000	2009 US$'000
Floating rates		
– expiring within one year	**344,178**	121,134
– expiring beyond one year	**22,420**	330,000
	366,598	451,134

24. SHARE CAPITAL

	Number of shares	Nominal value US$'000
Authorised:		
Ordinary shares at HK$0.1 each at 1 January 2009, 31 December 2009 and 2010	**5,000,000,000**	64,291
Issued and fully paid:		
Ordinary shares at HK$0.1 each at 1 January 2009, 31 December 2009 and 2010	**1,316,250,000**	16,925

25. SPECIAL RESERVE

The special reserve represents the differences between the nominal value of the shares of HannStar Board (Samoa) Holdings Corp ("HannStar Samoa") and the nominal value of the Company's shares issued thereof pursuant to a group reorganisation on 21 September 2006.

26. SHARE OPTION SCHEME

On 21 September 2006, a share option scheme (the "Share Option Scheme") was approved by a resolution of the sole shareholder and adopted by a resolution of the Board of Directors of the Company. The purpose of the Share Option Scheme is to motivate the eligible participants to optimise their performance efficiency for the benefit of the Group and to attract and retain or otherwise maintain on-going business relationship with the eligible participants whose contributions are or will be beneficial to the long-term growth of the Group, by providing them with the opportunity to have a personal stake in the Group. The Board may, at its discretion, offer to grant an option to any employees, directors and business partners of the Group to subscribe for new shares on the terms set out in the Share Option Scheme.

No option has been granted or agreed to be granted to any person under the Share Option Scheme since its adoption.

27. CAPITAL COMMITMENTS

	2010 US$'000	2009 US$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**19,591**	5,265

28. PLEDGE OF ASSETS

At the respective end of reporting period, the following assets were pledged to banks to secure general banking facilities granted to the Group:

	2010 US$'000	2009 US$'000
Bank deposits	**–**	1,147

For the year ended 31 December 2010, a bank borrowing of the Group has been fully settled and respective assets pledged released accordingly.

29. RETIREMENT BENEFITS PLANS

The employees of the Group's subsidiaries in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll costs to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the specified contributions.

30. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

The statement of financial position of the Company is as follows:

	Note	2010 US$'000	2009 US$'000
TOTAL ASSETS		**374,035**	351,258
TOTAL LIABILITIES		**(138,435)**	(184,438)
NET ASSETS		**235,600**	166,820
CAPITAL AND RESERVES			
Share capital		**16,925**	16,925
Reserves	(i)	**218,675**	149,895
TOTAL EQUITY		**235,600**	166,820

30. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

(i) Reserves of the Company

	Share premium US$'000	Contributed surplus US$'000 (Note)	Revaluation reserve US$'000	Translation reserve US$'000	(Accumulated losses) retained profits US$'000	Total US$'000
At 1 January 2009	58,119	82,140	–	252	(1,648)	138,863
Profit for the year	–	–	–	–	18,140	18,140
Other comprehensive income	–	–	1,270	(736)	–	534
Total comprehensive income and expense for the year	–	–	1,270	(736)	18,140	18,674
Dividend paid	–	–	–	–	(7,642)	(7,642)
At 31 December 2009	58,119	82,140	1,270	(484)	8,850	149,895
Profit for the year	–	–	–	–	78,828	78,828
Other comprehensive income	–	–	(1,270)	519	–	(751)
Total comprehensive income and expense for the year	–	–	(1,270)	519	78,828	78,077
Dividend paid	–	–	–	–	(9,297)	(9,297)
At 31 December 2010	**58,119**	**82,140**	**–**	**35**	**78,381**	**218,675**

Note: Contributed surplus represents the difference between the net assets of the subsidiaries and the nominal amount of the Company's shares issued in exchange thereof pursuant to the group reorganisation.

31. RELATED PARTY DISCLOSURES

(a) Related party transactions

Name of related party	Transaction	2010 US$'000	2009 US$'000
HannStar Taiwan	Purchase of plant and machinery	–	678
	Subcontracting fee expenses	**50,228**	43,876
HannStar (BVI)	Interest expense	**124**	234

(b) Related party balances

Details of the Group's outstanding balances with related parties are set out in the consolidated statement of financial position and in note 19.

31. RELATED PARTY DISCLOSURES (continued)

(c) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2010 **US$'000**	2009 US$'000
Short-term benefits	**230**	260

32. SUBSIDIARIES OF THE COMPANY

Particulars of the Company's subsidiaries at 31 December 2010 are set out below:

Name of subsidiary	Place of incorporation/ establishment	Place of operation	Issued and fully paid share capital/ registered capital	Interest holdings Direct %	Interest holdings Indirect %	Principal activities
HannStar Samoa	Independent State of Samoa	PRC	US$1	100	–	Investment holding and trading of PCB
HannStar Board Holdings (Hong Kong) Limited ("HannStar HK")	Hong Kong	PRC	US$212,970,000	100	–	Investment holding
Walsin Board Corporation	ROC	ROC	NTD143,300,000	100	–	Inactive
HannStar Jiangyin*	PRC	PRC	US$160,970,000	–	100	Manufacturing and sales of PCB
HannStar Precision*	PRC	PRC	US$53,000,000	–	100	Manufacturing and sales of PCB
HannStar Board International (Singapore) Private Limited	Singapore	Singapore	US$200,000	100	–	Trading of PCB

32. SUBSIDIARIES OF THE COMPANY (continued)

Particulars of the Company's subsidiaries at 31 December 2009 are set out below:

Name of subsidiary	Place of incorporation/ establishment	Place of operation	Issued and fully paid share capital/ registered capital	Interest holdings Direct %	Interest holdings Indirect %	Principal activities
HannStar Samoa	Independent State of Samoa	PRC	US$69,000,000	100	–	Investment holding and trading of PCB
Hannstar HK	Hong Kong	PRC	US$212,970,000	100	–	Investment holding
Walsin Board Corporation	ROC	ROC	NTD143,300,000	100	–	Inactive
HannStar Jiangyin*	PRC	PRC	US$160,970,000	–	100	Manufacturing and sales of PCB
HannStar Precision*	PRC	PRC	US$53,000,000	–	100	Manufacturing and sales of PCB
HannStar Board International (Singapore) Private Limited	Singapore	Singapore	US$200,000	100	–	Trading of PCB

* HannStar Jiangyin and HannStar Precision are wholly foreign owned enterprises.

None of the subsidiaries had issued any debt securities at the end of the year.

33. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year presentation to disclose the result of sale of scrap materials net of cost.

34. 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.

Financial Summary

RESULTS

	Year ended 31 December				
	2006 US$'000	2007 US$'000	2008 US$'000	2009 US$'000	**2010 US$'000**
Revenue	304,487	504,399	622,528	569,125	**677,445**
Profit for the year	30,801	58,068	50,669	61,350	**24,941**

ASSETS AND LIABILITIES

	As at 31 December				
	2006 US$'000	2007 US$'000	2008 US$'000	2009 US$'000	**2010 US$'000**
Total assets	484,869	672,404	713,241	731,804	**874,226**
Total liabilities	314,942	441,091	425,573	389,066	**503,906**
Shareholders' funds	169,927	231,313	287,668	342,738	**370,320**

Note: The Company was incorporated in the Cayman Islands on 17 May 2006 and became the holding company of the Group with effect on 21 September 2006 as a result of group reorganisation as set out in the prospectus dated 26 September 2006 issued by the Company.