THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this document or as to the actions to be taken, you should consult a licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in the Company, you should at once hand this document and the accompanying forms of proxy to the purchaser or the transferee or to the licensed securities dealer or registered institution in securities or other agent, through whom the sale or transfer was effected, for transmission to the purchaser or the transferee.

PSA

HannStar Board (BVI) Holdings Corp.

(Incorporated in the British Virgin Islands with limited liability)

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)

PROPOSED PRIVATISATION BY HANNSTAR BOARD (BVI) HOLDINGS CORP. OF HANNSTAR BOARD INTERNATIONAL HOLDINGS LIMITED BY WAY OF A SCHEME OF ARRANGEMENT UNDER SECTION 86 OF THE COMPANIES LAW OF THE CAYMAN ISLANDS

Financial Adviser to the Offeror

ING

Independent Financial Adviser to IBC

ALTUS CAPITAL LIMITED

A letter from the Board is set out on pages 14 to 20 of this document. An Explanatory Memorandum is set out on pages 47 to 65 of this document. The IBC Letter, containing the IBC's advice to the Independent Shareholders in respect of the Proposal, is set out on pages 21 to 22 of this document. The IFA Letter, containing the IFA's advice to the IBC in respect of the Proposal, is set out on pages 23 to 46 of this document.

Notices convening the Court Meeting and the EGM to be held at Concord Room 2-3, 8th Floor, Renaissance Harbour View Hotel, 1 Harbour Road, Wanchai, Hong Kong on Friday, 7 October 2011 at respectively 10:00 a.m. and 10:30 a.m. (or, in the case of the EGM, immediately after the conclusion or adjournment of the Court Meeting) are set out on pages 143 to 147 of this document.

Regardless of whether or not you are able to attend the Court Meeting and/or the EGM, you are strongly urged to complete and sign the enclosed pink form of proxy in respect of the Court Meeting (and the enclosed white form of proxy in respect of the EGM) in accordance with the instructions printed on them and to lodge them with the Company's share registrar (being Computershare Hong Kong Investor Services Limited, at 17M Floor Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong) as soon as possible, but in any event not later than the respective times and dates as stated under the paragraph headed "Actions to be Taken" in the section headed "Important Notice" on pages 1 to 3 of this document. The pink form of proxy in respect of the Court Meeting may also be returned in the manner set out under the paragraph headed "Actions to be Taken" in the section headed "Important Notice" on pages 1 to 3 of this document.

14 September 2011

CONTENTS

ACTIONS TO BE TAKEN

Actions to be taken by Independent Shareholders

If you are an Independent Shareholder, regardless of whether or not you are able to attend the Court Meeting and/or the EGM, you are strongly urged to complete and sign the enclosed pink form of proxy in respect of the Court Meeting (and the enclosed white form of proxy in respect of the EGM) in accordance with the instructions printed on them and to lodge them with the Share Registrar (being Computershare Hong Kong Investor Services Limited, at 17M Floor Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong) as soon as possible, but in any event not later than the respective times and dates as stated below.

In order to be valid, the pink form of proxy for use at the Court Meeting should be lodged not later than 10:00 a.m. on Wednesday, 5 October 2011 and the white form of proxy for use at the EGM should be lodged not later than 10:30 a.m. on Wednesday, 5 October 2011. The pink form of proxy in respect of the Court Meeting may alternatively be handed to the chairman of the Court Meeting at the Court Meeting if it is not so lodged.

The completion and return of a form of proxy for the Court Meeting or the EGM will not preclude you from attending and voting in person at the relevant meeting. In such event, the returned form of proxy will be deemed to have been revoked.

Actions to be taken by Beneficial Owners

Any Beneficial Owner whose Shares are registered in the name of a Registered Owner should contact such Registered Owner (or the appropriate intermediary) to give instructions to and/or to make arrangements with such Registered Owner as to the manner in which the Shares beneficially owned by the Beneficial Owner should be voted at the Court Meeting and/or the EGM.

Any Beneficial Owner whose Shares are deposited in CCASS and registered under the name of HKSCC Nominees must (unless such Beneficial Owner is an Investor Participant) contact their broker, custodian or nominee (or other relevant person who is or has in turn deposited such Shares with a CCASS participant) regarding voting instructions to be given to such persons if they wish to vote in respect of the Scheme.

Any Beneficial Owner who wishes to attend and vote at the Court Meeting and/or the EGM personally should contact the Registered Owner (or the appropriate intermediary) directly to make the appropriate arrangements with the Registered Owner to enable the Beneficial Owner to attend and vote at the Court Meeting and/or the EGM and, for such purpose, the Registered Owner may appoint the Beneficial Owner as its proxy.

Any Beneficial Owner who wishes to vote at the Court Meeting and be counted towards the number of Scheme Shareholders present and voting at the Court Meeting for or against the Scheme (as required under Section 86 of the Companies Law) must have his/her/its name entered in the register of members of the Company before the Court Meeting.

Further details are set out under paragraph 20 headed "Court Meeting and the EGM" and paragraph 22 headed "Actions to be taken by the Independent Shareholders" in the Explanatory Memorandum.

EXERCISE YOUR RIGHT TO VOTE

If you are an Independent Shareholder, we strongly encourage you to exercise your right to vote or give instructions to the relevant Registered Owner to vote at the Court Meeting and at the EGM.

If you are acting as a Registered Owner, you should inform the Beneficial Owners about the importance of exercising their vote.

If you are a Beneficial Owner and you wish to attend and vote at the Court Meeting and/or the EGM personally, please refer to the instructions set out under the paragraph headed "Actions to be taken by Beneficial Owners" above.

If you are in any doubt as to the action to be taken, you are encouraged to consult your licensed securities dealer or other registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

The actions which you are required to take in relation to the Proposal are set out under paragraph 20 headed "Court Meeting and the EGM" and paragraph 22 headed "Actions to be taken by the Independent Shareholders" in the Explanatory Memorandum.

NOTICE TO US SHAREHOLDERS

The Proposal relates to the Shares in the ordinary share capital of the Company (being an exempted company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Stock Exchange), and is proposed to be implemented by way of a scheme of arrangement under the Companies Law and applicable rules and regulations in Hong Kong. Accordingly, the Scheme is subject to disclosure requirements, rules and practices applicable in the Cayman Islands and Hong Kong, and the information disclosed in this document may not be the same as that which would have been disclosed if this document had been prepared for the purpose of complying with the requirements of the US federal securities laws or in accordance with the laws or regulations of any other jurisdiction. The financial information included in this document has been prepared in accordance with the Hong Kong Financial Reporting Standards and thus may not be comparable to financial information of US companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the US. In addition, the settlement procedure with respect to the Proposal will comply with the rules of the Takeovers Code and the Companies Law, which differ from US domestic settlement procedures in certain material respects, particularly with regard to the date of payment of consideration.

It may be difficult for US Shareholders to enforce their rights and any claim arising out of US securities law, since the Offeror and the Company are incorporated outside the US, some or all of their respective officers and directors are resident outside the US and a substantial portion of their respective assets are located outside the US. US Shareholders may not be able to sue a non-US incorporated company or its officers or directors in a non-US court for violations of US securities laws, or enforce against them a judgement rendered by a US court. Further, it may be difficult to compel a non-US incorporated company and its affiliates to subject themselves to a US court's jurisdiction.

Neither the US Securities and Exchange Commission nor any other US federal or state securities commission or regulatory authority has approved or disapproved or passed upon the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the US.

Shareholders may obtain free copies of this document at the website maintained by the Stock Exchange at www.hkexnews.hk.

In this document, the following expressions have the meanings respectively set opposite them, unless the context otherwise requires:

"2010 Final Dividend"	the amount of HK$0.022 per Share, being the final dividend for the year ended 31 December 2010 which was paid on 16 June 2011
"acting in concert"	has the meaning ascribed to it under the Takeovers Code, and "persons acting in concert" and "concert parties" will be construed accordingly
"Adjusted NTA per Share"	the value per Share as derived from dividing the audited consolidated net tangible asset value of the Company as at 31 December 2010 (adjusted to take into account the 2010 Final Dividend) by the number of the issued Shares
"AGM"	the annual general meeting of the Company which was held on 20 May 2011 to approve, among other things, the 2010 Final Dividend
"Altus"	Altus Capital Limited, a corporation licensed under the SFO to conduct Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities, being the IFA
"Announcement"	the announcement dated 8 August 2011 issued jointly by the Company and the Offeror in relation to the Proposal
"associate"	has the meaning ascribed to it under the Takeovers Code
"Authorisations"	all necessary approvals, licences, consents, registrations, filing, rulings, permits and authorisations which may be required from any Authority in connection with the Proposal
"Authority"	any relevant government, quasi-governmental, supranational, regulatory, administrative or investigative body, court, tribunal, arbitrator, agency, authority or department in any jurisdiction
"Beneficial Owner"	any beneficial owner of Shares registered in the name of any nominee, custodian, trustee, depository or any other third party

"Board"	the board of directors of the Company
"Board Letter"	the letter from the Board to the Shareholders, as set out in the section headed "Letter from the Board" on pages 14 to 20 of this document
"Business Day"	a day other than a Saturday, Sunday or public holiday in Hong Kong or the Cayman Islands
"Cancellation Consideration"	the consideration of HK$1.25 in cash for every Scheme Share cancelled
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"Company"	HannStar Board International Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the main board of the Stock Exchange
"Conditions"	the conditions to the Scheme set out under paragraph 4 headed "Conditions of the Proposal" in the Explanatory Memorandum
"Court Meeting"	a meeting of the Scheme Shareholders to be convened at the direction of the Grand Court for the purpose of approving the Scheme (which will be held at Concord Room 2-3, 8th Floor, Renaissance Harbour View Hotel, 1 Harbour Road, Wanchai, Hong Kong at 10:00 a.m. on 7 October 2011), or any adjournment of such meeting
"Directors"	directors of the Company
"Effective Date"	the date on which the Scheme becomes effective

"EGM"	an extraordinary general meeting of the Company to be convened immediately following the close of the Court Meeting for the purpose of approving the Reduction and the application of the credit arising in its books of account as a result of the Reduction to pay up in full and issue the New Shares to the Offeror (which will be held at Concord Room 2-3, 8th Floor, Renaissance Harbour View Hotel, 1 Harbour Road, Wanchai, Hong Kong at 10:30 a.m. on 7 October 2011, or as soon as the Court Meeting has been concluded or adjourned), or any adjournment of such meeting
"Executive"	the Executive Director of the Corporate Finance Division of the SFC (or any delegate of the Executive Director)
"Explanatory Memorandum"	the explanatory memorandum issued in compliance with the rules of the Grand Court, which is set out on pages 47 to 65 of this document
"Facility"	the bank facility which the Offeror has obtained for the purpose of financing the Proposal
"Grand Court"	the Grand Court of the Cayman Islands
"Grand Court Hearing"	the Grand Court's hearing of the petition to sanction the Scheme and to confirm the Reduction
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IBC"	the independent committee of the Board formed for the purpose of advising the Independent Shareholders as to what action they should take in relation to the Proposal

"IBC Letter"	the letter from the IBC to the Independent Shareholders, as set out in the section headed "Letter from the IBC" on pages 21 to 22 of this document
"IFA"	the independent financial adviser appointed to advise the IBC on the Proposal, being Altus
"IFA Letter"	the letter from the IFA to the IBC, as set out in the section headed "Letter from the IFA" on pages 23 to 46 of this document
"Independent Shareholders"	the Shareholders (other than the Offeror, the Parent and other persons acting in concert with any one of them, including ING Investment LLC)
"ING"	ING Bank, N.V., a registered institution under the SFO, registered to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities, being the financial adviser to the Offeror in connection with the Proposal
"Investor Participant"	a person admitted to participate in CCASS as an investor participant
"IPO"	the listing of the Shares on the Stock Exchange on 6 October 2006
"JLLS"	Jones Lang LaSalle Sallmanns Limited
"Last Accounting Date"	31 December 2010, being the date to which the latest published audited consolidated financial statements of the Company were made up
"Last Trading Date"	29 July 2011, being the last full trading day prior to the suspension of trading in the Shares pending the issue of the Announcement
"Latest Practicable Date"	9 September 2011, being the latest practicable date prior to the printing of this document
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange

"Long Stop Date"	30 April 2012 (or such later date as the Offeror and the Company may agree in writing or as the Grand Court on the application of the Offeror or the Company may allow)
"New Shares"	the new Shares to be issued to the Offeror pursuant to the Scheme, the number of which is equal to the number of Scheme Shares to be cancelled
"Notice of the Court Meeting"	the notice of the Court Meeting as set out on pages 143 to 144 of this document
"Notice of the EGM"	the notice of the EGM as set out on pages 145 to 147 of this document
"NT$"	New Taiwan Dollars, the lawful currency of Taiwan
"Offer Period"	the period from the date of the Announcement until the earlier of: (i) the Effective Date; (ii) the date on which the Scheme lapses; or (iii) the date on which an announcement is made for the withdrawal of the Scheme
"Offeror"	HannStar Board (BVI) Holdings Corp., a company incorporated in the British Virgin Islands on 31 December 2001, the immediate holding company of the Company and a direct wholly-owned subsidiary of the Parent
"Offeror Board"	the board of directors of the Offeror
"Offeror Directors"	the directors of the Offeror
"Offeror Group"	the Offeror, the Parent and the subsidiaries of the Parent (other than the Group)
"Parent"	HannStar Board Corporation (瀚宇博德股份有限公司), a company incorporated in Taiwan with limited liability on 22 March 1989 and whose shares are listed on Taiwan Stock Exchange

"PCB"	printed circuit board, the board that the electronics is mounted on, usually made from a copper-coated insulator that has the circuit chemically etched onto one or both sides. The board is then drilled and the components are fitted into the holes and then soldered to the remaining copper
"person"	any natural person, firm, company, joint venture, partnership, corporation, association or other entity (whether or not having a separate legal personality) or any of them as the context so requires
"PRC"	the People's Republic of China
"Proposal"	the proposed privatisation of the Company by the Offeror by way of the Scheme
"Proxy Form"	the pink form of proxy in respect of the Court Meeting and the white form of proxy in respect of the EGM, which are enclosed with this document for the Independent Shareholders
"Record Date"	8 December 2011 (or such later date as the Company and the Offeror may agree), being the record date for determining entitlements under the Scheme
"Record Time"	4:00 p.m. on the Record Date (Hong Kong time)
"Reduction"	the proposed reduction of the issued share capital of the Company by cancelling and extinguishing the Scheme Shares
"Registered Owner"	any nominee, custodian, trustee, depository or any other third party who is the registered holder of Shares
"Registrar of Companies"	the registrar of companies appointed under the Companies Law
"Relevant Period"	the period commencing on the date six months before the commencement date of the Offer Period and ending on the Latest Practicable Date
"RMB"	Renminbi, the lawful currency of the PRC

"Scheme"	a scheme of arrangement under Section 86 of the Companies Law for the implementation of the Proposal
"Scheme Shareholders"	the Shareholders other than the Offeror
"Scheme Shares"	the Shares held by the Scheme Shareholders
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
"Share Option Scheme"	the share option scheme adopted by the Company on 21 September 2006
"Share Registrar"	the Company's share registrar, being Computershare Hong Kong Investor Services Limited
"Shareholders"	registered holders of Shares whose names appear on the Company's register of members
"Shares"	ordinary shares of HK$0.10 each in the capital of the Company
"SOA"	the scheme of arrangement which contains the terms of the Scheme, as set out in the section headed "Scheme of arrangement" on pages 136 to 142 of this document
"sq.ft."	square feet
"STB"	acronym for set-top box, a device that connects to a television and some external source of signal, and turns the signal into content, which is then displayed on the screen
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Taiwan Stock Exchange"	the Taiwan Stock Exchange Corporation
"Takeovers Code"	the Code on Takeovers and Mergers of Hong Kong

"US"	the United States of America
"US$"	US dollars, the lawful currency of the US
"%"	per cent

Unless otherwise specified in this document, translations among US$, HK$ and RMB are made in this document, for illustration only, at the rate of US$1.00 to HK$7.80 and at the rate of RMB6.39 to US$1.00. No representation is made that any amounts in US$, HK$ or RMB could have been or could be converted at that rate or at any other rate.

	Hong Kong time (unless otherwise stated)
Latest time for lodging transfers of the Shares in order to qualify for attending and voting at the Court Meeting and the EGM	4:30 p.m. on Tuesday, 4 October 2011
Register of members of the Company closed for determination of entitlements of the relevant Shareholders to attend and vote at the Court Meeting and at the EGM (Note 1)	Wednesday, 5 October 2011 to Friday, 7 October 2011 (both days inclusive)
Latest time for lodging forms of proxy with the Share Registrar in respect of the:	
Court Meeting (Note 2)	10:00 a.m. on Wednesday, 5 October 2011
EGM (Note 2)	10:30 a.m. on Wednesday, 5 October 2011
Suspension of dealing in the Shares	9:00 a.m. on Friday, 7 October 2011
Court Meeting (Note 3)	10:00 a.m. on Friday, 7 October 2011
EGM (Note 3)	10:30 a.m. on Friday, 7 October 2011 (or immediately after the conclusion or adjournment of the Court Meeting)
Announcement of the results of the Court Meeting and the EGM published on the website of the Stock Exchange and the website of the Company	no later than 7:00 p.m. on Friday, 7 October 2011
Resumption of dealing in the Shares	9:00 a.m. on Monday, 10 October 2011
Latest time for dealing in the Shares	4:00 p.m. on Thursday, 24 November 2011
Grand Court Hearing (Note 4)	Thursday, 24 November 2011
Announcement of the results of Grand Court Hearing	no later than 7:00 p.m. on Friday, 25 November 2011

Announcement of: (1) the Effective Date;
and (2) the withdrawal of listing of the Company
from the Stock Exchange . . . . no later than 7:00 p.m. on
Monday, 5 December 2011

Latest time for lodging transfers of the Shares
to qualify for entitlements under the Scheme . 4:30 p.m. on Wednesday, 7 December 2011

Register of members of the Company closed for
determination of the Scheme Shareholders who are
qualified for entitlements under the Scheme. . . . . Thursday, 8 December 2011

Record Time . . . . .4:00 p.m. on Thursday, 8 December 2011

Effective Date *(Notes 4&5)* . . . . .Thursday, 8 December 2011

Withdrawal of the listing of the Shares on
the Stock Exchange . . . . 9:00 a.m. on Friday, 9 December 2011

Cheques for the Cancellation Consideration under
the Scheme to be despatched on or before *(Note 6)*. . . . . Friday, 16 December 2011

Shareholders and investors should note that the timetable is subject to change. A further announcement will be made in the event that there is any material change to the expected timetable.

Notes:

(1) The closure of the register of members of the Company during this period is not for the purpose of determining entitlements under the Scheme. Instead, it is for the purpose of determining entitlements of the Independent Shareholders to attend and vote at the Court Meeting and the EGM.

(2) The Proxy Forms are to be completed and signed in accordance with the instructions printed on them and then submitted in accordance with the terms set out under the paragraph headed "Actions to be Taken" in the section headed "Important Notice" on pages 1 to 3 of this document.

(3) The Court Meeting and the EGM will be held at Concord Room 2-3, 8th Floor, Renaissance Harbour View Hotel, 1 Harbour Road, Wanchai, Hong Kong at the times and dates specified above, details of which are set out in the Notice of the Court Meeting and the Notice of the EGM.

(4) All references in this document to times and dates are references to Hong Kong times and dates, other than references to the expected dates of: (a) the Grand Court Hearing; and (b) the Effective Date, which are the relevant dates in the Cayman Islands. Cayman Islands time is 13 hours behind Hong Kong time.

(5) The Scheme will become effective upon all the Conditions having been satisfied or waived, as applicable.

(6) The cheques to the Scheme Shareholders for the Cancellation Consideration will be despatched by post on or before 16 December 2011. For further details, please refer to paragraph 17 headed "Registration and Payment" in the Explanatory Memorandum.

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)

Executive Directors:
Mr. Yeh Shin-jiin
Mr. Lai Wei-chen
Mr. Chen Kuen-hwang

Non-executive Directors:
Mr. Chang Chia-ning
Ms. Cao Jianhua

Independent Non-executive Directors:
Mr. Chao Yuan-san
Ms. Chen Shun Zu, Deborah
Mr. Yeh Yu-an
Ms. Chang Pi-lan
Mr. Yen Chin-chang

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

Principal place of business in Hong Kong:
Level 28, Three Pacific Place
1 Queen's Road East
Hong Kong

14 September 2011

To the Shareholders

Dear Sir or Madam,

PROPOSED PRIVATISATION
BY
HANNSTAR BOARD (BVI) HOLDINGS CORP.
OF
HANNSTAR BOARD INTERNATIONAL HOLDINGS LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT UNDER SECTION 86 OF THE COMPANIES LAW OF THE CAYMAN ISLANDS

1. INTRODUCTION

On 5 August 2011, the Offeror requested the Board to put forward the Proposal to the Independent Shareholders which, if approved and implemented, would result in the Company becoming wholly-owned by the Offeror and the withdrawal of the listing of the Shares on the Stock Exchange in accordance with Rule 6.15 of the Listing Rules.

The Proposal will be implemented by way of a scheme of arrangement under Section 86 of the Companies Law. If the Scheme becomes effective, the Scheme Shares will be cancelled and the New Shares will be issued as fully paid to the Offeror.

In compliance with Rule 2.1 of the Takeovers Code, the Board has established the IBC, which will advise the Scheme Shareholders in respect of the Proposal. The IBC has approved the appointment of Altus as the IFA to advise the IBC in respect of the Proposal.

The purpose of this document is to provide you with further information regarding the Proposal and to give notices of the Court Meeting and the EGM.

Your attention is drawn to the following sections of this document: (i) the IBC Letter; (ii) the IFA Letter; (iii) the Explanatory Memorandum; (iv) the Notice of the Court Meeting; (v) the Notice of the EGM; and (vi) the Proxy Forms.

2. TERMS OF THE PROPOSAL

Terms of the Scheme

The Proposal is to be implemented by way of a scheme of arrangement under Section 86 of the Companies Law. Subject to the satisfaction or waiver (as applicable) of the Conditions, the Scheme will be implemented and the Scheme Shares will be cancelled and, as consideration, all of the Scheme Shareholders whose names appear on the register of members of the Company at the Record Time will be entitled to receive from the Offeror the Cancellation Consideration:

HK$1.25 in cash . . . . .for every Scheme Share cancelled

No dividends or other distributions have been or will be declared by the Company from the date of the Announcement up to the earlier of the Effective Date, the date on which the Scheme lapses or is withdrawn, both dates inclusive.

Your attention is drawn to: (i) paragraph 9 headed "Comparison of Value" in the Explanatory Memorandum for a comparison of the recent market prices, assets and other values of the Shares; and (ii) paragraph 10 headed "2010 Final Dividend" in the Explanatory Memorandum.

Total cash consideration

If the Proposal is implemented, the aggregate Cancellation Consideration payable by the Offeror in cash under the Proposal will be approximately HK$412 million. This is calculated by multiplying the Cancellation Consideration of HK$1.25 per Share by the number of the issued Shares which are not held by the Offeror as at the Latest Practicable Date (i.e. 329.2 million).

3. CONDITIONS OF THE PROPOSAL

The Proposal is subject to the fulfilment or waiver (as applicable) of the Conditions. When the Conditions are fulfilled or waived (as applicable), the Scheme will become effective and binding on the Company, the Offeror and the Scheme Shareholders.

For details of the Conditions, your attention is drawn to paragraph 4 headed "Conditions of the Proposal" in the Explanatory Memorandum.

The Offeror reserves the right to waive Conditions (e), (f), (g), (h) and (i) as set out in paragraph 4 headed "Conditions of the Proposal" in the Explanatory Memorandum, either in whole or in respect of any particular matter. None of the Conditions (a) to (d) as set out in paragraph 4 headed "Conditions of the Proposal" in the Explanatory Memorandum is waiveable. All of the Conditions must be fulfilled or waived (as applicable) on or before the Long Stop Date, otherwise the Proposal will lapse. As at the Latest Practicable Date, none of the Conditions has been fulfilled or waived.

Shareholders and investors should note that the implementation of the Proposal is subject to the Conditions being fulfilled or waived, as applicable. Therefore, the Proposal may or may not become effective. Shareholders and investors should exercise caution when dealing in the Shares.

Shareholders and investors should rely only on the announcements by the Company and/or the Offeror from time to time on this matter.

4. SHAREHOLDING STRUCTURE

As at the Latest Practicable Date, there were 1,316,250,000 Shares in issue. The Offeror, the Parent and any parties acting in concert with any one of them (including ING Investments LLC, an affiliate of ING) together held 987,288,000 Shares (representing approximately 75.01% of the Shares in issue) out of which 987,050,000 Shares were held by the Offeror and 238,000 Shares were held by ING Investments LLC as a discretionary fund manager.

As at the Latest Practicable Date, the Scheme Shareholders held an aggregate of 329,200,000 Shares (representing approximately 25.01% of the Shares in issue), out of which 238,000 were held by ING Investments LLC, an affiliate of ING, as a discretionary fund manager and the remaining of which were all held by the Independent Shareholders.

Save as disclosed under paragraph 8 headed "Effects of the Scheme" in the Explanatory Memorandum, the Offeror, the Parent and other persons acting in concert with any one of them (including the Offeror Directors) did not hold any other types of securities in the Company as at the Latest Practicable Date.

The Shares owned by the Offeror will not form part of the Scheme Shares and the Offeror will not vote at the Court Meeting. All the Independent Shareholders will be entitled to vote at the Court Meeting and all the Shareholders will be entitled to vote at the EGM. The persons acting in concert with the Offeror or the Parent will, in compliance with the Takeovers Code, abstain from voting in the Court Meeting.

Your attention is drawn to: (i) paragraph 2 headed "Issued Shares and Details of Warrants, Options and Conversion Rights" in the Explanatory Memorandum; and (ii) paragraph 8 headed "Effects of the Scheme" in the Explanatory Memorandum.

5. REASONS FOR THE PROPOSAL AND BENEFITS TO THE SHAREHOLDERS

The Directors (other than members of the IBC, whose views are set out in the IBC Letter) are of the view that the terms of the Proposal are attractive to the Independent Shareholders and that the proposed privatisation of the Company will be beneficial to the Independent Shareholders, and have decided to put forward the Proposal to the Independent Shareholders for their consideration.

Your attention is drawn to paragraph 11 headed "Reasons for the Proposal and Benefits to the Shareholders" in the Explanatory Memorandum.

6. OFFEROR'S AND DIRECTORS' INTENTION REGARDING THE COMPANY

It is the intention of the Offeror to continue the existing businesses of the Group upon the successful privatisation of the Company.

The Offeror has no plan, in the event that the Scheme becomes effective, to: (i) make any material changes to the existing businesses of the Group (including any redeployment of the fixed assets of the Group); or (ii) make any changes to the continued employment of the employees of the Group, as a result of the Proposal. The Board notes that the Offeror has stated its intention in respect of the businesses and employees of the Group upon the successful privatisation of the Group described above, and welcomes such intention.

On the other hand, the Offeror will continue to assess any business opportunity that may arise from time to time involving the business and/or assets of the Group and will formulate strategic corporate planning as and when appropriate (including the possible listing of all or part of the business or assets of the Group in an appropriate securities exchange at an appropriate time).

The Directors are of the view that, as and when appropriate, the Directors may consider a possible listing of all or part of the business or assets of the Group at an appropriate securities exchange if such listing would be in the interests of the Company and its then Shareholders. The Directors do not have any concrete plan to apply for a listing of all or part of the business or assets of the Group on any stock exchange if the Shares are delisted from the Stock Exchange after the Proposal is successfully implemented.

7. INFORMATION ON THE COMPANY AND THE OFFEROR

Your attention is drawn to: (i) paragraph 12 headed "Information of the Group" in the Explanatory Memorandum; (ii) paragraph 13 headed "Information on the Offeror Group" in the Explanatory Memorandum; (iii) the section headed "Financial Information on the Group" set out in Appendix I to this document; and (iv) the "Property Valuation" set out in Appendix II to this document.

8. OVERSEAS SHAREHOLDERS

Your attention is drawn to paragraph 18 headed "Overseas Shareholders" in the Explanatory Memorandum.

9. COURT MEETING AND THE EGM

In accordance with the direction of the Grand Court, the Court Meeting will be held for the purpose of considering and, if thought fit, passing a resolution to approve the Scheme (with or without modifications).

The Scheme will be subject to the approval of the Independent Shareholders at the Court Meeting in the manner referred to under paragraph 4 headed "Conditions of the Proposal" in the Explanatory Memorandum.

The resolution will be passed if a majority in number of the Independent Shareholders (present in person or by proxy) vote in favour of the resolution and the Scheme Shares held by them represent not less than three-fourths in value of the Scheme Shares voted at the Court Meeting.

In addition, in compliance with Rule 2.10 of the Takeovers Code, the Scheme will only be implemented if the Scheme is approved by at least 75% of the vote attaching to the Scheme Shares held by the Independent Shareholders that are cast either in person or by proxy at the Court Meeting and the number of votes cast against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to the Scheme Shares held by the Independent Shareholders.

The EGM will be held for the purpose of considering and, if thought fit, passing a special resolution to approve and give effect to the Reduction and an ordinary resolution to apply the credit arising in its books of account as a result of the Reduction to pay up in full and issue the New Shares to the Offeror. The special resolution will be passed if it is approved by not less than three-fourths of the votes cast by the Shareholders (present in person or by proxy) at the EGM whereas the ordinary resolution will be passed provided that it is approved by a simple majority of the votes cast by the Shareholders present and voting, either in person or by proxy, at the EGM. All the Shareholders will be entitled to attend and vote on both resolutions at the EGM.

For further details of the Court Meeting and the EGM, your attention is drawn to paragraph 20 headed "Court Meeting and the EGM" in the Explanatory Memorandum.

The Court Meeting will be held at the time and the place specified in the Notice of the Court Meeting. A pink form of proxy for use at the Court Meeting is enclosed with this document.

The EGM will be held at the time (or immediately after the conclusion or adjournment of the Court Meeting) and the place specified in the Notice of the EGM. A white form of proxy for use at the EGM is enclosed with this document.

If a "black" rainstorm warning signal or a tropical cyclone warning signal number 8 or above is in force in Hong Kong at any time between 6:00 a.m. and 10:00 a.m. on Friday, 7 October 2011, the Court Meeting and the EGM will not be held on that day and an announcement will be made in such event.

10. RESOLUTIONS TO BE TAKEN BY WAY OF A POLL

Pursuant to Rule 13.39 of the Listing Rules, any vote of the shareholders at a general meeting must be taken by poll and the relevant listed company must announce the results of the poll in accordance with the Listing Rules.

Accordingly, the resolution to be proposed at the Court Meeting and the resolutions regarding the Reduction and the application of the credit arising in its books of account as a result of the Reduction to pay up in full and issue the New Shares to the Offeror to be proposed at the EGM will both be taken by way of a poll. The results of the Court Meeting and the EGM are expected to be published on the respective website of the Stock Exchange and the Company on or no later than 7:00 p.m. on the date of the Court Meeting and the EGM.

11. ACTIONS TO BE TAKEN

The actions which you are required to take in relation to the Proposal are set out in paragraph 22 headed "Actions to be Taken by the Independent Shareholders" in the Explanatory Memorandum.

12. RECOMMENDATIONS

The IBC (comprising Mr. Chao Yuan-san, Ms. Chen Shun Zu, Deborah, Mr. Yeh Yu-an, Ms. Chang Pi-lan and Mr. Yen Chin-chang, all being the independent non-executive Directors and Ms. Cao Jianhua, being the non-executive Director) has been formed to advise the Independent Shareholders as to what action they should take in respect of the Proposal, whether the Proposal is, or is not, fair and reasonable and in the interest of the Independent Shareholders and as to voting for or against the resolutions in the Court Meeting and in the EGM.

Mr. Chang Chia-ning (being another non-executive Director) is interested in certain shares in Walsin Technology Corporation, which beneficially owns approximately 19.97% of the issued share capital of the Parent as at the Latest Practicable Date. In order to avoid any perceived conflict of interest, it was decided that Mr. Chang Chia-ning should not become a member of the IBC.

Your attention is drawn to the recommendations of the IBC and the advice of the IFA in respect of the Proposal, as set out in the IBC Letter and the IFA Letter respectively.

13. SHARE CERTIFICATES, DEALINGS, LISTING, REGISTRATION AND PAYMENT

Your attention is drawn to: (i) paragraph 16 headed "Share Certificates, Dealings and Listing" in the Explanatory Memorandum; and (ii) paragraph 17 headed "Registration and Payment" in the Explanatory Memorandum.

14. TAXATION, EFFECTS AND LIABILITIES

It is emphasised that none of the Company, the Offeror, ING and Altus (nor any of their respective directors or associates, or any other person involved in the Proposal) accepts responsibility for any tax or other effects on (or liabilities of) any person as a result of the implementation or otherwise of the Proposal.

Your attention is drawn to paragraph 19 headed "Taxation" in the Explanatory Memorandum and, if you are in any doubt as to any aspect of this document or as to the actions to be taken, you should consult an appropriately qualified professional adviser.

15. FURTHER INFORMATION

Your attention is drawn to the following sections of this document: (i) the other paragraphs in the Explanatory Memorandum; (ii) the financial information on the Group set out in Appendix I to this document; (iii) the valuation of the Group's properties set out in Appendix II to this document; (iv) general information set out in Appendix III to this document; (v) the SOA; (vi) the Notice of the Court Meeting; (vii) the Notice of the EGM; and (viii) the Proxy Forms.

Yours faithfully,
For and on behalf of the Board of
HannStar Board International Holdings Limited
Chang Chia-ning
Chairman of the Board

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)

14 September 2011

To the Independent Shareholders

Dear Sir or Madam,

**PROPOSED PRIVATISATION
BY
HANNSTAR BOARD (BVI) HOLDINGS CORP.
OF
HANNSTAR BOARD INTERNATIONAL HOLDINGS LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT UNDER SECTION 86 OF
THE COMPANIES LAW OF THE CAYMAN ISLANDS**

We refer to the document dated 14 September 2011 jointly issued by the Company and the Offeror in relation to the Proposal (the "Scheme Document"), of which this letter forms part. Terms defined in the Scheme Document have the same meanings in this letter unless the context otherwise requires.

For the purpose of the Proposal, we have been appointed as members of the IBC to give recommendations to the Independent Shareholders in respect of the Proposal. Altus has been appointed with our approval as the IFA in respect of the Proposal. Details of the advice from Altus and the principal factors which Altus has taken into consideration in arriving at its recommendation are set out in the IFA Letter.

We also wish to draw the attention of the Independent Shareholders to the additional information set out in the Explanatory Memorandum and the appendices to the Scheme Document.

Recommendations

Having reviewed the terms of the Proposal and the IFA Letter, we have concluded that the terms of the Scheme are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend that the Independent Shareholders vote in favour of the resolution to approve the Scheme at the Court Meeting and the Shareholders vote in favour of the resolutions to approve and give effect to the Reduction and the application of the credit arising in its books of account as a result of the Reduction to pay up in full and issue the New Shares to the Offeror at the EGM.

Yours faithfully,
Independent Committee of the Board

Mr. Chao Yuan-san
Independent Non-executive Director

Ms. Chang Pi-lan
Independent Non-executive Director

Ms. Chen Shun Zu, Deborah
Independent Non-executive Director

Mr. Yen Chin-chang
Independent Non-executive Director

Mr. Yeh Yu-an
Independent Non-executive Director

Ms. Cao Jianhua
Non-executive Director

The following is the text of a letter of advice from Altus Capital to the IBC and the Independent Shareholders in respect of the Proposal which has been prepared for the purpose of inclusion in this scheme document.

ALTUS CAPITAL LIMITED
8/F Hong Kong Diamond Exchange Building
8 Duddell Street, Central
Hong Kong

14 September 2011

To the IBC and the Independent Shareholders of
HannStar Board International Holdings Limited

Dear Sir or Madam,

PROPOSED PRIVATISATION BY HANNSTAR BOARD (BVI) HOLDINGS CORP. OF HANNSTAR BOARD INTERNATIONAL HOLDINGS LIMITED BY WAY OF A SCHEME OF ARRANGEMENT UNDER SECTION 86 OF THE COMPANIES LAW OF THE CAYMAN ISLANDS

INTRODUCTION

We refer to our appointment as independent financial adviser to advise the IBC and Independent Shareholders in respect of the Proposal. Details of the Proposal are set out in the scheme document of the Company dated 14 September 2011 ("Scheme Document") to the Shareholders, of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Scheme Document unless the context requires otherwise.

The Offeror and the Company jointly announced that the Offeror requested the Board to put forward the Proposal to the Independent Shareholders. The Proposal, if successfully implemented and completed, will result in the Company becoming a wholly-owned subsidiary of the Offeror. Upon the Proposal becoming effective, the listing of the Company on the Stock Exchange will be withdrawn.

As at the Latest Practicable Date, the total number of Shares in issue is 1,316,250,000, of which 987,050,000 Shares (representing approximately 74.99% of the Shares in issue) are held by the Offeror and 329,200,000 Shares (representing approximately 25.01% Shares were held by Scheme Shareholders.

A Scheme Shareholder, ING Investments LLC being a discretionary fund manager, is an affiliate of ING (financial adviser to the Offeror) and is holding 238,000 Scheme Shares. The other remaining 328,962,000 Scheme Shares are held by Independent Shareholders. Other than the 238,000 Shares held by ING Investments LLC, neither the Offeror nor any of the parties acting in concert with it owns, controls or directs any Scheme Shares or holds any convertible securities, warrants, or options (or other outstanding derivative) in respect of the Shares. Shares held by ING Investments LLC will form part of the Scheme Shares and will be cancelled upon the Proposal becoming effective.

Other than the Offeror and ING Investments LLC, no Shareholder has a material interest in the Proposal and accordingly, all Shareholders other than the Offeror and ING Investments LLC are "disinterested shareholders" for the purpose of the Takeovers Code. Accordingly, other than the Offeror and ING Investments LLC, no Shareholder is required to abstain from voting at the Court Meeting.

All Shareholders will be entitled to attend the EGM and vote on (i) the Reduction; and (ii) the application of credit arising as a result of the Reduction to pay up in full and issue the New Shares to the Offeror.

The IBC has been established to give advice and recommendation to the Independent Shareholders in relation to the Proposal. The IBC has approved our appointment as the independent financial adviser to advise the IBC and the Independent Shareholders as to whether the terms of the Proposal are fair and reasonable so far as the Independent Shareholders are concerned, and to give our opinion to the IBC in relation to the Proposal for their consideration in making recommendation to the Independent Shareholders.

The IBC comprises Mr. Chao Yuan-san, Ms. Chang Pi-lan, Ms. Chen Shun Zu, Deborah, Mr. Yen Chin-chang, Mr. Yeh Yu-an, all being independent non-executive Directors and Ms. Cao Jianhua being a non-executive Director. Mr. Chang Chia-ning (being another non-executive Director) is interested in certain shares in Walsin Technology Corporation, which beneficially owns approximately 19.97% of the issued share capital of the Parent. In order to avoid any perceived conflict of interest, it was decided that Mr. Chang Chia-ning should not become a member of the IBC.

We are a corporation licensed under SFO to carry on Type 4 (advising on securities), Type 6 (advising on Corporate Finance) and Type 9 (Asset Management) regulated activities. We shall receive a fee from the Company for the delivery of this letter. Apart from the normal advisory fee payable to us in connection with our appointment as described above, no arrangement exists whereby we shall receive any other fees or benefits from the Company.

BASIS OF OPINION

In formulating our opinion, we have relied on the information, facts and representations contained or referred to in the Scheme Document and the information, facts and representations provided by, and the opinions expressed by the Directors, the Company and its management. We have assumed that all statements, information, facts, opinions and representations made or referred to in the Scheme Document were true, accurate and complete at the time they were made and continued to be true, accurate and complete as at the date of the Scheme Document. We have no reason to doubt the truth, accuracy and completeness of the statements, information, facts, opinions and representations provided to us by the Directors, the Company and its management. The Directors have confirmed to us that no material facts have been omitted from the information supplied and opinions expressed; thus we have no reason to doubt that any relevant material facts have been withheld or omitted from the information provided and referred to in the Scheme Document, or the reasonableness of the opinions and representations provided to us by them.

All the Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Scheme Document relating to the Group and confirm, having made all reasonable enquiries, that, to the best of their knowledge, opinions expressed by the Directors in the Scheme Document have been arrived at after due and careful consideration and that there are no other facts relating to the Group not contained in the Scheme Document the omission of which would make any statement in the Scheme Document misleading. We have relied on such information and opinions and have not however, conducted any independent investigation into the business, financial conditions and affairs or the future prospects of the Group.

The information in the Scheme Document relating to the Offeror, the terms and conditions of the Proposal and the Offeror's intentions regarding the Group have been supplied by directors of the Offeror. The directors of the Offeror accept full responsibility for the accuracy of the information contained in the Scheme Document (other than information relating to the Group) and confirms, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Scheme Document have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document, the omission of which would make any such statement contained in the Scheme Document misleading.

In formulating our opinion, we have not considered the taxation implications on the Independent Shareholders arising from acceptances or non-acceptances of the Proposal. We will not accept responsibility for any tax effect on or liability of any person resulting from his or her acceptance or non-acceptance of the Proposal. In particular, the Independent Shareholders who are overseas residents or are subject to overseas taxation or Hong Kong taxation on securities dealings should consider their own tax positions, and if in any doubt, should consult their own professional advisers.

BACKGROUND AND SUMMARY OF THE SCHEME

The following is a summary of the terms of the Scheme. For details of the terms of the Scheme and the Proposal, your attention is drawn to the "Explanatory Memorandum" in the Scheme Document.

The Scheme provides that all Scheme Shares be cancelled and the Offeror be allotted and issued with the New Shares. The Company will become a wholly-owned subsidiary of the Offeror upon the Proposal becoming effective. In consideration for the cancelled Scheme Shares, each Scheme Shareholder will be entitled to receive the Cancellation Consideration.

Subject to the fulfilment or valid waiver (as applicable) of the Conditions as set out in the "Explanatory Memorandum" in the Scheme Document on or before the Long Stop Date of the Proposal (or such later date as the Offeror and the Company may agree in writing and permitted by the Executive), the Scheme will become effective. Assuming that the Conditions are satisfied or validly waived (as applicable), it is expected that the Proposal will become effective on or before 8 December 2011. Upon the proposal becoming effective, the listing of the Company on the Stock Exchange will be withdrawn. If approved, the Scheme will be binding on all Scheme Shareholders, irrespective of whether or not they attended or voted at the Court Meeting.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our advice for the Offer, we have considered the following principal factors and reasons:

I. Background and rationale

Background

The Offeror is a company incorporated in BVI with limited liability, being the investment holding vehicle of the Parent whose shares are listed on Taiwan Stock Exchange.

The Company is a printed circuit board (PCB) fabrication and service enterprise and a major global PCB provider to the notebook personal computer (PC) and electronics industry. The Company has focused in this area of notebook PCB applications, which sales accounted for around 75% to 80% of the Company's revenue for the years ended 2008, 2009 and 2010 and the six months ended 30 June 2011.

Rationale

The reasons and benefits of the Proposal are set out in the "Explanatory Memorandum" in the Scheme Document which are summarised below:

- to facilitate business integration between the Parent and the Company, allowing greater flexibility for future business development;

– to provide Independent Shareholders of the Company with an opportunity to realise the Shares in return for cash and redeploy in other investments; and

– to enable Independent Shareholders to divest the Shares for cash at a price above the prevailing market price

In light of the above, the Offeror further believes that the terms of the Proposal are fair and reasonable to the Scheme Shareholders and has requested the Board to put forward the Proposal to the Scheme Shareholders for consideration.

II. Financial performance of the Company

Historical financial performance

Listed below is the summary of the consolidated income statements of the Company for each of the financial years ended 2006, 2007, 2008, 2009, 2010 and the six months ended 30 June 2011:

	Year ended 31 December					6 months ended 30 June 2011/ as at 30 June 2011
	2006	**2007**	**2008**	**2009**	**2010**	
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Revenue	304,487	504,399	622,528	569,125	677,445	390,063
Cost of sales	(260,467)	(427,539)	(537,840)	(486,181)	(626,800)	(369,521)
Gross profits	44,020	76,860	84,688	82,944	50,645	20,542
Gross profit margins	14.5%	15.2%	13.6%	14.6%	7.5%	5.3%
Profit/loss before tax	33,952	60,620	62,510	63,548	31,710	*Note 1* 10,276
Profit/loss for the year	30,801	58,068	50,669	61,350	24,941	*Note 1* 9,690
Net Asset Value	169,927	231,313	287,668	342,738	370,320	375,587

	2006	**2007**	**2008**	**2009**	**2010**	**6 months ended 30 June 2011/ as at 30 June 2011**
Gearing ratio	36.7%	30.1%	40.9%	33.0%	36.4%	38.2%
Earnings per share	US$ 0.030	US$ 0.044	US$ 0.038	US$ 0.047	US$ 0.019	US$0.007
Dividend per share	HK$ 0.045	HK$ 0.050	HK$ 0.045	HK$ 0.055	HK$ 0.022	–

Note 1: Figures adjusted where the one-off loss of US$11.2 million as a result of losses from a fire incident has been added back for comparison purposes.

Revenue

The Group's revenue increased by 66% from US$304.5 million in 2006 to US$504.4 million in 2007. According to the management, this is underpinned by overall market growth and strong demand for the Group's PCB products. Compared to 2007, the revenue of US$622.5 million recorded in 2008 represents a growth of 23%, which is a slower rate of revenue growth than that in the previous year. The financial crisis and economic downturn which started in 2008 caused the notebook PC industry and notebook PC manufacturers globally to refrain from placing orders in PCB applications. The financial crisis continued to affect the operating environment of the Group in 2009, resulting in lower sales volume during the year. In 2009, revenue had declined by 9% to US$569.1 million.

The Group's revenue grew by 19% to US$677.4 million in 2010, in line with recovery of the global economy. During the six months ended 30 June 2011, revenue continued to increase to approximately US$390.1 million, which was 17% higher than that of the same period in 2010 as the Group has managed to secure additional orders from its customers despite the slow down in overall market growth.

Gross profits and gross profits margin

Gross profits of the Group increased from approximately US$76.9 million in 2007 to approximately US$84.7 million in 2008, representing a growth of 10%. The rate of growth was lower than the 23% increase in revenue, and gross profits margin for 2008 of 13.6% was also lower than the 15.2% recorded in 2007. This was mainly attributable to the increase in copper price in the first half of 2008 as copper constitutes the Group's major cost of goods sold.

In 2009, the Group's gross profits decreased marginally by 2% compared with 2008, to approximately US$82.9 million. This lower level of profit was in line with the lower sales volume and revenue recorded by the Group during 2009. Gross profit margin however increased to 14.6% as the Group had been successful in controlling cost of sales by improving its cost structure and implementing procurement control during the year.

Gross profits for 2010 significantly decreased by 39% to approximately US$50.6 million despite recording higher sales while the gross profit margin dropped by more than half to 7.5%. Copper prices had been rising to historical high levels during 2010 while labour costs at the Group's production plants also rose. According to the management, it has been difficult to pass on fully the increase in copper cost to its customers as its downstream industries such as notebook PC manufacturers were operating on thin profit margins. Consequently, the Group also has to bear some of the increased cost and its gross profits were thus compromised. Based on our review of several major notebook PC manufacturers who are the Group's principal customers such as Quanta Computer, Inc., Compal Electronics, Inc., Wistron Corporation and Pegatron Corporation; their prevailing profit margins based on their announced financial results for the first quarter ended 31 March 2011 ranged between 3.6% and 5.2%. Their profit margins had been on a declining trend in the past two years where in 2009 and 2010, their profit margins had ranged between 5.4% and 6.1%, 3.5% and 5.7% respectively.

Further, the Group's gross profit margin for the six months ended 30 June 2011 has continued to fall to 5.3%. The annualised gross profit of approximately US$41.1 million would indicate a decline in gross profits by 18.9% compared to 2010. The combined effect of rising raw material costs and labour costs mentioned above contributed to the decrease in gross profits.

Net asset value as at 30 June 2011

In considering the Proposal, apart from the prevailing market price of the Shares, the net asset value of the Group is one of the factors in analysing the reasonableness of the Cancellation Consideration, which is HK$1.25 in cash for every Scheme Share. As at 30 June 2011, the Group's unaudited net asset value amounted to US$375.6 million or HK$2.23 per Share, based on 1,316,250,000 in issue as at both 30 June 2011 and the Latest Practicable Date. The Cancellation Consideration is therefore at a discount of approximately 43.9% to the aforesaid unaudited net asset value per Share.

We have reviewed the underlying composition of the Group's balance sheet as at 30 June 2011 and noted that total assets amounted to US$989.0 million. Non-current assets amounted to US$396.5 million and consisted mainly of property, plant and equipment, which amounted to US$389.0 million. Current assets, which amounted to US$592.5 million, included (i) bank balances and cash of US$211.2 million; and (ii) trade and other receivables of US$312.4 million. Total liabilities amounted to US$613.4 million, and included mainly (i) US$377.7 million of bank borrowings (of which over 95% will be due by 31 December 2013); as well as (ii) trade and other payables of US$231.2 million.

In the context of a privatisation, we have considered the realisable value of the Group's assets and its obligations to meet its liabilities. In this regard, we are of the opinion that the priority of deployment of the Group's bank balances and cash (equivalent to approximately HK$1.25 per Share) will be to repay its bank borrowings and settle its trade and other payables (equivalent to approximately HK$3.61 per Share). Cash receipts from its sale of inventory and trade and other receivables (equivalent to approximately HK$2.25 per Share) will similarly be deployed for this purpose. On this basis, the net remaining assets realisable consisted mainly of non-current assets of property, plant and equipment.

Based on our research and discussions with management, we understand that the buildings and production facilities for PCB manufacturing are normally purpose-built, taking into consideration specific requirements such as clean-room facilities. Machinery, in particular those relating to chemical processes, is normally built-to-order to suit the facilities' particular layout. Consequently, secondary market for certain PCB manufacturing machinery may not be available. Realisation, if possible, of the Group's property, plant and equipment will likely be in the form of a takeover or merger which in turn will generally be correlated to the operating environment of the PCB market and the financial market. We are of the view that unlike assets such as cash, real property and to a certain extent, trade receivables, specific factors which are applicable in the case of the Group's property, plant and equipment, such as liquidity discounts as a result of lack of sale and purchase transactions, absence of proper title certificates which could hamper transferability, should be considered.

We have reviewed the property valuation report (as set out in Appendix II of the Scheme Document) ("Valuation Report") and noted that in respect of the Group's properties with proper title certificates ("Titled Properties"), their capital value in existing state amounted to approximately RMB512.6 million (US$80.2 million) as at 31 July 2011. In addition, there were in aggregate nine buildings and a parcel of land which the Group has not obtained proper title certificates and may not be freely transferred ("No-title Properties"). The aggregate value of the No-title Properties amounted to RMB397.5 million (US$62.2 million).

As disclosed in the notes headed "Property interests and property valuation report" in Appendix I of the Scheme Document, the aggregate net book value of the Titled Properties and No-title Properties was approximately US$105.5 million as at 31 July 2011. Their valuation in the Valuation Report of approximately US$142.4 million as at 31 July 2011 represents an increase of about US$36.9 million. This however has not taken into account potential tax liabilities on disposal of such interests which details can be found in the Valuation Report. In particular, based on our discussion with the management, approximately US$24.3 million out of the US$36.9 million valuation surplus relates to appreciation of land value, which can be subject to tax of up to 60% of the appreciated amount.

Overall, the aforesaid valuation surplus will increase the net asset value per Share. However, the realisable value will likely be affected by the fact that unlike real properties for residential, retail or commercial purposes, the value of the Group's properties is derived from them being continued to be used in the Group's manufacturing business on a whole, and it is likely that lower value will be derived if they are to be realised on piecemeal basis. This in turn is correlated to the operating environment of the Group. Liquidity discounts will also be applicable due to lack of sale and purchase transactions and transferability issues. Further, the net valuation surplus will be a lower amount when tax liabilities on disposal are considered.

Dividend

Since its listing, the Company has consistently declared dividends to Shareholders and the dividend rate has ranged from HK$0.045 per Share to HK$0.055 per Share between the financial years ended 31 December 2007 and ended 31 December 2009. Dividend for the financial year ended 31 December 2010 declined to HK$0.022 per Share due to the Group's lower profitability. In line with its practice in previous periods, the Company did not declare any dividend to Shareholders for the six months ended 30 June 2011.

Fund raising exercises

Since its listing on the Stock Exchange in October 2006, the Company has not conducted any fund raising exercise such as placing of Shares and rights issues; nor has it conducted any corporate actions relating to equity such as bonus issue of Shares, issuance of warrants convertible into Shares or stock splits.

III. Industry Outlook

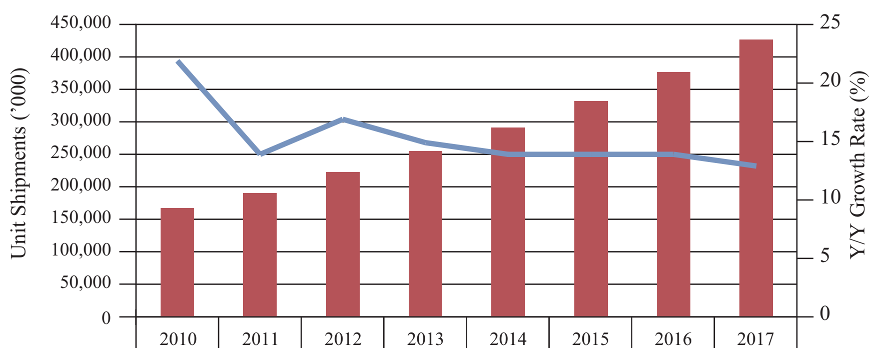
The Group supplies its PCB products mainly to manufacturers of notebook PCs and netbook PCs (accounting for approximately 78% of its sales for the six months ended 30 June 2011), with the balance to other manufacturers such as those of game consoles and servers.

Notebook and Netbook PC market

The Group's operating performance is therefore closely correlated to the demand for notebook PCs and netbook PCs. The following chart shows the worldwide annual notebook PCs shipment forecast by DisplaySearch, a display-related independent market research firm.

CHART 1

Worldwide Annual Notebook PCs Shipment Forecast



	2010	2011	2012	2013	2014	2015	2016	2017
Notebook PC Shipments ('000)	166,863	190,667	222,604	255,194	291,251	331,851	376,784	426,670
Notebook PC Y/Y Growth (%)	22	14	17	15	14	14	14	13

Source: DisplaySearch

As shown in the chart above, Notebook PC shipment units are expected to continue to grow in the next few years although the rate of growth is expected to slow from 22% recorded in 2010 to 14% and 17% in 2011 and 2012 respectively. Such slower growth expectation is shared by another research firm, Gartner, which expects growth rates to be about 11% and 14% in 2011 and 2012. The introduction of personal tablets such as Apple's iPad is commonly cited as the reasons for the moderate growth as consumers are slow to replace their out-dated notebook PCs or may consider personal tablets as substitutes. We note that the uncertainties of the global PC market are also evidenced by the recent announcement by Hewlett Packard, a major PC producer, that it is considering selling its PC business.

We have reviewed the credentials of DisplaySearch and Gartner to ascertain the reliability of their research. Based on information on their corporate websites and annual report (in the case of Gartner), both firms have a list of clients which include government agencies, international multinational corporations in various fields and global financial institutions. In addition, their research data is also widely quoted in press and publications.

We have enquired with the management of the Group about the possibility of increasing its sales to tablet manufacturers. We understand that currently the Group is not a qualified supplier to products of Apple, the leading company for personal tablets. Meanwhile, the possibility of increasing its sales for the manufacturing of tablets of other brands will be dependent on firstly being qualified as a supplier; and if the Group is already qualified, the sales growth of such other brands' tablets.

PCB manufacturers

The major PCB manufacturers are mainly located in the Greater China region of the PRC and in Taiwan. In particular, besides the Group, the other major suppliers of PCBs for Notebook PC and Netbook PC manufacturers include Gold Circuit Electronics Ltd and Tripod Technology Corporation, both of which are Taiwan-based companies listed on the Taiwan Stock Exchange.

To understand the current operating environment of the PCB industry as a whole, we have reviewed the performances of several companies listed on the Taiwan Stock Exchange and the Stock Exchange which are in the PCB and related industry.

For those companies set out below which are listed on the Taiwan Stock Exchange, we have selected them based on similarity of nature of business with the Group. Firstly, they are engaged in the manufacturing of rigid PCB (the type which constitutes more than 90% of the Group's PCB products) in contrast to flexible PCB. Of the rigid PCB manufacturers, we then further categorise them based on three common categories, being (i) traditional PCBs; (ii) integrated circuit substrate PCBs; and (iii) high density interconnect (HDI) PCBs. As the Group produces mainly traditional PCBs, we have excluded companies under categories (ii) and (iii). We then further select those which supply predominantly to the notebook PC and related industries. In respect of those listed on the Stock Exchange, as there is a lack of similar companies, we have selected two sizeable companies, part of which businesses is similar to the Group, being Elec & Eltek International Co. Ltd. and its parent company, Kingboard Chemical Holdings Ltd.

TABLE 1

Gross Profit	**The Company**	**HannStar Corp**[1]	**Chin Poon**[2]	**Gold Circuit**[3]	**Tripod**[4]	**T-Mac**[5]	**Yufo**[6]	**Dynamic**[7]	**Taiwan PCB Techvest**[8]	**Elec & Eltek**[9]	**Kingboard**[10]
	(US$m)	*(NT$m)*	*(NT$m)*	*(NT$m)*	*(NT$m)*	*(NT$m)*	*(NT$m)*	*(NT$m)*	*(NT$m)*	*(US$m)*	*(HK$m)*
First half of 2010	30.2	1,344.1	1,116.1	852.6	4,397.3	431.4	182.8	924.0	1,486.0	65.9	3,591.2
First half of 2011	20.5	1,182.6	774.8	591.8	4,367.4	119.9	223.3	709.5	996.7	56.4	3,623.7
Change	-32.0%	-12.0%	-30.6%	-30.6%	-0.7%	-72.2%	22.2%	-23.2%	-32.9%	-14.3%	0.9%

1 HannStar Board Corporation
2 Chin Poon Industrial Co., Ltd.
3 Gold Circuit Electronics Ltd.
4 Tripod Technology Corporation
5 T-Mac Techvest PCB Co., Ltd.

[6] Yufo Electronics Co., Ltd.

[7] Dynamic Electronics Co., Ltd.

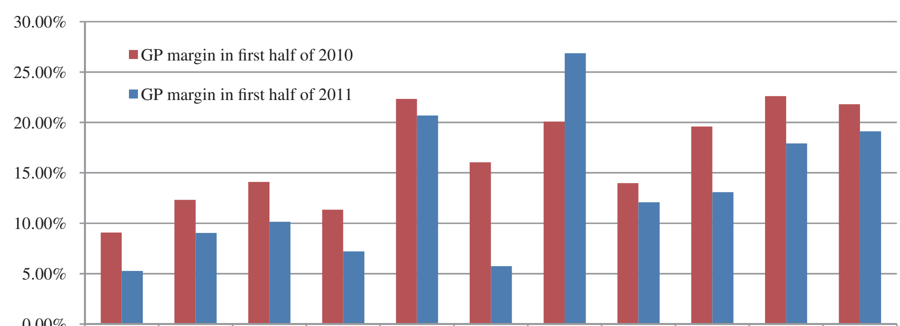
[8] Taiwan PCB Techvest Co., Ltd.

[9] Elec & Eltek International Co., Ltd.

[10] Kingboard Chemical Holdings Ltd.

The following chart illustrates the gross profit (GP) margins and table above illustrates the levels of profit of these companies for the first half of 2011 compared with the first half of 2010.

CHART 2



	The Company	HannStar Corp	Chin Poon	Gold Circuit	Tripod	T-Mac	Yufo	Dynamic	Taiwan PCB Techvest	Elec & Eltek	Kingboard
GP margin in first half of 2010	9.08%	12.33%	14.10%	11.34%	22.34%	16.05%	20.09%	13.98%	19.60%	22.62%	21.82%
GP margin in first half of 2011	5.27%	9.05%	10.15%	7.21%	20.68%	5.74%	26.87%	12.08%	13.08%	17.93%	19.12%

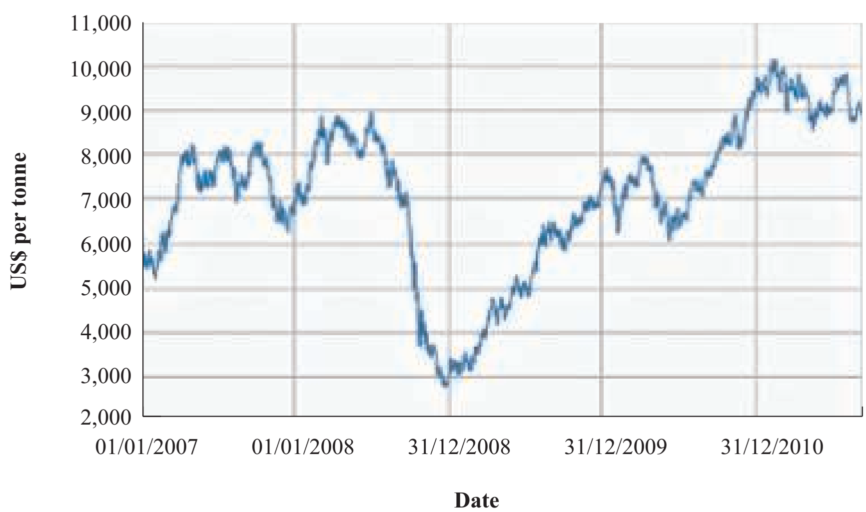
Source: Companies filings with relevant stock exchanges

As shown above, a majority of the companies had recorded decline or similar level of gross profit in the first half of 2011 compared to the same period of the previous year. Gross profit margins have generally declined and the reasons commonly cited are higher materials and labour costs. Overall, we note that the PCB manufacturers have generally experienced similar difficult operating environment faced by the Group and both declining profitability and gross profit margin are generally observed in the overall market.

Copper prices

Copper-clad laminates, copper foils and phosphor copper balls are the key materials for making PCBs and generally account for about 40% of its cost of goods sold. The prices of copper-clad laminates, copper foils and phosphor copper balls fluctuate according to copper prices. Given its high proportion, increases in copper prices will result in corresponding increases in the Group's cost of goods sold. The chart below shows the historical prices of copper (in US$ per tonne) between January 2007 and September 2011 as quoted on the London Metal Exchange:

CHART 3



As shown above, the prices of copper declined substantially in late 2008/early 2009 as a result of the global credit crisis. Since then and along with the recovery of the global economy, prices have increased sharply, surpassing the US$9,000 per tonne level in mid 2008 and reaching a high of more than US$10,000 per tonne in early 2011. It currently hovers around the US$9,000 level.

Prospects for the Company

The Group is currently experiencing a difficult operating environment as evidenced by the drastically declining gross profit margin from 15.2% recorded for the year ended 31 December 2007 to 5.3% recorded during the six months ended 30 June 2011. The notebook PC and netbook PC markets, to which the Group mainly supplies, are facing challenges from the personal tablets market, resulting in slower growth expectations. There have also been renewed worries over the state of the global economy as evidenced by the market turmoil in recent weeks as well as uncertainties in the global PC market. This in turn may depress demand for the Group's PCB products as observed during the 2008/ 2009 credit crisis. Meanwhile, the Group's cost of goods sold has continued to be adversely impacted by the high prices of copper and, to a lesser extent, increasing labour costs at its plants in Jiangying City, Jiangsu Province, the PRC. As an exporter which sales are predominantly denominated in US$ while a portion of its costs such as labour and production facilities operating costs in the PRC are denominated in RMB, the Group's profitability has also been adversely impacted by the appreciation of RMB against US$, which has been the trend in the past few years.

We are of the view that the Group operates in an industry which profitability is cyclical in nature and it appears the cycle is currently on a downward trend. The extent of the current decline in operating conditions is unclear and there is also uncertainty as to whether it will be prolonged. Based on the Group's relatively liquid financial position and its market leading position, we do not expect the Group to experience drastic deterioration in financial conditions.

IV. Cancellation Consideration

The Cancellation Consideration for every Scheme Share under the Scheme is HK$1.25 in cash, and it represents:

(i) a premium of approximately 47.1% over the closing price of HK$0.85 per Share as quoted on the Stock Exchange on Last Trading Date;

(ii) a premium of approximately 51.8% over the closing price of HK$0.82 per Share as quoted on the Stock Exchange over the last 30 trading days up to and including Last Trading Date;

(iii) a premium of approximately 56.8% over the closing price of HK$0.80 per Share as quoted on the Stock Exchange over the last 60 trading days up to and including Last Trading Date;

(iv) a premium of approximately 48.0% over the closing price of HK$0.84 per Share as quoted on the Stock Exchange over the last 90 trading days up to and including Last Trading Date;

(v) a premium of approximately 23.8% over the closing price of HK$1.01 per Share as quoted on the Stock Exchange over the last 180 trading days up to and including Last Trading Date;

(vi) a premium of approximately 14.7% over the closing price of HK$1.09 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(vii) a discount of approximately 42.4% over the adjusted net asset value per Share of the Company as at 31 December 2010, being HK$2.17, calculated by dividing the adjusted net asset value of US$366,594,000 (being US$370,320,000 less dividend distributed of US$3,726,000) by the number of Shares in issue of 1,316,250,000; and

(viii) a discount of approximately 43.9% over the unaudited net asset value per Share of the Company as at 30 June 2011 of HK$2.23.

Historical market price performance

The following table sets out the highest, lowest, average closing prices and daily closing prices of the Shares traded on the Stock Exchange on the last trading day of each month/ period from 1 January 2010 up to the Latest Practicable Date.

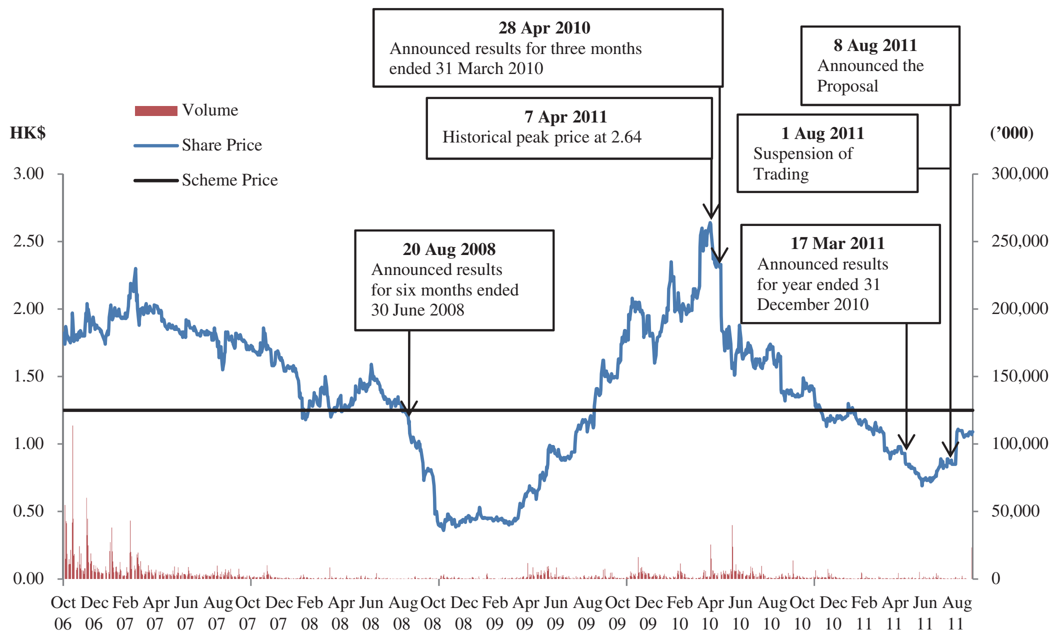
TABLE 2

	Highest	**Lowest**	**Average**	**Closing price on last trading day**
2010				
January	2.35	1.90	2.07	1.99
February	2.12	1.91	2.00	1.99
March	2.60	1.99	2.28	2.47
April	2.64	1.84	2.36	1.84
May	1.87	1.51	1.71	1.70
June	1.88	1.61	1.69	1.61
July	1.70	1.56	1.61	1.70
August	1.74	1.36	1.60	1.36
September	1.40	1.32	1.37	1.35
October	1.49	1.36	1.41	1.41
November	1.30	1.13	1.22	1.17
December	1.21	1.16	1.19	1.20
2011				
January	1.30	1.14	1.22	1.14
February	1.18	1.07	1.13	1.16
March	1.13	0.89	1.03	0.92
April	0.98	0.85	0.94	0.85
May	0.85	0.69	0.79	0.69
June	0.80	0.72	0.75	0.80
July	0.89	0.82	0.86	0.85
August	1.11	1.05	1.08	1.08
September (up to Latest Practicable Date)	1.09	1.07	1.08	1.09

Note: Trading of Shares were suspended from 1 August 2011 and resumed on 8 August 2011 upon publication of the Announcement.

The chart below shows the prices of Shares since the listing of the Company on the Stock Exchange in October 2006. Timing of certain key events relating mainly to announcement of the financial results is added for reference.

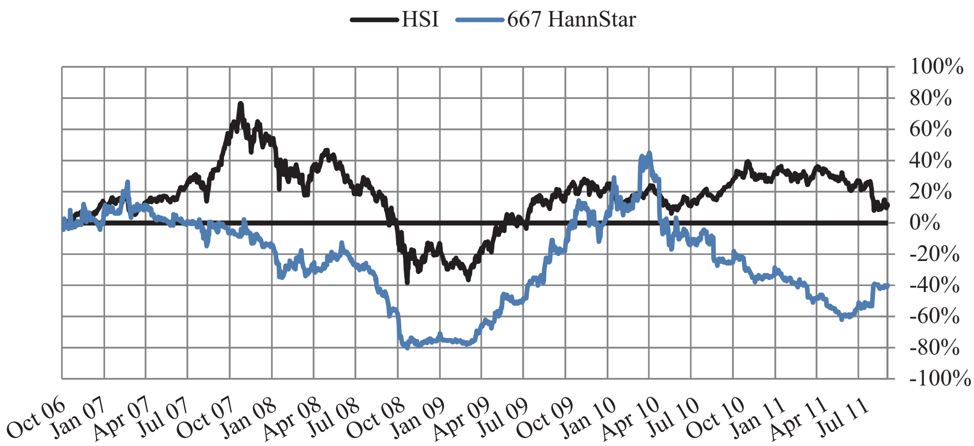
CHART 4



Source: Stock Exchange

Chart 5 below illustrates the relative return of prices of Shares with the Hang Seng Index since its listing on the Stock Exchange in October 2006.

CHART 5



Source: Stock Exchange

Before publication of the Announcement

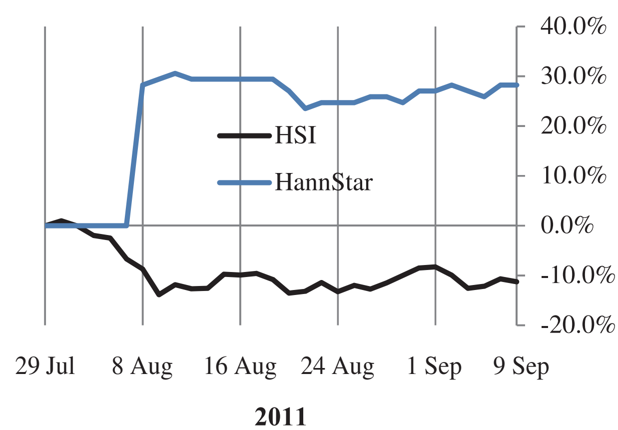
As shown above, the prices of Shares dropped to low levels of less than HK$0.50 per Share in late 2008 due to the overall market decline following the global credit crisis. The general market however recovered strongly from mid 2009; and the prices of Shares increased in tandem from a low of HK$0.44 to a high of HK$2.00 levels in November 2009. Prices of Shares maintained at above HK$2.00 up to end of April 2010 and hitting a high of HK$2.64 per Share on 7 April 2010. It started a declining trend after the Group announced its results for the three months ended 31 March 2010, hitting HK$1.19 in December 2010. Prices of Shares further dropped below HK$1.00 in March 2011 after the Group announced its results for the year ended 31 December 2010. It hit a low of HK$0.72 per Share in June 2011 and traded at HK$0.85 per Share on the Last Trading Date. Since the listing of the Company in October 2006, the highest and the lowest closing prices of the Shares were HK$2.64 (recorded on 7 April 2010) and HK$0.36 (recorded on 27 October 2008).

After publication of the Announcement

After the release of the Announcement on 8 August 2011, price of Shares increased sharply to close at HK$1.09, representing an increase of approximately 28.2% from the closing Share price on the Last Trading Date. Since then and up to the Latest Practicable Date, the highest and lowest closing prices of the Shares are HK$1.11 (recorded on 10 August 2011) and HK$1.05 (recorded on 22 August 2011).

We noted that the global financial markets had experienced substantial volatility since the Last Trading Date. The chart below shows the performances of the daily closing of Share prices and that of the Hang Seng Index during the period between the Last Trading Date and the Latest Practicable Date (both dates inclusive). During this period, Hang Seng Index has declined by 11.5% while prices of Shares had increased by 28.2% since the Last Trading Date. We believe the increase is underpinned by the Cancellation Consideration of HK$1.25 per Scheme Share under the Proposal while the discount is likely a reflection that the Proposal remains subject to various conditions and there remain close to three months from now to the expected effective date of the Proposal of 8 December 2011. Based on the above, the price of Shares may decline to levels before the publication of the Announcement or to even lower levels given the recent decline of the overall stock markets, in the event that the Proposal does not proceed.

CHART 6



Source: Stock Exchange

Historical liquidity of the Shares

The following table sets out the trading volume of the Shares during the period commencing 36 months preceding the Last Trading Date and ending on the Latest Practicable Date:

TABLE 3

	Average daily trading volume (Number of Shares)	% of average daily trading volume to total number of Shares in issue as at Latest Practicable Date	% of average daily trading volume to total number of Shares held by public Shareholders as at Latest Practicable Date
2008			
August	467,368	0.04%	0.14%
September	417,190	0.03%	0.13%
October	1,126,000	0.09%	0.34%
November	509,500	0.04%	0.15%
December	546,526	0.04%	0.17%
2009			
January	758,111	0.06%	0.23%
February	463,474	0.04%	0.14%
March	1,478,909	0.11%	0.45%
April	3,752,200	0.29%	1.14%
May	3,531,316	0.27%	1.07%
June	1,086,591	0.08%	0.33%
July	1,144,273	0.09%	0.35%
August	1,916,140	0.15%	0.58%
September	1,254,616	0.10%	0.38%
October	3,229,874	0.25%	0.98%
November	3,967,729	0.30%	1.21%
December	1,775,371	0.13%	0.54%

	Average daily trading volume (Number of Shares)	% of average daily trading volume to total number of Shares in issue as at Latest Practicable Date	% of average daily trading volume to total number of Shares held by public Shareholders as at Latest Practicable Date
2010			
January	3,408,800	0.26%	1.04%
February	816,333	0.06%	0.25%
March	4,530,478	0.34%	1.38%
April	7,255,460	0.55%	2.20%
May	4,621,900	0.35%	1.40%
June	3,885,429	0.30%	1.18%
July	1,017,534	0.08%	0.31%
August	2,469,360	0.19%	0.75%
September	1,181,951	0.09%	0.36%
October	1,496,200	0.11%	0.45%
November	1,641,455	0.12%	0.50%
December	373,545	0.03%	0.11%
2011			
January	1,042,714	0.08%	0.32%
February	552,333	0.04%	0.17%
March	651,826	0.05%	0.20%
April	783,000	0.06%	0.24%
May	927,426	0.07%	0.28%
June	512,421	0.04%	0.16%
July	500,000	0.04%	0.15%
August	5,440,889	0.41%	1.65%
September (up to Latest Practicable Date)	1,231,429	0.09%	0.37%

Note: Trading of Shares were suspended from 1 August 2011 and resumed on 8 August 2011 upon publication of the Announcement.

As shown above, the simple average daily trading volume of the Shares for the period from August 2008 up to the Last Trading Date before the publication of the Announcement ("Pre-Announcement Period") have been in the region of approximately 0.37 million Shares to 7.3 million Shares, representing approximately 0.03% to 0.55% of the Shares in issue, or representing approximately 0.11% to 2.2% of the Shares held by the public Shareholders as at the Latest Practicable Date. In summary, trading activities of the Shares have generally been low. During the Pre-Announcement Period, it is observed that trading volume had normally increased around the periods when announcements relating to financial results were published.

On the first trading day following the publication of the Announcement, trading volume of the Shares increased to approximately 23.4 million Shares. The average daily trading volume increased to approximately 4.3 million Shares during the period from 8 August 2011 up to Latest Practicable Date, representing approximately 0.32% of the Shares in issue and approximately 1.29% of the Shares held by the public Shareholders. The increase in trading volume as compared with that during the Pre-Announcement period is likely driven by expectation of the Proposal.

In summary, the overall liquidity of the Shares was low during the Pre-Announcement Period. Trading liquidity was higher after the publication of the Announcement which we believe is driven by expectation of the Proposal instead of sustainable general improvement of liquidity. Consequently, Shareholders who intend to dispose of a large number of Shares in the open market should be reminded that they may not be able to do so without exerting downward pressure on the price of the Shares if trading liquidity of the Shares returns to the low level as in during the Pre-Announcement Period.

V. Comparison with comparable companies and privatisation precedents

Due to the wide and general applications of PCBs, there are large numbers of companies of different operating scales which manufacture PCBs for supply to producers of different end products. There are also many companies which are engaged in different manufacturing phases of PCBs. In this regard, we have attempted and identified seven listed companies on the Stock Exchange that have certain major parts of their business operations in PCB manufacturing. Based on the criteria set out in the paragraph headed "PCB manufacturers" and identifying those with market capitalisation above HK$400 million (so as to exclude those which scale of operations may not be comparable to the Group), we have also identified eight companies listed on the Taiwan Stock Exchange that are engaged solely or principally in similar business as the Company's (together the "Comparables"). We are of the view that they are an exhaustive list of comparables based on our selection criteria.

As reference, we have compared market statistics of the Comparables with the Cancellation Consideration of the Scheme Share. The market statistics of the Comparables are based on their most recent published historical figures up to their respective financial year-end in 2010 or early 2011. In respect of the Company, we have analysed the PER based on its year ended 31 December 2010 financial results while its PBR based on its balance sheet as at 30 June 2011.

Comparable listed on the Stock Exchange

Stock Code	Name	Price-per-earnings Ratio (PER)	Price-to-book Ratio (PBR)	Market Capitalisation (HK$m or equivalent)
00986,HK	China Environmental Energy Inv. Ltd.	net loss	0.19	53.8
00471,HK	CMMB Vision Holdings Ltd.	net loss	1.76	151.3
00567,HK	Daisho Microline Holdings Ltd.	10.36	0.37	172.9
1195,HK	Kingwell Group Ltd.	net loss	0.76	484.1
2323,HK	Topsearch International (Holdings) Ltd.	net loss	0.23	226.7
1151,HK	Elec & Eltek International Co. Ltd.	6.53	1.34	4,204.2
148,HK	Kingboard Chemical Holdings Ltd.	6.38	0.90	23,118.7
	max	10.36	1.76	23,118.7
	min	6.38	0.19	53.8
	average	7.76	0.79	4,058.8
667,HK	The Company	8.48	0.57	1,645.3

Comparable listed on the Taiwan Stock Exchange

Stock Code	Name	Price-per-earnings Ratio (PER)	Price-to-book Ratio (PBR)	Market Capitalisation (HK$m or equivalent)
2355,TW	Chin Poon Industrial Co. Ltd.	7.22	0.70	1,947.5
2368,TW	Gold Circuit Electronics Ltd.[1]	43.43	0.66	1,530.7
3044,TW	Tripod Technology Corporation	8.45	2.17	12,833.2
5480,TW	T-Mac Techvest PCB Co., Ltd.	4.44	0.61	445.0
6194,TW	Yufo Electronics Co., Ltd.	12.30	0.82	601.8
6251,TW	Dynamic Electronics Co., Ltd.[2]	42.78	0.62	890.5
8213,TW	Taiwan PCB Techvest Co., Ltd.	6.64	0.99	1,690.1
5469,TW	HannStar Board Corporation	12.08	0.71	1,861.3
	max	43.43	2.17	12,833.2
	min	4.44	0.66	445.0
	average	17.17	0.91	2,725.0
	adjusted average[3]	8.52		
667,HK	The Company	8.48	0.57	1,645.3

Notes:

(1) The earnings per share for Gold Circuit Electronics Ltd. increased from a loss in 2009 to a profit of TW$0.23 in 2010. It further recorded earnings per share of NT$0.09 in the first quarter of 2011. The vast improvement in recent quarter result likely give rise to the exceptionally high PER.

(2) The earnings per share for Dynamic Electronics Co., Ltd in 2010 was NT$0.27 while recording a loss of NT$0.44 in the fourth quarter of 2010. Operating results however improved vastly where it recorded earnings per share of NT$0.11 in the first quarter of 2011. This likely give rise to the exceptionally high PER.

(3) Excluding the two Comparables with exceptionally high PERs.

Historical PER analysis

In respect of Comparables listed on the Hong Kong Stock Exchange, we note that of those with smaller market capitalisation of less than HK$500 million, four out of five had made net loss and PERs are unavailable. The remaining Comparable had PER of 10.36 times. Of the larger market capitalisation Comparables, their PERs were between 6.0 times and 7.0 times as at the Latest Practicable Date. In respect of Comparables listed on the Taiwan Stock Exchange, two out of eight have traded at exceptionally high PERs of more than 40 times while the remaining have PER ranging between 4.44 times and 12.30 times.

The PER of the Company (calculated based on the Cancellation Consideration) is within the range of PERs of the Comparables listed on the Stock Exchange. Excluding the two outliers with exceptionally high PERs, the PER of the Company (calculated based on the Cancellation Consideration) is comparable to the average PER of the Comparables listed on the Taiwan Stock Exchange.

Historical PBR analysis

For the Hong Kong-listed Comparables, we have observed a wide range of PBR ranging from a low of 0.19 times to 1.76 times, averaging at 0.79 times which is higher than the Company's PBR (calculated based on the Cancellation Consideration). Relative to the Taiwan-listed Comparables, the Company's PBR (calculated based on the Cancellation Consideration) are also below average.

Privatisation precedents

We have considered past transactions involving privatisation of companies listed on the Stock Exchange ("Privatisation Precedents"). As these Privatisation Precedents involved companies from different industries, which therefore have different market fundamentals and prospects, we are of the view that comparison analysis with the Privatisation Precedents is not applicable. In addition, these Privatisation Precedents were conducted at periods of different economic cycles and financial market cycles; and depending on the outlook at the point in time, will result in different considerations for Shareholders. Instead, we consider comparison analysis to the Comparables to be more relevant and have presented our analysis in the section above.

RECOMMENDATION

In arriving at our opinion, we have considered the above principal factors and reasons which are summarised below:

(i) the operating environment of the Group had deteriorated in the past one and a half years as evidenced by its lower profitability, due mainly to drastic decline in gross profit margins as the Group's cost of goods sold, such as copper-based raw materials and labour costs, continued to increase. The continued appreciation of RMB against US$ also has an adverse impact on the Group;

(ii) the above operating environment is not unique to the Group as PCB manufacturers in general have been experiencing difficult operating environment and it remains uncertain when this cyclical downturn will be over;

(iii) the Cancellation Consideration of HK$1.25 per Scheme Shares compares favourably to the trading prices of Shares prior to the Announcement with premium of 47.1% over the closing price on the Last Trading Date and various levels of premium over the averages of the last 30, 60, 90 and 180 trading days up to and including Last Trading Date;

(iv) the global financial markets have experienced substantial volatility since the Last Trading Date and the Proposal is likely the factor underpinning the strong trading prices of Shares currently;

(v) the historical trading volume of the Shares have been low and disposal of larger number of Shares will likely exert downward pressure on prices of Shares;

(vi) the Cancellation Consideration of HK$1.25 per Scheme Shares compares unfavourably to the net asset value per Share as at 30 June 2011 of HK$2.23 as it represents a discount of about 43.9% and the level of discounts is below the average of the Comparables. To this end, we have conducted further analysis on the composition of the Group's assets and liabilities as discussed below;

(vii) the Group's current cash and bank balances plus possible realisation proceeds from inventory and trade receivables approximates the Group's bank borrowings and trade and other payables. The realisable value of the Group's assets after taking into account its liabilities will mainly be in respect of its property, plant and equipment which realisable value is generally correlated to the operating environment of the PCB market. In particular, specific factors which are applicable in the case of the Group's property, plant and equipment such as liquidity discounts as a result of lack of sale and purchase transactions and absence of proper title certificates which could hamper transferability are considered; and

(viii) the valuation in terms of price-earnings ratio of the Company based on the Cancellation Consideration of HK$1.25 per Scheme Shares is reasonable compared to the Comparables.

In addition to the above factors, we note that as at the Latest Practicable Date, the Offeror was interested in 74.99% of the issued share capital of the Company. It is therefore unlikely that another proposal for privatisation or cash offer will be received from other parties without the co-operation and support of the Offeror.

Having weighed the favourable and unfavourable factors above, and considering the depressed global financial markets in the past weeks; as well as the fact that renewed uncertainties surrounding the global economies and in particular, the global PC-related industries, will likely weigh on the Group's operating performance and the prices of Shares, we are of the view that the Proposal represents a reasonable proposal at an opportune time for Independent Shareholders to realise their investments in the Company. We consider the terms of the Proposal to be, on balance, fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we advise the IBC to recommend the Independent Shareholders to vote in favour of the resolution to approve the Scheme at the Court Meeting.

Yours faithfully,
For and on behalf of
Altus Capital Limited

Arnold Ip	**Chang Sean Pey**
Executive Director	*Executive Director*

This explanatory memorandum constitutes the memorandum required under Order 102, rule 20(4)(e) of the Rules of the Grand Court of the Cayman Islands 1995 (revised).

SCHEME OF ARRANGEMENT
TO CANCEL ALL THE SCHEME SHARES
IN CONSIDERATION OF THE OFFEROR AGREEING TO OFFER THE CANCELLATION CONSIDERATION OF HK$1.25 PER SCHEME SHARE

1. INTRODUCTION

On 5 August 2011, the Offeror requested the Board to put forward the Proposal to the Independent Shareholders which, if approved and implemented, would result in the Company becoming wholly-owned by the Offeror and the withdrawal of the listing of the Shares on the Stock Exchange in accordance with Rule 6.15 of the Listing Rules. The Proposal will be implemented by way of a scheme of arrangement under Section 86 of the Companies Law. If the Scheme becomes effective, the Scheme Shares will be cancelled and the New Shares will be issued as fully paid to the Offeror.

The purpose of this Explanatory Memorandum is to explain the terms and effects of the Scheme (and to provide the Scheme Shareholders with relevant information in relation to the Scheme) and, in particular, to state any material interest of the Directors (whether as Directors, members, creditors of the Company or otherwise) and the effect of the Scheme on them, in so far as it differs from the effect on the like interests of other persons.

Particular attention of the Scheme Shareholders is drawn to the following sections of this document: (i) the Board Letter; (ii) the IBC Letter; (iii) the IFA Letter; (iv) the financial information on the Group set out in Appendix I to this document; (v) valuation of the Group's properties set out in Appendix II to this document; (vi) the general information set out in Appendix III to this document; (vii) the SOA; (viii) the Notice of the Court Meeting; (ix) the Notice of the EGM; and (x) the Proxy Forms.

2. ISSUED SHARES AND DETAILS OF WARRANTS, OPTIONS AND CONVERSION RIGHTS

Issued Shares and Scheme Shares

As at the Latest Practicable Date, the authorised share capital of the Company was 5,000,000,000 Shares, of which 1,316,250,000 Shares were in issue.

The Scheme Shares will comprise all the Shares held by the Scheme Shareholders at the Record Time. The Offeror held an aggregate of 987,050,000 Shares (representing approximately 74.99% of the Shares in issue) as at the Latest Practicable Date. The Shares owned by the Offeror will not form part of the Scheme Shares and the Offeror, the Parent and any parties acting in concert with any of them will not vote at the Court Meeting. Save as disclosed above, the Offeror, the Parent and any parties acting in concert with any of them do not own or control any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares.

As at the Latest Practicable Date, the Scheme Shareholders held an aggregate of 329,200,000 Shares (representing approximately 25.01% of the Shares in issue), out of which 238,000 were held by ING Investments LLC, an affiliate of ING, as a discretionary fund manager and the remaining of which were all held by the Independent Shareholders. All the Independent Shareholders will be entitled to vote at the Court Meeting, and all the Shareholders will be entitled to vote at the EGM.

Other Securities

As at the Latest Practicable Date, the Company has adopted the Share Option Scheme. No option has been granted under the Share Option Scheme since its adoption. As a result, the Offeror is not required to make any offer with respect to the Share Option Scheme pursuant to Rule 13 of the Takeovers Code.

As at the Latest Practicable Date, the Company does not have any outstanding convertible securities, warrants, options or derivatives in respect of any Shares.

3. TERMS OF THE PROPOSAL

Terms of the Scheme

The Proposal is to be implemented by way of a scheme of arrangement under Section 86 of the Companies Law. Subject to the satisfaction or waiver (as applicable) of the Conditions, the Scheme will be implemented and the Scheme Shares will be cancelled and, as consideration, all of the Scheme Shareholders whose names appear on the register of members of the Company at the Record Time will be entitled to receive from the Offeror the Cancellation Consideration:

HK$1.25 in cash .... for every Scheme Share cancelled

Total Cash Consideration and Confirmation of Financial Resources

If the Proposal is implemented, the aggregate Cancellation Consideration payable by the Offeror in cash under the Proposal will be approximately HK$412 million. This is calculated by multiplying the Cancellation Consideration of HK$1.25 per Share by the number of the issued Shares which are not held by the Offeror as at the Latest Practicable Date (i.e. 329.2 million).

ING has been appointed as the financial adviser to the Offeror in respect of the Proposal. As at the Latest Practicable Date, ING is satisfied that sufficient financial resources are available to the Offeror for the payment in cash of the aggregate Cancellation Consideration under the Proposal.

The Offeror will finance the aggregate Cancellation Consideration payable under the Proposal by using its internal cash resources and funds to be drawn down under the Facility.

4. CONDITIONS OF THE PROPOSAL

The Scheme will become effective and binding on the Company, the Offeror and all the other Shareholders subject to the fulfilment or waiver (as applicable) of the following Conditions:

(a) the approval of the Scheme (by way of a poll) by a majority in number of Scheme Shareholders representing not less than three-fourths in value of the Scheme Shares held by the Scheme Shareholders present and voting at the Court Meeting either in person or by proxy, provided that:

(i) the Scheme is approved (by way of a poll) by Independent Shareholders holding at least 75% of the votes attaching to the Scheme Shares held by Independent Shareholders that are voted either in person or by proxy at the Court Meeting; and

(ii) the number of votes cast (by way of a poll) against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to the Scheme Shares held by all the Independent Shareholders;

(b) the passing of a special resolution to approve and give effect to the Reduction by a majority of at least three-fourths of the votes cast by the Shareholders present and voting either in person or by proxy at the EGM and the passing of an ordinary resolution to approve the application of the credit arising in its books of account as a result of the Reduction to pay up in full and issue to the Offeror such number of New Shares as is equal to the number of Scheme Shares cancelled;

(c) the sanction of the Scheme (with or without modifications) by the Grand Court and, to the extent necessary, the Grand Court's confirmation of the Reduction and the delivery to the Registrar of Companies in the Cayman Islands of a copy of the order of the Grand Court for registration;

(d) compliance, to the extent necessary, with the procedural requirements of Section 15 of the Companies Law and compliance with any conditions imposed under Section 16 of the Companies Law, in each case in relation to the Reduction;

(e) all Authorisations having been obtained from the relevant Authorities in Cayman Islands, Hong Kong, Taiwan and/or any other relevant jurisdictions on terms reasonably satisfactory to the Offeror (including the approval from the Investment Commission of the Ministry of Economic Affairs of Taiwan);

(f) all Authorisations remaining in full force and effect without variation, and all necessary statutory or regulatory obligations in all relevant jurisdictions having been complied with and no requirement having been imposed by any of the relevant Authorities which is not expressly provided for (or is in addition to requirements expressly provided for) in the relevant laws, rules, regulations or codes in connection with the Proposal (or any matters, documents or things relating to the Proposal), in each case up to the date immediately preceding the Effective Date;

(g) all necessary third parties' consent (other than, for the avoidance of doubt, any that may be required from any member of the Offeror Group) in relation to the Proposal or the Scheme pursuant to any agreement to which any member of the Group is a party (where any failure to obtain a consent would have a material adverse effect on the business of the Group taken as a whole) having been obtained or waived by the relevant party(ies);

(h) save as publicly announced prior to the Latest Practicable Date (and except in so far as such event forms part of the Proposal), since 31 December 2010 (being the date to which the latest published audited accounts of the Company were made up):

   (i) there having been no material adverse change in the business, financial or trading position or prospects of any member of the Group; or

   (ii) there not having been instituted or remaining outstanding any material litigation, arbitration proceedings, prosecution or other legal proceedings to which any member of the Group is a party (whether as plaintiff or defendant or otherwise) and no such proceedings having been threatened in writing against any such member and no investigation by any Authority against or in respect of any member of the Group (or the business carried on by any such member) having been threatened in writing, announced, instituted or remaining outstanding by, against or in respect of any such member,

   in each case which is material and adverse in the context of the Group taken as a whole; and

(i) each member of the Group remaining solvent and not being subject to any insolvency or bankruptcy proceedings or likewise and no liquidator, receiver or other person carrying out any similar function having been appointed anywhere in the world in respect of the whole or any substantial part of the assets or undertakings of any member of the Group up to the date immediately preceding the Effective Date, in each case which is material and adverse in the context of the Group taken as a whole.

The Offeror reserves the right to waive any of Conditions set out in paragraphs (e), (f), (g), (h) and (i) above either in whole or in respect of any particular matter. None of the Conditions set out in paragraphs (a) to (d) above is waiverable. When the Conditions are fulfilled or waived (as applicable) the Scheme will become effective and binding on the Offeror, the Company and all the Scheme Shareholders. Save for the sanction from the Grand Court under the Condition set out in paragraph (c) above and the approval from the Investment Commission of the Ministry of Economic Affairs of Taiwan under the Condition set out in paragraph (e) above, the Offeror and the Company currently are not aware of other specific approvals and third parties' consent required in connection with the Proposal.

All of the Conditions must be fulfilled or waived (as applicable) on or before the Long Stop Date, otherwise the Proposal will lapse.

Assuming that the Conditions are fulfilled (or, as applicable, waived), it is expected that the Scheme will become effective on or before 8 December 2011 and the listing of the Shares on the Stock Exchange will be withdrawn on or about 9 December 2011 pursuant to Rule 6.15 of the Listing Rules. An announcement will be made in the event that there is any change to the expected Effective Date.

Shareholders and investors should note that the implementation of the Proposal is subject to the Conditions being fulfilled or waived, as applicable. Therefore, the Proposal may or may not become effective. Shareholders and investors should exercise caution when dealing in the Shares.

Further, speculation or rumour appearing in newspapers or elsewhere may not be reliable and, accordingly, Shareholders and investors should rely only on the announcements by the Company and/or the Offeror from time to time on this matter.

5. SCHEME OF ARRANGEMENT UNDER SECTION 86 OF THE COMPANIES LAW AND COURT MEETING

According to Section 86 of the Companies Law, where an agreement is proposed between a company and its members or any class of them, the Grand Court may (on the application of the company or any member of the company) order a meeting of the members of the company or class of members (as the case may be) to be summoned in such manner as the Grand Court directs.

Section 86 of the Companies Law provides (among other things) that, if a majority in number representing 75% in value of the members or class of members (as the case may be) present and voting either in person or by proxy at the meeting or meetings (as the case may be) summoned as directed by the Grand Court, agree to any arrangement, the arrangement shall (if sanctioned by the Grand Court) be binding on all members or class of members (as the case may be) and also on the company.

Accordingly, if the Conditions are fulfilled or waived (as applicable), the Scheme will become effective and binding on the Offeror, the Company and all the Scheme Shareholders.

6. ADDITIONAL REQUIREMENTS IMPOSED BY RULE 2.10 OF THE TAKEOVERS CODE

In addition to satisfying the requirements imposed by law as summarised above, but except with the consent of the Executive to dispense with compliance or strict compliance, Rule 2.10 of the Takeovers Code states that the Scheme may only be implemented if:

(a) the Scheme is approved by the Independent Shareholders holding at least 75% of the votes attaching to the Scheme Shares held by the Independent Shareholders that are cast either in person or by proxy at a duly convened meeting; and

(b) the number of votes cast against the resolution to approve the Scheme at such meeting is not more than 10% of the votes attaching to the Scheme Shares held by the Independent Shareholders.

As at the Latest Practicable Date, the Independent Shareholders held 328,962,000 Shares. 10% of the votes attached to all Scheme Shares held by the Independent Shareholders referred to under paragraph (b) above therefore represent 32,896,200 Shares as at the Latest Practicable Date.

7. BINDING EFFECT OF THE SCHEME

Notwithstanding the fact that there may be a dissenting minority, if the Scheme is approved at the Court Meeting in accordance with the requirements set out in Section 86 of the Companies Law and Rule 2.10 of the Takeovers Code (as described above), the Scheme will (so long as it is sanctioned by the Grand Court) become binding on the Company, the Offeror and all the Scheme Shareholders.

8. EFFECTS OF THE SCHEME

Existing Shareholding Structure of the Company

As at the Latest Practicable Date, the authorised share capital of the Company was 5,000,000,000 Shares, of which 1,316,250,000 Shares were in issue.

The Shares owned by the Offeror will not form part of the Scheme Shares and the Offeror, the Parent and any parties acting in concert with any one of them will not vote at the Court Meeting.

As at the Latest Practicable Date, the Scheme Shareholders held an aggregate of 329,200,000 Shares (representing approximately 25.01% of the Shares in issue), out of which 238,000 were held by ING Investments LLC, an affiliate of ING, as a discretionary fund manager and the remaining of which were all held by the Independent Shareholders.

All the Independent Shareholders will be entitled to vote at the Court Meeting and all the Shareholders will be entitled to vote at the EGM. The persons acting in concert with the Offeror or the Parent will, in compliance with the Takeovers Code, abstain from voting in the Court Meeting.

Shareholding Structure of the Company Upon Completion of the Proposal

The table below sets out the shareholding structure of the Company as at the Latest Practicable Date and, assuming there will be no changes to the shareholding structure in the meantime, immediately following the completion of the Scheme:

Shareholders	Number of Shares as at the Latest Practicable Date	Approximate percentage of Shares in issue	Number of Shares upon completion of the Proposal	Approximate percentage of Shares in issue
Offeror	987,050,000	74.99%	1,316,250,000	100%
ING Investments LLC *(Note)*	238,000	0.02%	0	0%
Independent Shareholders	328,962,000	24.99%	0	0%
Total Shares in issue	1,316,250,000	100%	1,316,250,000	100%

Note: ING Investments LLC, an affiliate of ING, held 238,000 Shares as a discretionary fund manager. After the date of the Announcement, ING Investments LLC is presumed to be a person acting in concert with the Offeror. Accordingly, it will not be entitled to vote at the Court Meeting, but will be entitled to vote at the EGM.

Save as disclosed above, neither the Offeror, the Parent, other persons acting in concert with any one of them (including the Offeror Directors) nor the Directors owns or has control or direction over any Shares or holds convertible securities, warrants or options (or other outstanding derivatives) in respect of Shares.

9. COMPARISON OF VALUE

The Cancellation Consideration

The Cancellation Consideration for each Scheme Shares under the Proposal represents:

(a) a premium of approximately 47.1% over the closing price of HK$0.85 per Share as quoted on the Stock Exchange on the Last Trading Date;

(b) a premium of approximately 51.8% over the average closing price of approximately HK$0.82 per Share as quoted on the Stock Exchange over the 30 trading days up to and including the Last Trading Date;

(c) a premium of approximately 56.8% over the average closing price of approximately HK$0.80 per Share as quoted on the Stock Exchange over the 60 trading days up to and including the Last Trading Date;

(d) a premium of approximately 48.0% over the average closing price of approximately HK$0.84 per Share as quoted on the Stock Exchange over the 90 trading days up to and including the Last Trading Date;

(e) a premium of approximately 23.8% over the average closing price of approximately HK$1.01 per Share as quoted on the Stock Exchange over the 180 trading days up to and including the Last Trading Date;

(f) a premium of approximately 14.7% over the closing price of HK$1.09 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

(g) a premium of approximately 19.5% over the average closing price of approximately HK$1.05 per Share as quoted on the Stock Exchange over the 30 trading days up to and including the Latest Practicable Date.

Highest and Lowest Prices

During the six month period immediately preceding the Last Trading Date, the highest closing price and the lowest closing price of the Shares as quoted on the Stock Exchange was HK$1.18 per Share on 7 February 2011 and HK$0.69 per Share on 31 May 2011.

A summary of the closing prices of the Shares on the Stock Exchange: (i) on the last trading day of each of the six calendar months preceding the date of this document; (ii) on the Last Trading Date; and (iii) on the Latest Practicable Date, is set out in Appendix III to this document.

Net Asset Value

The audited consolidated net assets of the Company attributable to Shareholders as at 31 December 2009 and 2010 were approximately US$342,738,000 and US$370,320,000 respectively (equivalent to approximately HK$2,673,356,400 and HK$2,888,496,000 respectively).

Earnings

As at 31 December 2009 and 2010, the audited consolidated profit of the Company attributable to the Shareholders was approximately US$61.4 million and US$24.9 million respectively (equivalent to approximately HK$478.5 million and HK$194.5 million respectively) or representing a basic earning of approximately US$0.047 and US$0.019 per Share respectively (equivalent to approximately HK$0.364 and HK$0.148 respectively) based on a weighted average number of 1,316,250,000 and 1,316,250,000 Shares in issue during those years.

The Cancellation Consideration represents an implied price to earnings multiple of approximately 8.4 times, based on the audited basic earnings per Share of approximately US$0.019 (equivalent to approximately HK$0.148) for the year ended the Last Accounting Date and a weighted average number of 1,316,250,000 Shares in issue for that year.

Dividends

For the financial years ended 31 December 2009 and 2010, the Company declared an aggregate dividend of HK$0.055 and HK$0.022 per Share respectively.

10. 2010 FINAL DIVIDEND

The 2010 Final Dividend was approved at the AGM and has been paid on 16 June 2011.

11. REASONS FOR THE PROPOSAL AND BENEFITS TO THE SHAREHOLDERS

The Proposal will facilitate business integration between the Offeror and the Company and will provide the Offeror with greater flexibility to support the future business development of the Company. The Offeror currently holds approximately 74.99% of the total issued Shares and the Listing Rules require a minimum public float of 25%. The privatisation of the Company will simplify the shareholding structure of the Company.

The Directors are of the view that the terms of the Proposal are attractive to the Independent Shareholders and that the proposed privatisation of the Company will be beneficial to the Independent Shareholders.

The Directors consider that the Scheme provides an opportunity for the Independent Shareholders to realise their Shares (which have a relatively low degree of market liquidity) in return for cash. In this regard, the Board noted that the trading volume of the Shares on the Stock Exchange has been generally low. The average daily trading volume of the Shares between commencement of their listing on 6 October 2006 to the Last Trading Day was less than 3,200,000 Shares (representing approximately 0.24% of the Shares in issue as at the Latest Practicable Date). During the period between the commencement of the listing of the Shares on 6 October 2006 and the Last Trading Date, the Shares have underperformed by the Hang Seng Index for a margin of 39.0%.

Given the low liquidity and the weak performance of the Shares traded on the Stock Exchange, the Offeror Directors believe that there is currently limited opportunity for the Independent Shareholders to divest their investment in the Company. The Directors consider that the Proposal provides an opportunity for the Scheme Shareholders to dispose of their Shares and receive cash at a price above the prevailing market price of the Shares.

The Directors believe that, in view of the relatively thin trading liquidity and persistently weak performance of the Shares since their listing on 6 October 2006, access to the equity capital markets does not provide the Company with an attractive fund raising avenue, and that the costs and management resources associated with the maintenance of the Company's listing status are not warranted.

In addition, the Proposal allows the Independent Shareholders a chance to redeploy capital from accepting the Proposal into other investment opportunities that they may consider more attractive in the current market environment.

The Board has therefore decided to put forward the Proposal to the Scheme Shareholders for their consideration.

12. INFORMATION OF THE GROUP

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

A summary of the audited consolidated results of the Company for each of the two financial years ended 31 December 2009 and 31 December 2010 is set out below:

	Year ended 31 December	
	2009	**2010**
	US$'000	*US$'000*
Revenue	569,125	677,445
Profit before income tax	63,548	31,710
Profit for the period	61,350	24,941
Basic Earnings per Share	US$0.047	US$0.019
Dividend per Share	HK$0.055	HK$0.022

The Adjusted NTA per Share is calculated as follows:

	As at 31 December 2010	
	US$'000	*HK$'000*
Audited consolidated net tangible assets	370,320	2,888,496
Less: 2010 Final Dividend	3,726	28,958
Adjusted consolidated net tangible assets	366,594	2,859,538
Adjusted NTA per Share	US$0.278	HK$2.172

The audited consolidated net tangible assets of the Company attributable to Shareholders as at 31 December 2009 and 2010 were approximately US$342,738,000 and US$370,320,000 respectively (equivalent to approximately HK$2,673,356,400 and HK$2,888,496,000 respectively).

13. INFORMATION ON THE OFFEROR GROUP

The Offeror is an investment holding company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Parent. It is the immediate holding company of the Company.

The Parent was incorporated as a limited liability company in Taiwan on 22 March 1989. It is currently listed on the Taiwan Stock Exchange. The principal business of the Parent has been the production and sale of PCBs since its establishment. As at the Latest Practicable Date, the Parent has two PCB production plants in Taiwan with an aggregate monthly production capacity of 350,000 sq.ft. of PCBs.

As at the Latest Practicable Date, the Offeror Board was comprised of Mr. Chiao Yu-heng, Mr Shu Yao-shien and the Parent. Mr. Chiao Yu-heng also acts as the Chairman of the Parent and Mr. Shu Yao-shien is the president of the Parent.

14. OFFEROR'S INTENTION REGARDING THE COMPANY

It is the intention of the Offeror to continue the existing businesses of the Group in all respects upon the successful privatisation of the Company.

The Offeror has no plan, in the event that the Scheme becomes effective, to: (i) make any changes to the existing businesses of the Group (including any material redeployment of the fixed assets of the Group); or (ii) make any changes to the continued employment of the employees of the Group, as a result of the Proposal.

On the other hand, the Offeror will continue to assess any business opportunity that may arise from time to time involving the business and/or assets of the Group and will formulate strategic corporate planning as and when appropriate (including the possible listing of all or part of the business or assets of the Group in an appropriate securities exchange at an appropriate time).

15. INTERESTS OF THE DIRECTORS IN THE SCHEME AND EFFECTS THEREON

As at the Latest Practicable Date, the shareholding (if any) of the Offeror Directors, the other persons acting in concert with the Offeror or the Parent and the Directors in the Company are set out in paragraph 8 headed "Effects of the Scheme" above.

Save as disclosed in the paragraph referred to above, none of the Offeror Directors, other persons acting in concert with the Offeror or the Parent and the Directors owns or controls any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares.

16. SHARE CERTIFICATES, DEALINGS AND LISTING

Upon the Scheme becoming effective, all the Scheme Shares will be cancelled and extinguished (with an equivalent number of New Shares being issued to the Offeror) and the share certificates for Scheme Shares will thereafter cease to have effect as evidence of title, and the register of members of the Company will be updated to reflect the same.

The Offeror will apply to the Stock Exchange for the withdrawal of the listing of the Shares on the Stock Exchange with effect from Friday, 9 December 2011.

Dealings in the Shares on the Stock Exchange are expected to cease after 4:00 p.m. on Thursday, 24 November 2011, and the listing of the Shares on the Stock Exchange is expected to be withdrawn at 9:00 a.m. on Friday, 9 December 2011 pursuant to Rule 6.15 of the Listing Rules. The Shareholders will be notified by way of an announcement of the exact date on which the Scheme and the withdrawal of the listing of the Shares on the Stock Exchange will become effective.

The Scheme will lapse if any of the Conditions has not been fulfilled or waived (as applicable) on or before the Long Stop Date. The Shareholders will be notified by way of an announcement accordingly. If the Scheme is withdrawn, not approved or lapses, the Shares will remain to be listed on the Stock Exchange.

17. REGISTRATION AND PAYMENT

In order to determine the entitlements of the Scheme Shareholders to attend (and the Independent Shareholders to vote at) the Court Meeting and the Shareholders to attend and vote at the EGM, it is proposed that the register of members of the Company will be closed from Wednesday, 5 October 2011 to Friday, 7 October 2011 (both days inclusive), or such other dates as may be notified to the Shareholders by announcement. The Shareholders, the transferees of Shares or their successors in title should ensure that their Shares are registered or lodged for registration in their names or in the name(s) of their nominees with the Share Registrar before 4:30 p.m. on Tuesday, 4 October 2011.

In the event that the Scheme becomes effective, payment of the Cancellation Consideration will be made to the Scheme Shareholders in accordance with the timetable and the terms of the Scheme. All existing certificates representing the Scheme Shares will cease to have effect as evidence of title as from the Effective Date. In order to determine entitlements under the Scheme, it is further proposed that the register of members of the Company will be closed on Thursday, 8 December 2011, or such other dates as may be notified to the Shareholders by announcement. The Shareholders, the transferees of Shares or their successors in title should ensure that their Shares are registered or lodged for registration in their names or in the name(s) of their nominees with the Share Registrar before 4:30 p.m. on Wednesday, 7 December 2011.

Assuming that the Scheme becomes effective on Thursday, 8 December 2011 (Cayman Islands time), cheques for the Cancellation Consideration will be despatched to the Scheme Shareholders on or before 16 December 2011.

In the absence of any specific instructions to the contrary received in writing by the Share Registrar before the Record Time, cheques will be sent to the Scheme Shareholders at their respective registered addresses (or, in the case of joint holders, to the registered address of that joint holder whose name stands first in the register of members of the Company in respect of the joint holding as it appears in the register of members of the Company on the Record Time). All such cheques will be sent at the risk of the persons entitled thereto. The Offeror, the Company and the Share Registrar will not be responsible for any loss or delay in despatch.

The Shareholders are recommended to consult their professional advisers if they are in doubt as to the above procedures.

On or after the day being six calendar months after the posting of such cheques, the Offeror will have the right to cancel or countermand payment of any such cheque which has not been cashed or has been returned uncashed, and will place all monies represented by such cheques in a deposit account in the Company's name with a licensed bank in Hong Kong selected by the Company.

The Company will hold such monies in trust for those entitled under the terms of the Scheme until the expiry of six years from the Effective Date and will, prior to such date, make payments (including interest calculated at the annual rate prevailing from time to time at the licensed bank) out of such monies to persons who satisfy the Company that they are respectively entitled to such monies (provided that the cheques of which they are payees have not been cashed). On the expiry of six years from the Effective Date, the Offeror will be released from any further obligation to make any payments under the Scheme and the Company will thereafter transfer to the Offeror the balance (if any) of the sums then standing to the credit of the deposit account in its name (including accrued interest), subject to the deduction of any withholding or other tax (or any other deduction required by law) and subject to the deduction of any expenses.

Settlement of the consideration under the Scheme will be implemented in full in accordance with the terms of the Scheme without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror or the Company may otherwise be, or claim to be, entitled against any of the Scheme Shareholders.

18. OVERSEAS SHAREHOLDERS

This document has been prepared for the purpose of complying with the applicable laws, rules and regulations of the Cayman Islands and Hong Kong, and the information disclosed in this document may not be the same as that which would have been disclosed if this document has been prepared in accordance with the laws of any other jurisdiction.

This document does not constitute an offer or invitation to sell, purchase, subscribe for or issue any securities (or the solicitation of an offer to buy or subscribe for securities) pursuant to this document or otherwise in any jurisdiction in which such offer, invitation or solicitation is unlawful.

The distribution of this document and the making of the Proposal to and acceptance of the Proposal by persons not resident in Hong Kong may be subject to the laws of the relevant jurisdictions. Such persons should inform themselves about and observe any applicable legal, tax or regulatory requirements. It is the responsibility of any overseas Shareholders wishing to accept the Proposal to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection with such acceptance (including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with other necessary formalities) and the payment of any issue, transfer or other taxes due in any such jurisdiction.

Any acceptance by such overseas Shareholders will be deemed to constitute a representation and warranty from such persons to the Company and the Offeror that those local laws and requirements have been complied with. If you are in doubt as to your position, you should consult your own professional advisers.

19. TAXATION

As the Scheme does not involve the sale and purchase of Hong Kong stock, no stamp duty will be payable pursuant to the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong) on the cancellation of the Scheme Shares upon the Scheme becoming effective.

Nonetheless, the Scheme Shareholders (whether in Hong Kong or in other jurisdictions) are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting the Proposal and, in particular, whether the receipt of the relevant consideration would make such Scheme Shareholder liable to taxation in Hong Kong or in other jurisdictions.

It is emphasised that none of the Company, the Offeror, ING and Altus (nor any of their respective directors or associates, or any other person involved in the Proposal) accepts responsibility for any tax or other effects on (or liabilities of) any person as a result of the implementation or otherwise of the Proposal.

20. COURT MEETING AND THE EGM

In accordance with the direction of the Grand Court, the Court Meeting will be held at 10:00 a.m. on Friday, 7 October 2011 for the purpose of considering and, if thought fit, passing a resolution to approve the Scheme (with or without modifications). The Scheme will be subject to the approval of the Independent Shareholders at the Court Meeting in the manner referred to under paragraph 4 headed “Conditions of the Proposal” above. The resolution will be passed if a majority of the Independent Shareholders (present in person or by proxy), representing not less than three-fourths in value of the Scheme Shares held by the Independent Shareholders, voted in favour of the resolution.

In addition, in compliance with Rule 2.10 of the Takeovers Code, the Scheme will only be implemented if the Scheme is approved by at least 75% of the vote attaching to the Scheme Shares held by the Independent Shareholders that are cast either in person or by proxy at the

Court Meeting and the number of votes cast against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to the Scheme Shares held by the Independent Shareholders. As at the Latest Practicable Date, the Independent Shareholders held in aggregate 328,962,000 Shares. 10% of the votes attached to all Scheme Shares held by the Independent Shareholders represented 32,896,200 Shares as at the Latest Practicable Date.

The EGM will be held at 10:30 a.m. on Friday, 7 October 2011 (or immediately after the conclusion or adjournment of the Court Meeting) for the purpose of considering and, if thought fit, passing a special resolution to approve and give effect to the Reduction and, an ordinary resolution to apply the credit arising in its books of account as a result of the Reduction to pay up in full and issue the New Shares to the Offeror. The special resolution will be passed provided that it is approved by not less than three-fourths of the votes cast by the Shareholders present and voting, either in person or by proxy, at the EGM whereas the ordinary resolution will be passed provided that it is approved by a simple majority of the votes cast by the Shareholders present and voting, either in person or by proxy, at the EGM. All the Shareholders will be entitled to attend and vote on both resolutions at the EGM.

The Beneficial Owners are urged to have their names entered in the register of members of the Company as soon as possible for, inter alia, the following reasons:

(a) to enable the Scheme Shareholders to attend the Court Meeting as required under Section 86 of the Companies Law in their capacity as members of the Company or to be represented by proxies appointed by them;

(b) to enable their votes cast at the Court Meeting to count towards the number of Scheme Shareholders present and voting at the Court Meeting for or against the Scheme (as required under Section 86 of the Companies Law);

(c) to enable the Company to properly classify members of the Company for the purposes of Section 86 of the Companies Law; and

(d) to enable the Company and the Offeror to make arrangements to effect payments by way of the delivery of cheques to the Scheme Shareholders who will receive the Cancellation Consideration.

Further details are set out under paragraph 22 headed "Actions to be taken by the Independent Shareholders" below.

All deliveries of cheques required for making payment in respect of the Scheme Shares will be effected by duly posting the same in pre-paid envelopes, addressed to the Scheme Shareholders at their respective registered addresses (or, in the case of joint holders, to the registered address of that joint holder whose name stands first in the register of members of the Company in respect of the joint holding as it appears in the register of members of the Company on the Record Time).

No person will be recognised by the Company as holding any Shares upon any trust.

The appointment of a proxy by the Registered Owner at the relevant Court Meeting and/or the EGM must be in accordance with all relevant provisions in the articles of association of the Company. In the case of the appointment of a proxy by the Registered Owner, the relevant Proxy Form must be completed and signed by the Registered Owner and must be lodged in the manner and before the latest time for lodging the relevant Proxy Form as more particularly set out under paragraph 22 headed "Actions to be Taken by the Independent Shareholders" below.

The Court Meeting will be held at the time and the place specified in the Notice of the Court Meeting. A pink form of proxy for the Court Meeting is enclosed with this document for the Independent Shareholders.

The EGM will be held at the time and the place specified in the Notice of the EGM. A white form of proxy for the EGM is enclosed with this document for the Shareholders.

21. RESOLUTION TO BE APPROVED BY WAY OF A POLL AT THE EGM

Pursuant to Rule 13.39 of the Listing Rules, any vote of the shareholders at a general meeting must be taken by poll and the relevant listed company must announce the results of the poll in accordance with the Listing Rules.

Accordingly, the resolutions regarding the Reduction and the application of credit arising in its books of account as a result of the Reduction to pay up in full and issue the New Shares to the Offeror to be passed at the EGM will be approved by way of a poll. As described above, the resolution regarding the Scheme to be passed at the Court Meeting will also be approved by way of a poll. The results of the Court Meeting and the EGM are expected to be published on the respective website of the Stock Exchange and the Company no later than 7:00 p.m. on the day that the Court Meeting and the EGM are held.

22. ACTIONS TO BE TAKEN BY THE INDEPENDENT SHAREHOLDERS

A pink form of proxy for use at the Court Meeting and a white form of proxy for use at the EGM are enclosed with this document for the Independent Shareholders.

If you are an Independent Shareholder, regardless of whether or not you are able to attend the Court Meeting and/or the EGM, you are strongly urged to complete and sign the enclosed pink form of proxy in respect of the Court Meeting (and the enclosed white form of proxy in respect of the EGM) in accordance with the instructions printed on them and to lodge them with the Share Registrar as soon as possible, but in any event not later than the respective times and dates as stated below.

In order to be valid, the pink form of proxy for use at the Court Meeting should be lodged not later than 10:00 a.m. on Wednesday, 5 October 2011 and the white form of proxy for use at the EGM should be lodged not later than 10:30 a.m. on Wednesday, 5 October 2011. The pink form of proxy in respect of the Court Meeting may alternatively be handed to the chairman of the Court Meeting at the Court Meeting if it is not so lodged.

The completion and return of a Proxy Form will not preclude you from attending and voting in person at the Court Meeting and/or the EGM. In such event, the returned Proxy Form will be deemed to have been revoked.

The Independent Shareholders should also note that, should they not appoint a proxy or not attend and vote at the Court Meeting, they would still be bound by the outcome of such Court Meeting.

An announcement will be made by the Company (no later than 7:00 p.m. on the day that the Court Meeting and the EGM are held) in relation to the results of the Court Meeting and the EGM. If the Scheme and the Reduction are approved by the requisite majorities at the Court Meeting and the EGM, respectively, the announcement will also include details of the last day of dealings in Shares on the Stock Exchange and the Record Time. In addition, as Cayman Islands time is 13 hours behind Hong Kong time, an announcement will be made no later than 7:00 p.m. on the next Business Day (Hong Kong time) after the date of the Grand Court Hearing (which will be held in the Cayman Islands) as to the results of the Grand Court Hearing. Based on the current timetable, the latest time for dealing in Shares is expected to be 4:00 p.m. on Thursday, 24 November 2011 and the Record Time is expected to be 4:00 p.m. on Thursday, 8 December 2011.

For the purpose of determining the entitlements of the Scheme Shareholders to attend (and the Independent Shareholders to vote at) the Court Meeting and the Shareholders to attend and vote at the EGM, the register of members of the Company will be closed from Wednesday, 5 October 2011 to Friday, 7 October 2011 (both days inclusive) and, during such period, no transfer of Shares will be effected. In order to qualify to vote at the Court Meeting and the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Share Registrar before such closure.

The Beneficial Owners

Any Beneficial Owner whose Shares are registered in the name of a Registered Owner should contact such Registered Owner (or the appropriate intermediary) to give instructions to and/or to make arrangements with such Registered Owner as to the manner in which the Shares beneficially owned by the Beneficial Owner should be voted at the Court Meeting and/or the EGM.

Any Beneficial Owner whose Shares are deposited in CCASS and registered under the name of HKSCC Nominees must (unless such Beneficial Owner is an Investor Participant) contact their broker, custodian or nominee (or other relevant person who is or has in turn deposited such Shares with a CCASS participant) regarding voting instructions to be given to such persons if they wish to vote in respect of the Scheme. The procedure for voting in respect of the Scheme by Investor Participants and other CCASS participants with respect to the Shares registered under the name of HKSCC Nominees will be in accordance with the "General Rules of CCASS" and the "CCASS Operational Procedures" in effect from time to time.

Any Beneficial Owner who wishes to attend and vote at the Court Meeting and/or the EGM personally should contact the Registered Owner (or the appropriate intermediary) directly to make the appropriate arrangements with the Registered Owner to enable the Beneficial Owner to attend and vote at the Court Meeting and/or the EGM and, for such purpose, the Registered Owner may appoint the Beneficial Owner as its proxy.

Any Beneficial Owner who wishes to vote at the Court Meeting and be counted towards the number of Scheme Shareholders present and voting at the Court Meeting for or against the Scheme (as required under Section 86 of the Companies Law) must have his/her/its name entered in the register of members of the Company before the Court Meeting.

In the case of any Beneficial Owner whose Shares are held by a Registered Owner, such Beneficial Owner should contact the Registered Owner (or the appropriate intermediary) and provide the Registered Owner with instructions in relation to the manner in which the Shares beneficially owned by the Beneficial Owner should be voted at the Court Meeting and/or the EGM. Such instructions should be given before the latest time for the lodgement of the Proxy Forms (or otherwise in accordance with the instructions of the Registered Owner, in order to provide the Registered Owner with sufficient time to accurately complete the Proxy Forms and to submit them by the deadline stated above). To the extent that any Registered Owner requires instructions from or arrangements to be made with any Beneficial Owner at a particular date and time in advance of the latest time for the lodgement of the Proxy Forms, any such Beneficial Owner should comply with the requirements of the Registered Owner.

All Beneficial Owners whose Shares are deposited in CCASS and registered under the name of HKSCC Nominees must (unless such Beneficial Owner is an Investor Participant) contact their broker, custodian or nominee (or other relevant person who is or has in turn deposited such Shares with a CCASS participant) if they wish to: (i) give voting instructions to such person for such Shares in respect of the Scheme; and (ii) have their names registered in the register of members of the Company for their shareholdings in the Company. The procedure for voting in respect of the Scheme by the Investor Participants and other CCASS participants with respect to the Shares registered under the name of HKSCC Nominees will be in accordance with the "General Rules of CCASS" and the "CCASS Operational Procedures" in effect from time to time.

Further details are set out under paragraph 20 headed "Court Meeting and the EGM" above.

General

If you have sold or transferred all or part of your Shares, you should at once hand this document to the purchaser or the transferee (or to the licensed securities dealer or other registered institution in securities or other agent, through whom the sale or transfer was effected, for transmission to the purchaser or the transferee). Copies of this document can also be obtained from the Share Registrar at any time before the Record Time.

Any Scheme Shareholder who holds Scheme Shares as a nominee, trustee or registered owner in any other capacity will not be treated differently from any other Registered Owner. Each Beneficial Owner should make arrangements with his/her/its nominee, trustee or Registered Owner in relation to the Scheme and may consider whether he/she/it wishes to arrange for the registration of the relevant Scheme Shares in the name of the Beneficial Owner prior to the Record Time (or be appointed as the proxy or corporate representative, as the case may be, to vote on behalf of the Registered Owner).

The Scheme Shareholders (including any Beneficial Owner who gives voting instructions to a custodian or clearing house that subsequently votes at the Court Meeting) should note that they are entitled to appear in person or by counsel at the Grand Court Hearing on Thursday, 24 November 2011 (Cayman Islands time) at which the Company will seek the sanction of the Scheme.

23. COSTS OF THE SCHEME

The costs of the Scheme will be borne by the Company and the Offeror in equal shares. The costs of the Scheme and of its implementation are expected to amount to approximately HK$12 million. These primarily consist of fees for financial advisers, legal advisers, property valuer, accounting, printing and other related charges.

24. RECOMMENDATION

Your attention is drawn to the recommendations of the IBC and the advice of the IFA in respect of the Proposal, as set out in the IBC Letter and the IFA Letter respectively.

25. FURTHER INFORMATION

Further information is set out in the appendices to (and elsewhere in) this document, all of which form part of this Explanatory Memorandum.

1. THREE-YEAR FINANCIAL SUMMARY

Set out below is the financial information of the Company for each of the three years ended 31 December 2008, 2009 and 2010, which are extracted from the audited consolidated financial statements of the Company for the years then ended. The auditor's reports issued by Deloitte Touche Tohmatsu in respect of the Company's audited consolidated financial statements for each of the three years ended 31 December 2008, 2009 and 2010 did not contain any qualifications.

	2010	**2009**	**2008**
	US$'000	*US$'000*	*US$'000*
Revenue	677,445	569,125	622,528
Cost of sales	(626,800)	(486,181)	(537,840)
Gross profit	50,645	82,944	84,688
Other income	22,939	12,777	30,418
Other gains and losses	213	1,189	(305)
Distribution and selling expenses	(15,145)	(12,966)	(15,715)
Administrative expenses	(23,383)	(15,752)	(24,294)
Finance costs	(3,559)	(4,644)	(12,282)
Profit before tax	31,710	63,548	62,510
Income tax expense	(6,769)	(2,198)	(11,841)
Profit for the year	24,941	61,350	50,669
Other comprehensive income for the year	11,938	1,362	14,130
Total comprehensive income for the year	36,879	62,712	64,799
Earnings per share US$	0.019	0.047	0.038
Dividends			
Dividend paid in respect of previous financial year	9,297	7,642	8,444
Dividend proposed after the balance sheet date	3,726	9,337	7,644
Dividend per share (Hong Kong Cents)	2.2	5.5	4.5

Note: For the three years ended 31 December 2010, there were no extraordinary items, exceptional items and minority interest.

2. AUDITED FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2010

The following financial information is extracted from the audited consolidated financial statements of the Company prepared in accordance with Hong Kong Financial Reporting Standards, for the financial year ended 31 December 2010:

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
As at 31 December 2010

	Notes	2010 US$'000	2009 US$'000
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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

	Share capital	Share premium	Special reserve	Revaluation reserve	Exchange reserve	Retained profits	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
			(Note 25)				
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	2009
	US$'000	*US$'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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

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.

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

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

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

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

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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 recognized 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	2009
	US$'000	*US$'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

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).

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.

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.

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.

Liquidity and interest risk tables

	Weighted average effective interest rate	On demand or less than 3 months	3-6 months	6 months to 1 year	1-5 years	Total undiscounted cash flows	Carrying amount at 31.12.2010
	%	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'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	3-6 months	6 months to 1 year	1-5 years	Total undiscounted cash flows	Carrying amount at 31.12.2010
	%	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'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

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).

	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	**Level 2**	**Total**
	US$'000	*US$'000*	*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.

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

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

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

Under the Law of the 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.

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

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

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 approved 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	2009
	US$'000	*US$'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	Plant and machinery	Furniture, fixture and equipment	Leasehold improvement	Motor vehicles	Construction in progress	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*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 Taiwan	–	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	Taiwan	–	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

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

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

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

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	Swaps
Buy USD5,000,000	25 April 2011	USD/RMB6.6988
Buy USD5,000,000	25 April 2011	USD/RMB6.6988

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	Swaps
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

Notional amount	Maturity	Swaps
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
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%

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	Swaps
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

Notional amount	Maturity	Swaps
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

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	**2009**
	US$'000	*US$'000*
Trade payables:		
0 – 30 days	70,231	58,259
31 – 60 days	35,353	28,870
61 – 90 days	11,366	13,842
91 – 180 days	12,150	14,845
181 – 365 days	1,404	515
Over 365 days	1,662	1,941
	132,166	118,272

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

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

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

	2010	2009
	US$'000	*US$'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 *(Note i)*	218,675	149,895
Total Equity	235,600	166,820

Note i:

	Share premium US$'000	Contributed Surplus US$'000	Revaluation Reserve US$'000 (Note)	Translation Reserve US$'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 DISCLOSURE

(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.

(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	Taiwan	Taiwan	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

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	Taiwan	Taiwan	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.

3. UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

The following financial information is extracted from the interim report of the Group for the six months ended 30 June 2011:

Condensed Consolidated Statement Of Comprehensive Income
For the six months ended 30 June 2011

		Six months ended 30 June	
		2011	**2010**
	Notes	*US$'000*	*US$'000*
		(unaudited)	(unaudited)
Revenue	*3*	390,063	332,333
Cost of sales		(369,521)	(302,142)
Gross profit		20,542	30,191
Other income		16,916	8,040
Other gains and losses		(39)	(197)
Losses from fire	*4*	(11,242)	–
Distribution and selling expenses		(10,328)	(4,719)
Administrative expenses		(14,355)	(10,346)
Finance costs		(2,460)	(1,381)
(Loss) profit before tax		(966)	21,588
Taxation	*5*	(586)	(4,025)
(Loss) profit for the period	*6*	(1,552)	17,563
Other comprehensive income			
Exchange differences arising on translation to presentation currency		10,539	2,493
Fair value adjustment on available-for-sale investments		–	(736)
Total comprehensive income for the period		8,987	19,320
(Loss) earnings per share (US$) – Basic	*8*	(0.001)	0.013

Note: For the six months ended 30 June 2011 and 2010, there were no extraordinary items, exceptional items and minority interest. The directors did not recommend the payment of interim dividends for both periods.

Condensed Consolidated Statement of Financial Position
At 30 June 2011

	Notes	30 June 2011 US$'000 (unaudited)	31 December 2010 US$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	388,956	392,086
Prepaid lease payments		5,619	5,556
Deferred tax assets		1,882	–
		396,457	397,642
CURRENT ASSETS			
Inventories		67,611	55,438
Trade and other receivables	10	312,416	250,229
Prepaid lease payments		134	131
Derivative financial instruments		1,124	1,273
Bank balances and cash		211,213	169,756
		592,498	476,827
CURRENT LIABILITIES			
Trade and other payables	11	231,204	181,463
Amount due to ultimate holding company		1,594	1,969
Derivative financial instruments		–	243
Tax liabilities		2,877	2,329
Bank borrowings – due within one year	12	152,370	106,058
		388,045	292,062
NET CURRENT ASSETS		204,453	184,765
TOTAL ASSETS LESS CURRENT LIABILITIES		600,910	582,407
NON-CURRENT LIABILITY			
Bank borrowings – due after one year	12	225,323	212,087
NET ASSETS		375,587	370,320
CAPITAL AND RESERVES			
Share capital	13	16,925	16,925
Reserves		358,662	353,395
		375,587	370,320

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2011

	Share capital	Share premium	Special reserve	Revaluation reserve	Exchange reserve	Retained profits	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
At 1 January 2010 (audited)	16,925	58,119	51,987	1,270	30,610	183,827	342,738
Exchange differences arising on translation to presentation currency	–	–	–	–	2,493	–	2,493
Fair value adjustment on available-for-sale investment	–	–	–	(736)	–	–	(736)
Profit for the period	–	–	–	–	–	17,563	17,563
Total comprehensive income for the period	–	–	–	(736)	2,493	17,563	19,320
Dividend paid	–	–	–	–	–	(9,297)	(9,297)
At 30 June 2010 (unaudited)	16,925	58,119	51,987	534	33,103	192,093	352,761
Exchange differences arising on translation to presentation currency	–	–	–	–	10,715	–	10,715
Fair value adjustment on available-for-sale investment	–	–	–	182	–	–	182
Reclassification adjustments for the cumulative gain included in profit or loss upon disposal of available-for-sale investments	–	–	–	(716)	–	–	(716)
Profit for the period	–	–	–	–	–	7,378	7,378
Total comprehensive income for the period	–	–	–	(534)	10,715	7,378	17,559
At 31 December 2010 (audited)	16,925	58,119	51,987	–	43,818	199,471	370,320
Exchange differences arising on translation to presentation currency	–	–	–	–	10,539	–	10,539
Loss for the period	–	–	–	–	–	(1,552)	(1,552)
Total comprehensive income for the period	–	–	–	–	10,539	(1,552)	8,987
Dividend paid	–	–	–	–	–	(3,720)	(3,720)
At 30 June 2011 (unaudited)	16,925	58,119	51,987	–	54,357	194,199	375,587

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2011

	Six months ended 30 June	
	2011	**2010**
	US$'000	*US$'000*
	(unaudited)	(unaudited)
NET CASH FROM OPERATING ACTIVITIES	20,237	47,060
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(34,611)	(33,897)
Other investing cash flows	1,541	(375)
Decrease in pledged bank deposits	–	1,147
NET CASH USED IN INVESTING ACTIVITIES	(33,070)	(33,125)
FINANCING ACTIVITIES		
New bank borrowings raised	115,576	294,750
Repayment from immediate holding company	50,950	20,000
Repayment of bank borrowings	(56,028)	(284,071)
Repayment of amount due to immediate holding company	(50,950)	(20,000)
Dividend paid	(3,720)	(9,297)
Interest paid	(2,460)	(1,381)
NET CASH FROM FINANCING ACTIVITIES	53,368	1
NET INCREASE IN CASH AND CASH EQUIVALENTS	40,535	13,936
CASH AND CASH EQUIVALENTS AT 1 JANUARY	169,756	95,664
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	922	(47)
CASH AND CASH EQUIVALENTS AT 30 JUNE, represented by bank balances and cash	211,213	109,553

Notes to the Condensed Consolidated Financial Statements

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard 34 "*Interim Financial Reporting*" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2011 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010.

In the current interim period, the Group has applied, for the first time, the following new or revised standards and interpretations ("new or revised HKFRSs") issued by the HKICPA.

- *Improvements to HKFRSs* issued in 2010
- HKAS 24 (as revised in 2009) *Related Party Disclosure*
- Amendments to HKAS 32 *Classification of Rights Issues*
- Amendments to HK (IFRIC) – Int 14 *Prepayments of a Minimum Funding Requirement*
- HK (IFRIC) – Int 19 *Extinguishing Financial Liabilities with Equity Instruments*

The application of the above new or revised HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

The Group has not early applied new or revised standards and interpretations that have been issued but are not yet effective. The following new or revised standards and interpretations have been issued after the date the consolidated financial statements for the year ended 31 December 2010 were authorised for issuance and not yet effective:

HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[2]
HKAS 19 (Revised 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]

1 Effective for annual periods beginning on or after 1 January 2013
2 Effective for annual periods beginning on or after 1 July 2012

These five new or revised standards on consolidation, joint arrangements and disclosures were issued by the HKICPA in 2011 and are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five new or revised standards are applied early at the same time. The directors of the Company anticipate that these new or revised standards will be applied in the Group's consolidated financial statements for financial years ending 31 December 2013.

The directors of the Company anticipate that the application of these five new or revised standards and the other new or revised standards will have no material impact on the results and the financial position of the Group.

3. 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 period.

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.

4. LOSSES FROM FIRE

On 20 February 2011, there was a fire in Plant 4. This fire accident had caused the loss of inventories and plant and machinery to the Group.

The losses incurred as a result of the fire are summarised as follows:

	Six months ended 30 June 2011 *US$'000* (unaudited)
Loss of inventories	1,558
Loss of property, plant and equipment	5,774
Other expenses *(Note)*	3,910
	11,242

Note: The amount represents costs incurred to repair machinery and to clean up the area being damaged in the fire.

Items incurred in the losses from fire is covered by insurance with a reputable insurance company in the People's Republic of China ("PRC"). The management has already submitted the claim to the insurance company and the claim evaluation process is going on, and the management expects that the loss can be recovered through the insurance claim. The insurance claim process was still going on as at 30 June 2011, the Group will recognise the claim when and only when it is virtually certain that the claim will be received. Up to the announcement date, the insurance claim is still in process and not yet finalised.

5. TAXATION

	Six months ended 30 June	
	2011	**2010**
	US$'000	*US$'000*
	(unaudited)	(unaudited)
The charge comprises:		
PRC Enterprise Income Tax ("EIT")		
– current period	2,845	4,145
– overprovision in previous period	(377)	(120)
Deferred tax	(1,882)	–
	586	4,025

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

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 12% to 24% (1.1.2010 to 30.6.2010: 11% to 22%).

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 separate invested projects 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 is 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 and is subject to a 50% relief from EIT 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.

The approval for Tax Exemptions effective from 1 January 2008 have 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 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% and thereafter from the year ending 31 December 2013.

HannStar Precision is still under the Tax Exemptions and the first profit making year was the year ended 31 December 2008. HannStar Precision is exempted from EIT for the two years ended 31 December 2009, and is subject to a 50% relief from EIT for the three years ending 31 December 2012. Applying the 50% relief, the EIT rate applicable to Hannstar Precision will be 12.5% for the three years ending 31 December 2012 and 25% thereafter.

Under the New Tax Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards which amounted to US$147,609,000 (1.1.2008 to 30.6.2010: US$138,825,000). 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 forseeable future.

6. (LOSS) PROFIT FOR THE PERIOD

(Loss) profit for the period has been arrived at after charging (crediting):

	Six months ended 30 June	
	2011	**2010**
	US$'000	*US$'000*
	(unaudited)	(unaudited)
Cost of inventories recognised as an expense *(Note i)*	369,521	302,142
Depreciation of property, plant and equipment *(Note ii)*	30,519	27,159
Employee benefit expenses *(Note iii)*	33,943	23,155
Release of prepaid lease payments	67	63
Reversal of allowance for trade and other receivables *(Note iv)*	–	(358)
Bank interest income	(3,775)	(538)
Sales of scrap materials (included in other income)	(11,604)	(7,230)
Gain on disposal of property, plant and equipment	(232)	–
Allowance for trade and other receivables	437	–
Net foreign exchange loss	1,272	518

Notes:

(i) During the reporting period ended 30 June 2011, there was a high utilisation rate of inventories written down and a reversal of allowance for inventories of US$1,644,000 has been recognised and included in cost of sales in the current period. During the reporting period ended 30 June 2010, there was some inventories stated higher than the net realisable value. As a result, a written down of inventories of US$1,633,000 has been recognised.

(ii) During the reporting period ended 30 June 2011, the amount was included in cost of sales amounted to US$27,730,000 (30.6.2010: US$25,837,000) and administrative expenses amounted to US$2,789,000 (30.6.2010: US$1,322,000).

(iii) During the reporting period ended 30 June 2011, the amount was included in cost of sales amounted to US$30,214,000 (30.6.2010: US$17,880,000) and administrative expenses amounted to US$3,729,000 (30.6.2010: US$5,275,000).

(iv) During the reporting period ended 30 June 2010, there was a repayment from debtors which was written-off by the Group in prior year. As a result, a reversal of allowance for trade and other receivables of US$358,000 has been recognised.

7. DIVIDEND

The directors do not recommend the payment of an interim dividend.

During the period, the Company paid final dividend of HK$0.022 (30.6.2010: HK$0.055) per share which amounted to HK$28,957,500 (approximately equivalent to US$3,720,000) for the year ended 31 December 2010 (31 December 2009: HK$72,393,750 (approximately equivalent to US$9,297,000) for the year ended 31 December 2009).

8. (LOSS) EARNINGS PER SHARE

The calculation of the basic loss per share for the six months ended 30 June 2011 is based on the loss attributable to owners of the Company of US$1,552,000 (30.6.2010: profit attributable to owners of the Company of US$17,563,000) and 1,316,250,000 shares (30.6.2010: 1,316,250,000 shares).

Diluted (loss) earnings per share is not presented as there were no potential ordinary shares outstanding during both periods.

9. PROPERTY, PLANT AND EQUIPMENT

During the period ended 30 June 2011, the Group acquired property, plant and equipment of US$24,629,000 mainly represented by construction in progress amounted to US$24,207,000 (30.6.2010: US$32,394,000 mainly represented by construction in progress amounted to US$32,048,000) for business expansion.

10. TRADE AND OTHER RECEIVABLES

The Group generally allows an average credit period of 90 days to 150 days to its trade customers.

The following is an analysis of the trade receivables by age, presented based on the invoice date, net of allowance for doubtful debts.

	30 June 2011	**31 December 2010**
	US$'000	*US$'000*
	(unaudited)	(audited)
Trade receivables:		
0 – 30 days	69,626	44,564
31 – 60 days	80,401	60,907
61 – 90 days	59,724	53,450
91 – 120 days	51,389	47,087
121 – 180 days	26,148	24,830
181 – 365 days	886	75
	288,174	230,913
Other receivables:		
Prepayments for utility	4,299	3,990
Prepayment for maintenance	3,343	1,718
Deposits paid	1,483	1,267
Value added tax recoverable	11,583	10,460
Others	3,534	1,881
	24,242	19,316
	312,416	250,229

11. TRADE AND OTHER PAYABLES

The following is an analysis of trade payables by age, presented based on the invoice date.

	30 June 2011 *US$'000* (unaudited)	31 December 2010 *US$'000* (audited)
Trade payables:		
0 – 30 days	83,949	70,231
31 – 60 days	56,423	35,353
61 – 90 days	15,488	11,366
91 – 180 days	20,847	12,150
181 – 365 days	6,304	1,404
Over 365 days	2,426	1,662
	185,437	132,166
Other payables:		
Accruals	30,880	24,428
Amounts payable for purchase of property, plant and equipment	14,887	24,869
	45,767	49,297
	231,204	181,463

12. BANK BORROWINGS

During the period, the Group obtained new bank loans amounting US$115,576,000 (30.6.2010: US$294,750,000). The loans bear interest at The LIBOR+1.0% to LIBOR+3.5% per annum (31.12.2010: LIBOR+0.6% to LIBOR+2.5% per annum) and are repayable within two years. The proceeds were used to finance the acquisition of property, plant and equipment and for general working capital. Repayments of bank borrowing in the amount of US$56,028,000 (30.6.2010: US$284,071,000) were made in the current period.

13. SHARE CAPITAL

	Number of shares	Nominal value
Ordinary shares of a par value of HK$0.1 each		
Authorised:		
At 31 December 2010 and 30 June 2011	5,000,000,000	500,000
Issued and fully paid:		
At 31 December 2010 and 30 June 2011	1,316,250,000	131,625
	Equivalent to	US$16,925,000

14. CAPITAL COMMITMENTS

	30 June 2011	31 December 2010
	US$'000	*US$'000*
	(unaudited)	(audited)
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	28,349	19,591

15. RELATED PARTY TRANSACTIONS

		Six months ended 30 June	
Related party	**Transactions**	**2011**	**2010**
		US$'000	*US$'000*
		(unaudited)	(unaudited)
Ultimate holding company	Subcontracting fee expenses	28,985	22,708
	Purchase of plant and machinery by the Group	5	–
	Sales of products	39	–
Associates of ultimate holding company	Sales of products	1,640	–
Fellow subsidiaries	Sales of products	713	–
	Trade receivables	1,244	–
Immediate holding company	Interest expenses paid by the Group	161	46

The amount due to ultimate holding company is unsecured, non-interest bearing and repayable on demand.

The remuneration of directors and other members of key management paid during the period represented short-term benefits of US$38,000 (30.6.2010: US$32,000).

16. EVENT AFTER THE END OF THE INTERIM PERIOD

On 8 August 2011, the Company announced the proposed transaction about the privatisation of the Company which, if approved by independent shareholders and implemented, would result in the cancellation of shares of the Company and the Company becoming wholly-owned by HannStar Board (BVI) Holdings Corp., the immediate holding company of the Company, and the withdrawal of the listing of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

4. INDEBTEDNESS

At the close of business on 31 July 2011, being the latest practicable date for the purpose of preparing this statement of indebtedness prior to the printing of this circular, the Group had aggregate outstanding amount due to ultimate holding company of approximately US$933,000, amount due to immediate holding company of approximately US$25,524,000 and unsecured bank borrowings of approximately US$419,120,000.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Group did not have outstanding at the close of business on 31 July 2011, any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

The Directors have confirmed that, as at the Latest Practicable Date, there has been no material change to the Group's indebtedness and contingent position since 31 July 2011.

5. MATERIAL CHANGES

Save for the followings, there was no material change in the financial or trading position or outlook of the Group since 31 December 2010, the date to which the latest published audited consolidated financial statements of the Company were made up:

(a) the deterioration in operating results and uncertain outlook as reported in the Company's published interim results announcement for the six months ended 30 June 2011; and

(b) the loss from a fire incident at a plant of the Group in Jiangyin City, Jiangsu Province, the PRC which caused a loss of inventories and plant and machinery of approximately US$11.24 million and the insurance claim is still in process and not yet finalised.

6. PROPERTY INTERESTS AND PROPERTY VALUATION REPORT

JLLS, an independent firm of professional valuer, has valued the property interests of the Group as at 31 July 2011. The text of the letter, summary of valuation and the valuation certificates are set out in Appendix II to this Scheme Document.

The reconciliation between the valuation of the property interests of the Group as at 31 July 2011 and the net book value of such property interests as at 31 December 2010 is as follows:

	US$'000
Net book value as at 31 December 2010	108,921
Depreciation for the period from 1 January 2011 to 31 July 2011	3,446
Net book value as at 31 July 2011	105,475
Valuation surplus	36,954
Gross valuation as at 31 July 2011 *(Note 2)*	142,429

Notes:

1. The properties valued by JLLS are those assets of the Group deemed to be property interests pursuant to the RICS Valuation Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards on Properties published by the Hong Kong Institute of Surveyors; and the International Valuation Standards published by the International Valuation Standards Council. Special production equipment attached to the buildings are not valued.

2. The valuation as at 31 July 2011 consists of RMB512,580,000 of the capital value in existing state of the property interests held and occupied by the Group in the PRC as at 31 July 2011 as disclosed in the summary of values in Appendix II, the valuation of RMB330,960,000 as disclosed in note 3 of property 1 and the valuation of RMB52,730,000 in note 3 and RMB13,850,000 in note 4 of property 2 of valuation certificate in Appendix II.

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this Circular received from Jones Lang LaSalle Sallmanns Limited, an independent valuer, in connection with its valuation as at 31 July 2011 of the property interests of the Group.

JONES LANG LASALLE® SALLMANNS

Jones Lang LaSalle Sallmanns Limited
6/F Three Pacific Place
1 Queen's Road East, Hong Kong
tel +852 2169 6000 fax +852 2169 6001
License No: C-030171

14 September 2011

The Board of Directors
HannStar Board International Holdings Limited

Dear Sirs,

In accordance with your instructions to value the properties in which HannStar Board International Holdings Limited (the "Company") and its subsidiaries (hereinafter together referred to as the "Group") have interests in the People's Republic of China (the "PRC"), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of the property interests as at 31 July 2011 (the "date of valuation").

Our valuation of the property interests represents the market value which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion".

Where, due to the nature of the buildings and structures of property no.1 and no. 2, as no market sales comparables are readily available, the property interests have been valued on the basis of their depreciated replacement cost.

Depreciated replacement cost is defined as "the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization". It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement (reproduction) of the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimization. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business.

We have valued the property interest of property no. 3 by direct comparison approach assuming sale of the property interest in its existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; Rule 11 of the Codes on Takeover and Mergers issued by Securities and Futures Commission; the RICS Valuation Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards on Properties published by the Hong Kong Institute of Surveyors; and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of various title documents including State-owned Land Use Rights Certificates, Building Ownership Certificates and official plans relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing titles to the property interests in the PRC and any material encumbrances that might be attached to the property interests or any amendments. We have relied considerably on the advice given by the Company's PRC legal advisers – Beijing Kangda Law Firm, concerning the validity of the Group's titles to the property interests in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

According to the Company, the potential tax liabilities would arise on disposal of the property interests held by the Group in the PRC, at the amount of market value minus the cost of purchase, comprise Chinese business tax, urban maintenance and construction tax, additional education fee and local education levy (5.6% of net revenue), Chinese land appreciation tax (ranging from 30% to 60% of the appreciated amount), Chinese corporate income tax and Chinese stamp duty (0.05% of the consideration stated in sales contract). The exact amount of the tax payable upon realization of the relevant properties will be subject to the formal tax advice issued by the relevant tax authorities at the time of disposal by presenting the relevant transaction documents. Further, as advised by the Group, the likelihood of the potential tax liability of the property being crystallized is considered remote as the Company has no intention to dispose of its property interest.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our valuation is summarized below and the valuation certificates are attached.

Yours faithfully,
for and on behalf of
Jones Lang LaSalle Sallmanns Limited

Paul L. Brown	**Gilbert C. H. Chan**
B.Sc. FRICS FHKIS	*MRICS MHKIS RPS (GP)*
Chief Valuation Adviser	*Director*

Note: Paul L. Brown is a Chartered Surveyor who has 28 years' experience in the valuation of properties in the PRC and 31 years of property valuation experience in Hong Kong, the United Kingdom and the Asia-Pacific region.

Gilbert C.H. Chan is a Chartered Surveyor who has 19 years' experience in the valuation of properties in the PRC and 18 years of property valuation experience in Hong Kong, the United Kingdom and the Asia-Pacific region.

SUMMARY OF VALUES

Property interests held and occupied by the Group in the PRC

No.	**Property**	**Capital value in existing state as at 31 July 2011** *RMB*
1.	3 parcels of land, various buildings and structures located at Nos. 97 and 98 Chengjiang East Road Jiangyin City Jiangsu Province the PRC	495,190,000
2.	2 parcels of land and 3 buildings located at Yongfeng Village Chengjiang Town Jiangyin City Jiangsu Province the PRC	13,850,000
3.	A detached villa house Nos. 233-67 Hengshan Road Jiangyin City Jiangsu Province the PRC	3,540,000
	Total:	512,580,000

VALUATION CERTIFICATE

Property interest held and occupied by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 July 2011 *RMB*
1	3 parcels of land, various buildings and structures located at Nos. 97 and 98 Chengjiang East Road Jiangyin City Jiangsu Province the PRC	The property comprises 3 parcels of land with a total site area of approximately 366,061.3 sq.m. and 24 buildings and various structures erected thereon which were completed in various stages between 2003 and 2010. The property has a total gross floor area of approximately 375,707.36 sq.m. The buildings mainly include industrial buildings, dormitories, canteens, guardhouses and warehouses. The structures mainly include boundary walls, roads and sheds. The land use rights of the property have been granted for terms with the latest expiry date on 18 July 2055 for industrial use.	The property is currently occupied by the Group for production and staff quarter purposes except for portions of the property which are leased to a subsidiary of the Company and an independent third party for production and staff quarter uses (see notes 4 and 5).	495,190,000 100% interest attributable to the Group: RMB495,190,000

Notes:

1. Pursuant to 3 State-owned Land Use Rights Certificates – Cheng Tu Guo Yong (2004) No. 005276, Cheng Tu Guo Yong (2005) No.010286 and Cheng Tu Guo Yong (2004) No.013012 dated 20 April 2004, 19 August 2005 and 22 November 2005 respectively issued by the People's Government of Jiangyin City, the land use rights of 3 parcels of land with a total site area of approximately 366,061.3 sq.m. were granted to Hannstar Board Technology (Jiangyin) Corp. ("HannStar Jiangyin"), a wholly-owned subsidiary of the Company, for the terms expiring on 3 July 2053 and 18 July 2055 and 28 July 2052 respectively for industrial use.

2. Pursuant to 4 Building Ownership Certificates – Fang Quan Zheng Cheng Zi Nos. fdb0004155, fdb0004494, fdb0006952 and fdb0008100 dated 29 September 2004, 2 March 2005 and 5 April 2006 and 21 November 2007 respectively issued by the House Administration Bureau of Jiangyin City, the building ownership rights of 18 buildings with a total gross floor area of approximately 229,274.39 sq.m. are held by HannStar Jiangyin.

3. We have attributed no commercial value to the 6 buildings with a total gross floor area of approximately 146,432.97 sq.m., which have not obtained any proper title certificate. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the buildings (excluding the land) as at the date of valuation would be RMB330,960,000 assuming all relevant title certificates have been obtained and the buildings could be freely transferred.

4. Pursuant to a Tenancy Agreement between HannStar Jiangyin and Jiangyin Ziranxing Electronic Co., Ltd., an independent third party, portions of industrial building with a gross floor area of approximately 331 sq.m. and the dormitory with a total gross floor area of approximately 125 sq.m. of the property are leased to Jiangyin Ziranxing Electronic Co., Ltd. for a term of 5 years commencing from 1 April 2010 and expiring on 31 March 2015 at a rental of RMB10,000 per month, exclusive of other outgoing expenses.

5. Pursuant to 2 Tenancy Agreements between HannStar Jiangyin and HannStar Precision Technology (Jiangyin) Corp. (瀚宇精密科技(江陰)有限公司) ("HannStar Precision"), a subsidiary of the Company, portions of industrial buildings with gross floor area of approximately 36,398.5 sq.m. and 73,000 sq.m. of the property is leased to HannStar Precision commencing from 1 September 2008 and 1 November 2010 at a rental of RMB240,000 per month and RMB950,000 per month respectively, exclusive of other outgoing expenses.

6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

   a. the property is legally owned by the Group and the Group has the rights to use, transfer, lease or mortgage the property in accordance with the relevant laws;

   b. for the buildings without Building Ownership Certificates, the Group may have a risk on which those buildings would require to be demolished or subject to a fine. On the other hand, if the Group has the proper construction permits and approvals, there would be no legal impediment to obtain Building Ownership Certificates; and

   c. the Lessor is the legal owner of the property. The Tenancy Agreements are valid, legally binding and enforceable in accordance with PRC Laws. The Tenancy Agreements have not been registered with the relevant authority, however, the validity of the Tenancy Agreements will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 July 2011 *RMB*
2.	2 parcels of land and 3 buildings located at Yongfeng Village Chengjiang Town Jiangyin City Jiangsu Province the PRC	The property comprises 2 parcels of land with a total site area of approximately 66,665.9 sq.m. and 3 buildings erected thereon which were completed in various stages between 2006 and 2011. The buildings have a total gross floor area of approximately 43,415.64 sq.m. The buildings mainly include dormitory buildings and power distribution station. The land use rights of the property have been granted for a term of 50 years expiring on 17 January 2056 for industrial use.	The property is currently occupied by the Group for staff quarters and ancillary purposes.	13,850,000 100% interest attributable to the Group: RMB13,850,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – Cheng Tu Guo Yong (2006) No. 001199 dated 25 January 2006 issued by the People's Government of Jiangyin City, the land use rights of a parcel of land with a site area of approximately 33,332.4 sq.m. were granted to HannStar Board Technology (Jiangyin) Corp. ("HannStar Jiangyin"), a wholly-owned subsidiary of the Company, for a term expiring on 17 January 2056 for industrial use.

2. Pursuant to a Land Pre-sale Transfer Contract of Jiangyin Economic Development Zone (江陰經濟開發區土地預出讓合同) dated 10 July 2006 entered into between HannStar Jiangyin and Jiangyin Economic Development Zone Investment Bureau, a parcel of land with a site area of approximately 50 Mu (33,333.5 sq.m.) were contracted to be granted to HannStar Jiangyin for a term of 50 years for Industrial use at a land premium of RMB9,000,000.

3. We have attributed no commercial value to the 3 buildings with a total gross floor area of approximately 43,415.64 sq.m., which have not obtained any proper title certificate. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the buildings (excluding the land) as at the date of valuation would be RMB52,730,000 assuming all relevant title certificates have been obtained and the buildings could be freely transferred.

4. We have attributed no commercial value to a parcel of land with a site area of approximately 33,333.5 sq.m. which has not obtained any proper title certificate. However, for reference purpose, we are of the opinion that the capital value of the land as at the date of valuation would RMB13,850,000 assuming all relevant title certificates have been obtained and the land could be freely transferred.

5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

   a. the property is legally owned by the Group and the Group has the rights to use, transfer, lease or mortgage the property in accordance with the relevant laws; and

   b. for the parcel of land without State-owned Land Use Rights Certificate, the land Pre-sale contract signed between the Group and Jiangyin Economic Development Zone Investment Bureau is legal and valid, and land premium is fully settled, however, the relevant authority has to complete the procedure of tender, auction or listing in order to fulfill the legal requirements. The Group is currently liaising with relevant authority on this land matter.

   c. for the buildings without Building Ownership Certificates, the Group may have a risk on which those buildings would require to be demolished or subject to a fine. On the other hand, if the Group has the proper construction permits and approvals, there would be no legal impediment to obtain Building Ownership Certificates.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 July 2011 *RMB*
3.	A detached villa house Nos. 233-67 Hengshan Road Jiangyin City Jiangsu Province the PRC	The property comprises a 3-storey detached villa house completed in about 2009 erected on a parcel of land with a site area of approximately 145 sq.m.. The property has a gross floor area of approximately 302.39 sq.m.. The land use rights of the property have been granted for a term expiring on 8 June 2076 for residential use.	The property is currently vacant.	3,540,000 100% interest attributable to the Group: RMB3,540,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – Cheng Tu Guo Yong (2009) No. 14132 issued by the People's Government of Jianyin City, the land use rights of a parcel of land with a site area of 145 sq.m. were granted to Hannstar Board Technology (Jianyin) Corp. ("HannStar Jianyin"), a wholly-owned subsidiary of the Company, for a term expiring on 8 June 2076 for residential use.

2. Pursuant to a Building Ownership Certificate – Cheng Fang Quan Zheng Jiangyin Zi Di No. fsg0005215, the property with gross floor area of approximately 302.39 sq.m. is held by HannStar Jiangyin.

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

   a. the property is legally owned by the Group and the Group has the rights to use, transfer, lease or mortgage the property in accordance with the relevant law.

1. RESPONSIBILITY STATEMENT

This document includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Proposal, the Offeror and the Company.

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

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

2. SHARE CAPITAL OF THE COMPANY

As at the Latest Practicable Date, the authorised and issued share capital of the Company was as follows:

Authorised:		*(Nominal value)* *HK$*
5,000,000,000	Shares	500,000,000
Issued and fully paid up:		
1,316,250,000	Shares	131,625,000

All of the Shares currently in issue rank pari passu in all respects with each other (including, in particular, dividends, voting rights and capital). No Shares were issued during the period from the Last Accounting Date to the Latest Practicable Date.

The Shares are listed on the Stock Exchange and none of the securities of the Company are listed, or dealt in, on any other stock exchange (and no such listing or permission to deal is being, or is proposed to be, sought).

As at the Latest Practicable Date, there were no outstanding warrants, options, derivatives or convertible securities in respect of the Shares.

3. MARKET PRICES OF SHARES

(a) The highest closing price of the Shares as quoted on the Stock Exchange during the Relevant Period was HK$1.17 per Share on 8 February 2011 and 9 February 2011. The lowest closing price of the shares as quoted on the Stock Exchange during the Relevant Period was HK$0.69 per Share on 31 May 2011.

(b) The table below sets out the closing prices of the Shares as quoted on the Stock Exchange on (i) the last Business Day of each of the calendar months commencing 6 months preceding the date of the Announcement up to the Latest Practicable Date, (ii) the Last Trading Day and (iii) the Latest Practicable Date:

Dates	**Closing price** *(HK$)*
31 January 2011	1.14
28 February 2011	1.16
31 March 2011	0.92
29 April 2011	0.85
31 May 2011	0.69
30 June 2011	0.80
29 July 2011, the Last Trading Day	0.85
31 August 2011	1.08
9 September 2011, Latest Practicable Date	1.09

4. DISCLOSURE OF INTERESTS UNDER THE SFO

(a) Interests and short positions of Directors in shares or debentures of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors in shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required: (i) to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which are deemed or taken to be owned by the Directors under such provisions of the SFO); (ii) pursuant to Section 352 of the SFO, to be entered in the register referred to in that section; or (iii) pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" of the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Name of Directors	**Company or associated corporation**	**Capacity/ Nature of interest**	**Number of (underlying) shares and class of securities**	**Approximate percentage of issued share capital of the Company/associated corporation** *(%)*
Mr. CHEN Kuen-hwang	Parent	Beneficial owner	47,280	0.01%
Mr. CHEN Kuen-hwang	Global Brands Manufacture Limited*(Note)*	Beneficial owner	8,000	0.002%

Name of Directors	Company or associated corporation	Capacity/ Nature of interest	Number of (underlying) shares and class of securities	Approximate percentage of issued share capital of the Company/associated corporation *(%)*
Mr. LAI Wei-chen	Parent	Beneficial owner	151,283	0.03%
Mr. YEH Shin-jiin	Parent	Beneficial owner	293,354	0.06%

Note: As the Parent controls the board of directors of Global Brands Manufacture Limited, Global Brands Manufacture Limited is accounted as a subsidiary of the Parent and therefore an associated corporation of the Company by virtue of the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required: (i) to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which are deemed or taken to be owned by the Directors under such provisions of the SFO); (ii) pursuant to Section 352 of the SFO, to be entered in the register referred to in that section; or (iii) pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" of the Listing Rules, to be notified to the Company and the Stock Exchange.

(b) Interests and short positions of substantial Shareholders and other interests discloseable under Part XV of the SFO

As at the Latest Practicable Date, other than the Directors, the following entities had an interest or a short position in the Shares or underlying Shares of the Company: (i) as recorded in the register required to be kept under Section 336 of the SFO which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO; or (ii) as the Company is aware:

Name of entities	Capacity/Nature of interests	Number of Shares	Approximate percentage of issued share capital *(%)*
Offeror	Beneficial owner	987,050,000	74.99%
Parent	Held by controlled corporation *(Note)*	987,050,000	74.99%

Note: The Offeror is wholly-owned by the Parent. The Parent is deemed to be interested in 987,050,000 shares in the Company which are held by the Offeror by virtue of the SFO.

Save as disclosed above and so far as the Directors are aware, as at the Latest Practicable Date, there was no other person who had interests or short positions in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

5. DISCLOSURE OF INTERESTS UNDER THE TAKEOVERS CODE

(a) Interests discloseable under Schedule I to the Takeovers Code

(i) The shareholding of the Offeror in the Company, as at the Latest Practicable Date, are set out under paragraph 2 headed "Issued Shares and Details of Warrants, Options and Conversion Rights" in the Explanatory Memorandum.

(ii) Save as disclosed under paragraph 8 headed "Effects of the Scheme" in the Explanatory Memorandum, the Offeror, the Offeror Directors and the persons acting in concert with the Offeror or the Parent did not hold any other types of securities in the Company as at the Latest Practicable Date.

(iii) As at the Latest Practicable Date, none of the Offeror, the Parent or any persons acting in concert with any one of the Offeror or the Parent had borrowed or lent any Shares (or any convertible securities, warrants, options or derivatives in respect of Shares).

(iv) As at the Latest Practicable Date, no person has irrevocably committed to vote in favour of or against the Scheme.

(b) Interests discloseable under Schedule II to the Takeovers Code

(i) As at the Latest Practicable Date, the Company had no holdings of any shares (or any convertible securities, warrants, options or derivatives in respect of shares) of the Offeror. The Company has not dealt with any shares (or any convertible securities, warrants, option or derivatives in respect of shares) of the Offeror during the Relevant Period.

(ii) As at the Latest Practicable Date, the Directors had no holdings of any shares (or any convertible securities, warrants, options or derivatives in respect of shares) of the Offeror and the Company.

(iii) As at the Latest Practicable Date, none of the subsidiaries of the Company, nor any of the pension funds of the Group or any adviser to the Company as specified in class (2) of the definition of "associate" in the Takeovers Code (but excluding exempt principal traders), owned or controlled any Shares (or any convertible securities, warrants, options or derivatives in respect of Shares).

(iv) As at the Latest Practicable Date, no fund managers (other than exempt fund managers) connected with the Company who managed funds on a discretionary basis owned or controlled any Shares (or any convertible securities, warrants, options or derivatives in respect of Shares).

(v) As at the Latest Practicable Date, none of the Directors has any shareholding in Shares and therefore none of them intends to vote in favour of the Scheme in respect of their shareholdings in Shares.

(vi) As at the Latest Practicable Date, none of the Company or the Directors had borrowed or lent any Shares (or any convertible securities, warrants, options or derivatives in respect of Shares).

(vii) As at the Latest Practicable Date, save for the Proposal and the Scheme itself, no person had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of "associate" in the Takeovers Code.

6. DEALINGS IN SHARES

(a) The Offeror and the Parent had not dealt for value in any Shares (or any convertible securities, warrants, options or derivatives in respect of Shares) during the Relevant Period.

(b) None of the Offeror Directors nor any other person acting in concert with any one of the Offeror or the Parent had dealt for value in Shares (or any convertible securities, warrants, options or derivatives in respect of Shares) during the Relevant Period.

(c) Save for the Proposal and the Scheme itself, no person had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Offeror or the persons acting in concert with the Offeror or the Parent.

(d) None of the Directors had dealt for value in any shares (or any convertible securities, warrants, options or derivatives in respect of shares) of the Offeror during the Relevant Period.

(e) None of the subsidiaries of the Company, nor any of the pension funds of the Group or any adviser to the Company as specified in class (2) of the definition of "associate" in the Takeovers Code (but excluding exempt principal traders), had dealt for value in any Shares (or any convertible securities, warrants, options or derivatives in respect of Shares) during the Offer Period and ending with the Latest Practicable Date.

(f) Save for the Proposal and the Scheme itself, no person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of "associate" in the Takeovers Code (if any), had dealt for value in any Shares (or any convertible securities, warrants, options or derivatives in respect of Shares) during the Offer Period and ending with the Latest Practicable Date.

(g) No fund managers (other than exempt fund managers) connected with the Company who managed funds on a discretionary basis, had dealt for value in any Shares (or any convertible securities, warrants, options or derivatives in respect of Shares) during the Offer Period and ending with the Latest Practicable Date.

7. LITIGATION

No members of the Group are engaged in any litigation or arbitration or claim of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Group.

8. MATERIAL CONTRACTS

No material contract, not being a contract entered into in the ordinary course of business carried on or intended to be carried on by the Group, had been entered into after the date of the two years preceding the date of the commencement of the Offer Period and up to the Latest Practicable Date.

9. EXPERTS

The following are the qualifications of each of the experts who have been named in this document or given their opinion or advice which are contained in this document:

Name	Qualification
ING	A registered institution under the SFO, registered to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities
Altus	A licensed corporation under the SFO, registered to conduct Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities
JLLS	Professional property valuer

10. CONSENTS

Each of ING, Altus and JLLS has given and has not withdrawn its written consent to the issue of this document, with the inclusion in this document of the text of its letter or opinion (as the case may be) and references to its name in the form and context in which they are included.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection: (i) from 9:30 a.m. to 5:30 p.m., Monday to Friday (excluding any public holiday in Hong Kong), at the Hong Kong office of the Company (at Level 28, Three Pacific Place, 1 Queen's Road East, Hong Kong); (ii) at the website of the Company at www.hannstarboard.com; and (iii) at the website of the SFC at http://www.sfc.hk, from the date of this document until the Effective Date (or the date on which the Scheme lapses, whichever is earliest):

(a) the articles of incorporation of the Parent;

(b) the memorandum and articles of association of the Offeror;

(c) the memorandum and articles of association of the Company;

(d) the annual reports of the Company for the two financial years ended 31 December 2009 and 2010 respectively;

(e) the interim report of the Company for the six months ended 30 June 2011;

(f) the Board Letter;

(g) the IBC Letter;

(h) the IFA Letter;

(i) the letters and summaries of valuation from JLLS, the texts of which are set out in Appendix II to this document; and

(j) the written consents referred to under paragraph 10 headed "Consents" in this Appendix.

12. MISCELLANEOUS

(a) None of the existing Directors has been or will be given any benefit as compensation for loss of office or otherwise in connection with the Scheme.

(b) As at the Latest Practicable Date, there was no agreement or arrangement between any of the Directors and any other person which is conditional on or dependent upon the outcome of the Scheme or otherwise connected with the Scheme.

(c) As at the Latest Practicable Date, there was no agreement or arrangement or understanding (including any compensation arrangement) between the Offeror, the Parent or any persons acting in concert with any one of them (on the one part) and any of the Directors, recent Directors, Shareholders or recent Shareholders (on the other part) having any connection with or dependence upon the Scheme.

(d) As at the Latest Practicable Date, there was no material contract entered into by the Offeror or the Parent in which any of the Directors had a material personal interest.

(e) As at the Latest Practicable Date, save for the Proposal and the Scheme itself, there is no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code between Offeror, the Parent or any persons acting in concert with any one of them (on the one part) and any other person (on the other part).

(f) As at the Latest Practicable Date, none of the Directors has entered into any service contract with the Company or any of its subsidiaries or associated companies which: (i) have been entered into or amended within 6 months before the commencement of the Offer Period (including both continuous and fixed term contracts); (ii) are continuous contracts with a notice period of 12 months or more; or (iii) are fixed term contracts with more than 12 months to run irrespective of the notice period.

(g) As at the Latest Practicable Date, there were no arrangements or agreements to which the Offeror is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a condition to the Proposal.

(h) The Offeror does not have any intention to transfer, charge or pledge any of the Shares acquired pursuant to the Scheme to any other person.

(i) The registered office of the Offeror is at TrustNet Cambers, P.O. Box 3444, Road Town Tortola, British Virgin Islands whereas its correspondence address is at No. 9, Kung-Yeh 4th Road, Kuan-Yin Hsiang, Tao Yuan Hsieh, Taiwan. Both the registered address and the correspondence address of the Parent are at No. 9, Kung-Yeh 4th Road, Kuan-Yin Hsiang, Tao Yuan Hsieh, Taiwan.

(j) The Offeror is ultimately owned by the Parent, a company incorporated in Taiwan and whose shares are listed on the Taiwan Stock Exchange Corporation. The directors of the Parent are:

  (i) Mr. Chiao Yu-heng;

  (ii) Mr. Chiao Ting-piao;

  (iii) Mr. Chiao Yu-chi;

  (iv) Mr. Chu Yeu-yuh (representative of Walsin Technology Corporation (華新科技股份有限公司));

(v) Ms. Lee Ting-chu (representative of Walsin Technology Corporation (華新科技股份有限公司));

(vi) Mr. Shu Yao-shien (representative of Walsin Technology Corporation (華新科技股份有限公司));

(vii) Mr. Pan Wen-hu (representative of Walsin Lihwa Corporation (華新麗華股份有限公司));

(viii) Mr. Chen Ruey-long; and

(ix) Mr. Liu Ming-hsiung.

(k) The principal place of business of ING in Hong Kong is at 36/F, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong.

(l) The principal place of business of Altus is at 8/F, Hong Kong Diamond Exchange Building, 8 Duddell Street, Central, Hong Kong.

(m) The secretary of the Company is Ms. Cheng Pik Yuk.

(n) The auditors of the Company is Deloitte Touche Tohmatsu of 35/F, One Pacific Place, 88 Queensway, Hong Kong.

(o) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

(p) The principal place of business of the Company in Hong Kong is at Level 28, Three Pacific Place, 1 Queen's Road East, Hong Kong.

(q) The Share Registrar is Computershare Hong Kong Investor Services Limited of Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(r) The English language text of this document will prevail over the Chinese language text.

IN THE GRAND COURT OF THE CAYMAN ISLANDS
FINANCIAL SERVICES DIVISION

CAUSE NO. FSD 0144 OF 2011

IN THE MATTER of sections 15 and 86 of the Companies Law (2010 Revision) (as amended)

AND IN THE MATTER of the Grand Court Rules 1995 Order 102

AND IN THE MATTER of **HannStar Board International Holdings Limited**

PRELIMINARY

(A) In this Scheme of Arrangement, unless inconsistent with the subject or context, the following expressions shall have the meanings respectively set opposite them:

"acting in concert"	has the meaning ascribed thereto in the Takeovers Code, and "persons acting in concert" and "concert parties" will be construed accordingly
"Cancellation Consideration"	the consideration of HK$1.25 per Scheme Share payable in cash by the Offeror to the Scheme Shareholders on the Effective Date
"Company"	HannStar Board International Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are currently listed on the main board of the Stock Exchange
"Companies Law"	Companies Law (2010 Revision) (as amended)
"Court"	the Grand Court of the Cayman Islands
"Effective Date"	8 December 2011, being the date on which the Scheme of Arrangement, if sanctioned by the Court, becomes effective in accordance with the Companies Law
"holder(s)"	a registered holder and includes a person entitled by transmission to be registered as such and joint holders

"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Independent Shareholders"	the Shareholders (other than the Offeror, the Parent and any persons acting in concert with any of them)
"Latest Practicable Date"	9 September 2011 being the latest practicable date prior to the printing of this document for ascertaining certain information contained herein
"Offeror"	HannStar Board (BVI) Holdings Corp., a company incorporated in the British Virgin Islands, the immediate holding company of the Company and a direct wholly-owned subsidiary of the Parent
"Parent"	HannStar Board Corporation, a company incorporated in Taiwan with limited liability and the holding company of the Offeror, the shares of which are listed on the Taiwan Stock Exchange
"Record Date"	8 December 2011 (or such later date as the Company and the Offeror may agree), being the date on which the entitlements of the Scheme Shareholders under the Scheme of Arrangement are determined
"Record Time"	4:00 p.m. on the Record Date (Hong Kong time)
"Register"	the register of members of the Company
"Scheme of Arrangement"	a scheme of arrangement between the Company and the Scheme Shareholders pursuant to Section 86 of the Companies Law in its present form or with or subject to any modification(s) or addition(s) or condition(s) which the Court may approve or impose
"Scheme Shareholders"	the Shareholders other than the Offeror
"Scheme Shares"	the Shares held by the Scheme Shareholders

"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company
"Share Option Scheme"	the share option scheme adopted by the Company on 21 September 2006
"Shareholder(s)"	registered holder(s) of the Shares whose names appear on the Register
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Taiwan Stock Exchange"	the Taiwan Stock Exchange Corporation
"Takeovers Code"	the Code on Takeovers and Mergers of Hong Kong

(B) The Company was incorporated as an exempted company on 17 May 2006 in the Cayman Islands under the Companies Law.

(C) The authorised share capital of the Company as at the Latest Practicable Date was (i) HK$500,000,000 divided into 5,000,000,000 ordinary shares of par value HK$0.10 each, 1,316,250,000 of which have been issued fully paid-up or credited as fully paid-up, and the remainder are unissued.

(D) The Offeror, has proposed the privatisation of the Company by way of the Scheme of Arrangement.

(E) The purpose of the Scheme of Arrangement is to privatise the Company by cancelling and extinguishing all of the Scheme Shares in consideration and exchange for the Cancellation Consideration so that the Company shall, thereafter become a direct wholly-owned subsidiary of the Offeror. Once privatised, this will facilitate business integration between the Offeror and the Company and will provide the Offeror with greater flexibility to support the future business development of the Company. The Offeror currently holds 74.99% of the total issued Shares and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited requires a minimum public float of 25%. The privatisation of the Company will simplify the shareholding structure of the Company. The Scheme of Arrangement also provides an opportunity for the Scheme Shareholders to dispose of their Scheme Shares and receive cash at a price above the prevailing market price of the Scheme Shares. Immediately following the cancellation and extinction of the Scheme Shares the issued share capital of the Company will be restored to its former amount by the issue to the Offeror at par credited as fully paid such number of Shares as is equal to the number of Scheme Shares cancelled and extinguished at the Record Time.

(F) As no options have been granted under the Share Option Scheme since its adoption, the Offeror will not be making any offer with respect to the Share Option Scheme.

(G) On the Latest Practicable Date, the profile of the Shareholders is as follows:

Name of Shareholders		**Number of Shares**	**%**
The Offeror, the Parent and parties acting in concert with any of them		987,288,000	75.01
Independent Shareholders		328,962,000	24.99
	Total:	1,316,250,000	100
Scheme Shareholders:			
Parties acting in concert with the Offeror		238,000	0.02
Independent Shareholders		328,962,000	24.99
	Total:	329,200,000	25.01

(H) The Offeror has agreed to appear by Counsel at the hearing of the petition to sanction the Scheme of Arrangement and to undertake to the Court (whether at the hearing or before hand) to be bound by the Scheme of Arrangement and will execute and do and procure to be executed and done all such documents, acts and things as may be necessary or desirable for the purpose of giving effect to and satisfying their respective obligations under the Scheme of Arrangement.

(I) As at the Latest Practicable Date, ING Investments LLC was the only party acting in concert with the Offeror which held any of the Scheme Shares and it held 238,000 Scheme Shares. In accordance with the Takeovers Code, the party holding those Scheme Shares will not be entitled to be counted in the vote required for the purposes of the Takeovers Code at the meeting to be convened by order of the Court for the purpose of considering and, if thought fit, approving (with or without modification) the Scheme.

THE SCHEME OF ARRANGEMENT

PART I

Cancellation of the Scheme Shares and issue of new Shares credited as fully paid at par to the Offeror

1. On the Effective Date:

   (a) the issued share capital of the Company shall be reduced by cancelling and extinguishing the Scheme Shares;

   (b) subject to and immediately following the reduction of capital taking effect, the share capital of the Company shall be restored to its former amount by the Company issuing to the Offeror, credited as fully paid at par, the same number of new Shares as the number of Scheme Shares cancelled and extinguished; and

   (c) the Company shall apply the credit arising in its books of account as a result of the cancellation of the Scheme Shares in paying up in full at par such number of new Shares as is equal to the number of Scheme Shares cancelled at the Record Time.

PART II

Consideration for the cancellation and extinguishment of the Scheme Shares

2. As consideration for the cancellation and extinguishment of the Scheme Shares each Scheme Shareholder will receive the Cancellation Consideration from the Offeror.

PART III

Conditions

3. The Scheme of Arrangement is conditional upon the capital reduction referred to in Clause 1(a) above becoming effective.

PART IV

General

4. As from the Effective Date, any instruments of transfer relating to and all certificates representing, the Scheme Shares shall cease to have effect as documents of title and every Scheme Shareholder shall be bound on the request of the Company to deliver up to the Company the certificates relating to the Scheme Shares for cancellation.

5. (a) Not later than ten (10) days after the Effective Date, the Company shall issue a share certificate to the Offeror.

(b) Not later than ten (10) days after Effective Date, the Offeror shall send or cause to be sent cheques representing the Cancellation Consideration to the Scheme Shareholders.

(c) Unless otherwise indicated in writing to the share registrar of the Company, being Computershare Hong Kong Investor Service Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, all cheques to be despatched to Scheme Shareholders shall be sent by post in pre-paid envelopes addressed to Scheme Shareholders at their respective addresses as appearing in the Register at the Record Time or, in the case of joint holders, at the address appearing in the Register at the Record Time of the joint holder whose name then stands first in the Register in respect of the relevant joint holding.

(d) Cheques shall be posted at the risk of the addressees and neither the Offeror nor the Company shall be responsible for any loss or delay in receipt.

(e) Cheques shall be in favour of the person to whom, in accordance with the provisions of this Clause 5, the envelope containing the same is addressed and the encashment of any such cheques shall be a good discharge to the Offeror for the monies represented thereby.

(f) On or after the day being six calendar months after the posting of the cheques pursuant to this Clause 5, the Offeror shall have the right to cancel or countermand payment of any such cheque which has not been cashed or has been returned uncashed and shall place all monies represented thereby in a deposit account in the Company's name with a licensed bank in Hong Kong selected by the Company. The Company shall hold such monies on trust for those entitled under the terms of the Scheme of Arrangement until the expiration of six years from the Effective Date and shall prior to such date pay out of such monies the sums payable pursuant to the Scheme of Arrangement to persons who satisfy the Company that they are entitled thereto. Any payments made by the Company shall include any interest accrued on the sums to which the respective persons are entitled calculated at the annual rate prevailing from time to time at the licensed bank in which the monies are deposited, subject, if applicable, to the deduction of any interest or withholding tax or any other deduction required by law. The Company shall exercise its absolute discretion in determining whether or not it is satisfied that any person is so entitled and a certificate of the Company to the effect that any particular person is so entitled or not so entitled, as the case may be, shall be conclusive and binding upon all persons claiming an interest in the relevant monies.

(g) On the expiration of six years from the Effective Date, the Offeror and the Company shall be released from any further obligation to make any payments under the Scheme of Arrangement and the Company shall transfer to the Offeror the balance (if any), of the sums standing to the credit of the deposit account referred to in this Clause 5 including accrued interest subject, if applicable, to the deduction of interest or any withholding tax or other tax or any other deductions required by law and subject to the deduction of any expenses.

(h) Paragraph (g) of this Clause 5 shall take effect subject to any prohibition or condition imposed by law.

6. All mandates or relevant instructions to or by the Company in force at the Record Time relating to any of the Scheme Shares shall cease to be valid as effective mandates or instructions.

7. Subject to Clause 3, the Scheme of Arrangement shall become effective as soon as a copy of the Order of the Court sanctioning the Scheme of Arrangement has been delivered to the Registrar of Companies in the Cayman Islands for registration pursuant to section 86(3) of the Companies Law.

8. Unless the Scheme of Arrangement shall have become effective on or before 30 April 2012 or such later date, if any, as the Offeror and the Company may agree or as the Court on application of the Offeror or the Company may allow, the Scheme of Arrangement shall lapse.

9. The Company and the Offeror may jointly consent for and on behalf of all concerned to any modification of or addition to the Scheme of Arrangement or to any condition which the Court may think fit to approve or impose.

10. All costs, charges and expenses of and incidental to the Scheme of Arrangement and the costs of carrying the Scheme of Arrangement into effect will be borne by the Company and the Offeror in equal shares.

Date: 14 September 2011

IN THE GRAND COURT OF THE CAYMAN ISLANDS
FINANCIAL SERVICES DIVISION

CAUSE NO. FSD 0144 OF 2011

IN THE MATTER of sections 15 and 86 of the Companies Law (2010 Revision) (as amended)

AND IN THE MATTER of the Grand Court Rules 1995 Order 102

AND IN THE MATTER of **HannStar Board International Holdings Limited**

NOTICE OF COURT MEETING

NOTICE IS HEREBY GIVEN that, by an order dated 9 September 2011 (the "Order") made in the above matter, the Grand Court of the Cayman Islands (the "Court") has directed a meeting (the "Court Meeting") to be convened of the Scheme Shareholders (as defined in the Scheme of Arrangement hereinafter mentioned) for the purpose of considering and, if thought fit, approving, with or without modifications, a scheme of arrangement (the "Scheme of Arrangement") proposed to be made between HannStar Board International Holdings Limited (the "Company") and the Scheme Shareholders and that the Court Meeting will be held at Concord Room 2-3, 8th Floor, Renaissance Harbour View Hotel, 1 Harbour Road, Wanchai, Hong Kong on 7 October 2011 at 10:00 a.m. at which place and time all Scheme Shareholders are invited to attend.

A copy of the Scheme of Arrangement and a copy of an explanatory memorandum explaining the effect of the Scheme of Arrangement are incorporated in the composite scheme document of which this Notice forms part. A copy of the composite scheme document can also be obtained by the Scheme Shareholders from the share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

The Scheme Shareholders may vote in person at the Court Meeting or they may appoint one or more proxies, whether a member of the Company or not, to attend and vote in their stead. A pink form of proxy for use at the Court Meeting is enclosed with the composite scheme document dated 14 September 2011 despatched to members of the Company on 14 September 2011.

In the case of joint holders of a share, the vote of the senior holder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and, for this purpose, seniority will be determined by the order in which the names stand in the registers of members of the Company in respect of the relevant joint holding.

It is requested that forms appointing proxies be deposited at the Company's share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 10:00 a.m. on 5 October 2011, but if forms are not so lodged they may be handed to the chairman of the Court Meeting, who has absolute discretion as to whether or not to accept them, at the Court Meeting pursuant to the Order.

By the Order, the Court has appointed Mr. Chang Chia-ning, a director of the Company, or failing him, Mr. Chao Yuan-san, also a director of the Company, or failing him, any other person who is a director of the Company as at the time of the Court Meeting, to act as the chairman of the Court Meeting and has directed the chairman of the Court Meeting to report the results of the Court Meeting to the Court.

The Scheme of Arrangement will be subject to a subsequent application seeking the sanction of the Court.

By order of the Court
HannStar Board International Holdings Limited
Chang Chia-ning
Chairman of the Board

Dated 14 September 2011

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

Principal Place of Business in Hong Kong
Level 28, Three Pacific Place
1 Queen's Road East
Hong Kong

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)

NOTICE OF AN EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of HannStar Board International Holdings Limited (the "Company") will be held at Concord Room 2-3, 8th Floor, Renaissance Harbour View Hotel, 1 Harbour Road, Wanchai, Hong Kong on 7 October 2011 at 10:30 a.m. (Hong Kong time) (or so soon thereafter as the meeting of the Scheme Shareholders (as defined in the Scheme of Arrangement hereinafter mentioned) convened by direction of the Grand Court of the Cayman Islands for the same day and place shall have been concluded or adjourned), for the purpose of considering and, if thought fit, passing the following resolutions:

SPECIAL RESOLUTION

"**THAT**: (i) for the purposes of giving effect to the scheme of arrangement dated 14 September 2011 (the "Scheme of Arrangement") between the Company and the holders of the Scheme Shares (as defined in the Scheme of Arrangement) in the form of the print thereof, which has been produced to this meeting and for the purposes of identification signed by the chairman of this meeting, or in such other form and on such terms and conditions as may be approved or imposed by the Grand Court of the Cayman Islands, on the Effective Date (as defined in the Scheme of Arrangement) the issued share capital of the Company shall be reduced by the cancellation and extinguishment of the Scheme Shares (as defined in the Scheme of Arrangement); and

(ii) the directors of the Company be and are hereby authorised to do all acts and things considered by them to be necessary or desirable in connection with the implementation of the Scheme of Arrangement and the consequent reduction of capital, including (without limitation) giving consent to any modification of, or addition to, the Scheme of Arrangement or the reduction of capital which the Grand Court of the Cayman Islands may see fit to impose."

ORDINARY RESOLUTION

"**THAT**: (i) subject to and immediately following the cancellation and extinguishment of the Scheme Shares taking effect, the share capital of the Company shall be restored to its former amount by allotting and issuing to HannStar Board (BVI) Holdings Corp., credited as fully paid at par, the same number of shares as the number of Scheme Shares cancelled and extinguished; and

(ii) the credit arising in the books of account of the Company consequent upon the reduction of its issued share capital resulting from the cancellation and extinguishment of the Scheme Shares shall be applied in paying up in full at par the shares allotted and issued to HannStar Board (BVI) Holdings Corp., pursuant to paragraph (i) above."

By Order of the Board
HannStar Board International Holdings Limited
CHANG Chia-ning
Chairman

Dated 14 September 2011

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

Principal Place of Business in Hong Kong
Level 28, Three Pacific Place
1 Queen's Road East
Hong Kong

Notes:

1. A member entitled to attend and vote at the extraordinary general meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote instead of him. A proxy need not be a member of the Company, but must attend the extraordinary general meeting in person to represent him.

2. A white form of proxy for use at the extraordinary general meeting is enclosed with the composite document containing the Scheme of Arrangement dated 14 September 2011 despatched to members of the Company on 14 September 2011.

3. In order to be valid, the white form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a certified copy thereof, must be deposited at the Company's share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not less than 48 hours before the time for holding the extraordinary general meeting or any adjournment thereof failing which the form of proxy will not be valid. Completion and return of the form of proxy will not preclude a member from attending the extraordinary general meeting and voting in person if he so wishes. In the event that a member attends and votes at the extraordinary general meeting after having lodged his form of proxy, his form of proxy will be revoked by operation of law.

4. In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and, for this purpose, seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.

5. All resolutions at the meeting will be taken by poll pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") and the results of the poll will be published on the websites of the Stock Exchange and the Company in accordance with the Listing Rules.

6. The register of members of the Company will be closed from 5 October 2011 to 7 October 2011 (both days inclusive) during which period no transfer of shares will be registered. In order to be entitled to attend and vote at the extraordinary general meeting, all transfers accompanied by the relevant share certificates must be lodged with the share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 4 October 2011.