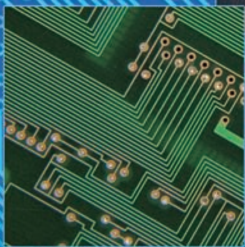
HannStar Board International Holdings Limited

瀚宇博德國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 667



07

Interim Report

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Yeh Shin-jiin (葉新錦)
(Chief Executive Officer)
Mr. Lao Li-hua (勞立華)

Non-executive Directors

Mr. Chiao Yu-heng (焦佑衡) *(Chairman)*
Mr. Ho Ai-tang Simon (何藹棠)

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

QUALIFIED ACCOUNTANT

Ms. To Suen Fan (杜璇芬) *CPA (Practising), FCCA*

COMPANY SECRETARY

Ms. Cheng Pik Yuk (鄭碧玉) *(FCIS, FCS)*

AUTHORISED REPRESENTATIVES

Mr. Yeh Shin-jiin (葉新錦)
Mr. Lao Li-hua (勞立華)

SHARE LISTING

The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited under Stock Code No. 667

REGISTERED OFFICE

Century Yard, Cricket Square
Hutchins Drive
P.O. Box 2681 GT
George Town
Grand Cayman
British West Indies

PRINCIPAL PLACE OF BUSINESS IN PEOPLE'S REPUBLIC OF CHINA

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited, Shanghai Branch
Hang Seng Bank Limited, Nanjing Branch
Agricultural Bank of China, Jiangyin Sub-branch
Bank of China, Jiangyin Sub-branch
Australia and New Zealand Banking Group Limited, Shanghai Branch
ING Bank N.V., Shanghai Branch

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants

COMPLIANCE ADVISER

Polaris Capital (Asia) Limited

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

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

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

Deloitte.
德勤

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

INTRODUCTION

We have reviewed the interim financial information set out on pages 6 to 14 which comprises the condensed consolidated balance sheet of HannStar Board International Holdings Limited as of 30 June 2007 and the related condensed consolidated income statement, statement of changes in equity and cash flow statement for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on the interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Without qualifying our review conclusion, we draw to your attention that the comparative condensed consolidated income statement for the six-month period ended 30 June 2006, the comparative condensed consolidated cash flow statement and condensed consolidated statement of changes in equity for the six months ended 30 June 2006 disclosed in the interim financial information have not been reviewed in accordance with standards applicable to review engagements issued by Hong Kong Institute of Certified Public Accountants.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
20 August 2007

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2007

	Notes	Six months ended 30 June 2007 US$'000 (unaudited)	2006 US$'000 (unaudited)
Revenue		**195,506**	116,910
Cost of sales		**(161,120)**	(93,105)
Gross profit		**34,386**	23,805
Other income		**11,217**	3,541
Distribution expenses		**(6,415)**	(4,246)
Administrative expenses		**(7,434)**	(4,430)
Finance costs		**(5,807)**	(3,978)
Profit before taxation		**25,947**	14,692
Income tax expenses	*4*	**(1,830)**	(1,453)
Profit for the period	*5*	**24,117**	13,239
Dividends	*6*	**–**	–
Earnings per share *(US$)*			
– Basic	*7*	**0.018**	0.014

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2007

	Notes	30 June 2007 US$'000 (unaudited)	31 December 2006 US$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	8	**263,219**	223,979
Prepaid lease payments		**5,233**	5,165
		268,452	229,144
CURRENT ASSETS			
Inventories		**45,233**	35,147
Trade and other receivables	9	**149,365**	150,432
Prepaid lease payments		**110**	107
Amount due from ultimate holding company		**532**	–
Derivative assets		**2,088**	498
Pledged bank deposit		**49,764**	46,615
Bank balances and cash		**27,724**	22,926
		274,816	255,725
CURRENT LIABILITIES			
Trade and other payables	10	**147,362**	135,123
Amount due to ultimate holding company		**–**	783
Loan from an intermediate holding company		**27,051**	–
Tax liabilities		**1,391**	1,086
Bank borrowings	11	**96,750**	60,950
		272,554	197,942
NET CURRENT ASSETS		**2,262**	57,783
TOTAL ASSETS LESS CURRENT LIABILITIES		**270,714**	286,927
NON-CURRENT LIABILITY			
Bank borrowings	11	**81,000**	117,000
		189,714	169,927
CAPITAL AND RESERVES			
Share capital	12	**16,925**	16,925
Reserves		**172,789**	153,002
		189,714	169,927

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2007

	Share capital US$'000	Share premium US$'000	Merger reserve US$'000	Exchange reserve US$'000	Accumulated profits US$'000	Total US$'000
At 1 January 2006 (audited)	52,000	–	–	1,311	33,607	86,918
Exchange differences arising on translation of foreign operations	–	–	–	1,158	–	1,158
Profit for the period	–	–	–	–	13,239	13,239
Total recognised income and expense for the period	–	–	–	1,158	13,239	14,397
At 30 June 2006 (unaudited)	52,000	–	–	2,469	46,846	101,315
Exchange differences arising on translation of foreign operations	–	–	–	3,019	–	3,019
Profit for the period	–	–	–	–	17,562	17,562
Total recognised income and expense for the year	–	–	–	3,019	17,562	20,581
Issue of shares of the Company	13	–	–	–	–	13
Effect of group reorganisation	(52,000)	–	51,987	–	–	(13)
Shares issued at premium through initial public offer	4,179	69,788	–	–	–	73,967
Shares issued at premium through exercise of the over-allotment option	209	3,489	–	–	–	3,698
Issue of shares by capitalisation of share premium account	12,524	(12,524)	–	–	–	–
Transaction costs attributable to issue of new shares and exercise of the over-allotment option	–	(2,634)	–	–	–	(2,634)
Dividend paid	–	–	–	–	(27,000)	(27,000)
At 31 December 2006 (audited)	16,925	58,119	51,987	5,488	37,408	169,927
Exchange differences arising on translation of foreign operations	–	–	–	3,252	–	3,252
Profit for the period	–	–	–	–	24,117	24,117
Total recognised income and expense for the period	–	–	–	3,252	24,117	27,369
Dividend paid	–	–	–	–	(7,582)	(7,582)
At 30 June 2007 (unaudited)	16,925	58,119	51,987	8,740	53,943	189,714

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2007

	Six months ended 30 June	
	2007	2006
	US$'000	*US$'000*
	(unaudited)	(unaudited)
Net cash from operating activities	**40,922**	20,217
Net cash used in investing activities		
Purchase of property, plant and equipment	**(48,670)**	(30,986)
Other investing cash flows	**(1,192)**	(2,890)
	(49,862)	(33,876)
Net cash from (used in) financing activities		
New bank borrowings raised	**124,400**	86,329
Loan from an intermediate holding company	**27,000**	–
Repayment of bank borrowings	**(124,600)**	(83,000)
Dividend paid	**(7,582)**	–
Interest paid	**(5,756)**	(3,978)
	13,462	(649)
Net increase (decrease) in cash and cash equivalents	**4,522**	(14,308)
Cash and cash equivalents at 1 January	**22,926**	23,666
Effect of foreign exchange rate changes	**276**	173
Cash and cash equivalents at 30 June	**27,724**	9,531

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2007

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 (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "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, as appropriate.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the annual financial statements of the Group for the year ended 31 December 2006.

In the current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations issued by the HKICPA (hereinafter collectively referred to as the "new HKFRSs") that are effective for the Group's financial year beginning on 1 January 2007. The adoption of the new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

Accounting standards not yet effective

The Group has not early applied the new standards, amendments or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendments or interpretations will have no material impact on the results and financial position of the Group.

3. SEGMENT INFORMATION

Business and geographical segments

No business segment information is presented as over 90% of the Group's revenue were derived from the sales of printed circuit boards ("PCB"). In addition, no geographical segment information is presented as over 90% of the Group's revenue were derived from the sales of PCB in the People's Republic of China (the "PRC") and over 90% of the Group's assets are located in the PRC.

4. INCOME TAX EXPENSES

	Six months ended 30 June	
	2007	2006
	US$'000	*US$'000*
	(unaudited)	(unaudited)
The charge comprises:		
PRC Foreign Enterprise Income Tax ("FEIT")		
– current period	**1,512**	1,265
– underprovision in previous year	**74**	188
Taiwan income tax	**244**	–
	1,830	1,453

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

Pursuant to the relevant laws and regulation in the PRC, HannStar Board Technology (Jiangyin) Corporation ("HannStar Jiangyin"), a subsidiary of the Company, is entitled to the exemptions from the FEIT for two years starting from the first profit-making year and to a 50% relief from the FEIT for the following three years.

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" and "Plant 3") could be subjected to independent assessment. Plant 1, Plant 2 and Plant 3 have been approved by the relevant Tax Bureau to be accounted for as a separate invested project for tax purposes.

The first profit-making year of Plant 1 is the year ended 31 December 2003. Accordingly, Plant 1 is exempted from FEIT for the two years ended 31 December 2004, and is subject to a 50% relief from FEIT for each of the year ended/ending 31 December 2005, 2006 and 2007. Applying this 50% relief, the income tax rate applicable to Plant 1 is 7.5% for the current period. The first profit-making year of Plant 2 is the year ended 31 December 2004. Accordingly, Plant 2 is exempted from the FEIT for the two years ended 31 December 2005 and is subject to a 50% relief from FEIT for each of the year ended/ending 31 December 2006 and 2007. The first profit-making year of Plant 3 is the year ended 31 December 2006. Accordingly, Plant 3 is exempted from the FEIT for the year ended/ending 31 December 2006 and 2007.

Taxation in jurisdictions outside the PRC is calculated based on the applicable rates in those jurisdictions.

5. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

	Six months ended 30 June	
	2007	2006
	US$'000	*US$'000*
	(unaudited)	(unaudited)
Cost of inventories recognised as an expense	**161,120**	93,105
Depreciation of property, plant and equipment	**16,032**	12,389
Employees benefit expenses	**11,028**	7,010
Loss on disposal of property, plant and equipment	**17**	44
and after crediting:		
Gain arising from changes in fair value of foreign currency forward contracts	**1,560**	1,003
Interest income	**1,945**	218

6. DIVIDENDS

The directors do not recommend payment of an interim dividend.

During the period, the Company paid final dividend of HK$0.045 per share amounted to HK$59,231,000 (equivalent to US$7,582,000) for the year ended 31 December 2006.

7. EARNINGS PER SHARE

The calculation of the basic earnings per share for the period ended 30 June 2007 is based on the profit attributable to equity holders of the Company of approximately US$24,117,000 (2006: US$13,239,000) and the weighted average number of 1,316,250,000 (2006: assuming 975,000,000 shares of the Company were in issue and issuable as at 30 June 2006).

Diluted earnings per share is not presented as there were no dilutive potential ordinary shares in existence during both periods.

8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

For the period ended 30 June 2007, the Group acquired property, plant and equipment of US$48,670,000 for the business expansion.

9. TRADE AND OTHER RECEIVABLES

The Group generally allows an average credit period of 90 days to 120 days to its trade customers.

The aged analysis of the Group's trade receivables at the balance sheet date are as follows:

	30 June 2007 *US$'000* (unaudited)	31 December 2006 *US$'000* (audited)
Trade receivables:		
0 – 30 days	**38,224**	35,265
31 – 60 days	**33,405**	39,260
61 – 90 days	**29,133**	34,702
91 – 120 days	**26,331**	27,022
Over 120 days	**16,539**	9,728
Total trade receivables	**143,632**	145,977

10. TRADE AND OTHER PAYABLES

The aged analysis of the Group's trade payables as at the balance sheet date are as follows:

	30 June 2007 *US$'000* (unaudited)	31 December 2006 *US$'000* (audited)
Trade payables:		
0 – 30 days	**49,658**	40,242
31 – 60 days	**26,942**	30,049
61 – 90 days	**19,466**	19,677
91 – 180 days	**18,574**	16,952
Over 180 days	**828**	996
Total trade payables	**115,468**	107,916

11. BANK BORROWINGS

During the period, the Group obtained new borrowings in the amount of approximately US$124,400,000 for the repayment of loan. The borrowings bear interest at 5.41% to 5.79% per annum and are repayable within two years.

12. SHARE CAPITAL

	Number of shares	Nominal value *HK$*
Ordinary shares of a par value of HK$0.1 each (HK$0.01 each prior to share consolidation in September 2006)		
Authorised:		
At 31 December 2006 and 30 June 2007	5,000,000,000	500,000,000
Issued and fully paid:		
Allotted and issued on incorporation	1	0.01
Allotted and issued	9,999,999	99,999.99
	10,000,000	100,000
Share consolidation in September 2006	1,000,000	100,000
Capitalisation issue in October 2006	974,000,000	97,400,000
Issue of shares by way of placing and public offer	341,250,000	34,125,000
At 31 December 2006 and 30 June 2007	1,316,250,000	131,625,000
	Equivalent to	US$16,925,000

13. CAPITAL COMMITMENTS

	30 June 2007 ***US$'000*** **(unaudited)**	31 December 2006 *US$'000* (audited)
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	**25,218**	8,698

14. SIGNIFICANT RELATED PARTY TRANSACTIONS

Name of related party	**Transactions**	**Six months ended 30 June** **2007** ***US$'000*** **(unaudited)**	2006 *US$'000* (unaudited)
HannStar Board Corporation ("HannStar Taiwan"), ultimate holding company	Subcontracting fee payable by the Group	**14,770**	–
	Licence fee payable by the Group	**1,895**	–
	Interest expenses payable by the Group	**304**	–

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

HannStar Board International Holdings Limited is the world's largest PCB supplier for the notebook industry, its principal activities are manufacture, research and development of multiple-layer PCBs with high-end technology.

In the first half year of the financial year 2007, the Group achieved satisfactory operation results. The total revenue grew by approximately US$78.6 million, at a growth rate of 67%, from approximately US$116.9 million in the first half of 2006 to approximately US$195.5 million in the first half of 2007. The overall gross profit margin for the six-month period ended 30 June 2007 was approximately 17.6 %. As compared with the gross profit margin of 20.4% for the first half of 2006, the drop was mainly due to the increase in cost of sales caused by the inflated copper price. Accordingly, the Group has enhanced cost control and improved utilization rate so as to reduce the impact from the increased cost of major raw materials. The utilization rate for the first half of 2007 of the Group rose by 11% to reach 94% as compared with the same period of 2006. As to the sales volume, it grew by 6.4 million square feet, at a growth rate of 63% (30 June 2007: 16.5 million square feet; 30 June 2006: 10.1 million square feet).

The Group is continuing the expansion of Plant 4. Upon its completion, Plant 4 will attain monthly production capacity of 100,000 square feet of high density interconnect ("HDI") and 600,000 square feet of PCB to satisfy the intense demand from our customers. The HDI division of Plant 4 has been in commercial operation since July and it is expected that the PCB division will commence production in September. With continuous expansion of other plants, the total monthly production capacity of the Group will increase to 4.05 million square feet of PCB and 100,000 square feet of HDI by the end of this year.

FINANCIAL REVIEW

The profit for the first half of 2007 amounted to US$24.1 million, representing an increase of 83% compared with US$13.2 million of 2006. The earnings per share was US$0.018, which was increased by US$0.004 compared with US$0.014 of the first half of 2006.

Current capital and financial resources

As at 30 June 2007 the Group's total assets were US$543.3 million, which was increased by US$58.4 million compared with approximately US$484.9 million as at 31 December 2006.

The Group's gearing ratio (calculated as bank borrowings divided by total assets) as at 30 June 2007 was approximately 32.7% (31 December 2006: 36.7%). As at 30 June 2007 the Group had US dollars denominated bank borrowings of approximately US$177.8 million. Of which, US$96.8 million is due within 1 year while US$81 million is due within 2 to 5 years. The Group generally finances its operations with internally generated cash flow and short-term bank loan facilities provided by its principal bankers in the PRC. The interest rate of the Group's borrowing was from 5.41% to 5.79% per annum at market rate.

The financial position of the Group remained strong during the period under review.

TREASURY POLICIES

Most of the trading transactions, assets and liabilities of the Group were denominated in US dollars and Renminbi. The Group adopted relatively prudent financial policy and closely monitored its cash flow during the period under review.

The management believes that the Group's working capital is not exposed to any significant risk arising from fluctuation in exchange rate. The revenue of the Group, being mostly denominated in US dollars, was fairly consistent with the currency requirements of operating expenses.

CAPITAL COMMITMENTS

There were approximately US$25.2 million capital commitments outstanding as at 30 June 2007 due to expansion of new plant and production capacity.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2007, the Group had over 6,000 full-time employees based in the PRC and Taiwan. During the period, the relevant employee costs (including directors' remuneration) were approximately US$11 million. The remuneration of each staff member was determined on the basis of his qualification, performance and experience. In order to maintain skilled employees, the Group also provides other benefits such as medical coverage and training.

During the period, no option have been granted or agreed to grant to any person under the share option scheme approved by the Company on 21 September 2006.

PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

The amounts of bank balances and cash denominated in US dollars were approximately US$27.7 million.

Bank balances and pledged bank deposits carry interest at market rates which range from 0.72% to 1.8%.

Pledged bank deposits represent deposits pledged to banks to secure general banking facilities granted to the Group. All deposits have been pledged to secure short-term bank loans and are therefore classified as current assets. The amount of pledged bank deposits denominated in US dollars were approximately US$49.8 million.

OUTLOOK

The Directors believe that the demand for PCB products will continue to grow, and the Group is well positioned to capture these opportunities. In order to achieve shareholders' expectation, it is the strategy of the Group to maintain close business relationships with its customers by assisting their product design, providing resources and supply of high quality products and services, upgrading the quality of the Group's products and attaining its cost effectiveness.

In addition, management is seeking opportunities to broaden its product range through arrangements with other international brand owners. At the same time, the Group will also increase its research resources and product development capability in order to provide more value-added products to the existing and potential customers. The Group intends to recruit more design and product development staff with the expertise and technological know-how to improve its technology infrastructure, develop new designs and provide more value-added products for our customers.

Looking ahead, it is obvious that the Group is well positioned to take advantage of its status as a renowned and optimal PCB manufacturer to produce quality products to meet increasing demand from customers. As the PCB markets maintain stable growth momentum in early 2007, we are looking forward to placing the Group on the path to further growth and bring fruitful returns to shareholders in the coming financial year.

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

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

DIRECTORS COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code"). Specific enquiries have been made to the Directors, who have confirmed that they had complied with the required standards set out in the Model Code during the six months ended 30 June 2007.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, throughout the six months ended 30 June 2007, the Company has complied with the Code Provisions set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 to the Listing Rules except with the deviation from Code Provision A.4.2.

During the financial period under review, to fully conform with Code Provision A.4.2 of the CG Code, amendment was made to the Company's Articles of Association at the 2007 annual general meeting of the Company held on 25 April 2007 so that any new director appointed to fill a casual vacancy shall be subject to re-election by shareholders at the first general meeting after appointment.

REVIEW BY AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the results for the six months ended 30 June 2007. The Audit Committee comprises all the five independent non-executive directors with Mr. Chao Yuan-san as the chairman and Ms. Deborah Chen Shun-zu, Mr. Yeh Yu-an, Ms. Chang Pi-lan and Mr. Yen Chin-chang as the members.

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2007, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance (the "SFO") shows that the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

Long positions:

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
HannStar Board (BVI) Holdings Corp. ("HannStar BVI")	Beneficial owner	975,000,000	74.07%
HannStar Board Corporation ("HannStar Taiwan")	Held by controlled corporation *(Note)*	975,000,000	74.07%
Walsin Lihwa Corporation ("Walsin Lihwa")	Held by controlled corporation *(Note)*	975,000,000	74.07%

Note: HannStar BVI is wholly-owned by HannStar Taiwan. Walsin Lihwa beneficially owns approximately 40.3% of the issued share capital of HannStar Taiwan. HannStar Taiwan and Walsin Lihwa were deemed to be interested in 975,000,000 shares in the Company which are held by HannStar BVI.

Other than as disclosed above, the Company has not been notified of any other notifiable interests or short positions in the issued share capital of the Company as at 30 June 2007.

DIRECTORS' INTERESTS IN SHARES

At 30 June 2007, the interests of the directors and their associates in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long positions:

Ordinary shares of the associated corporation of the Company:

Name of director	Capacity	Name of associated corporation	Number of issued ordinary shares held	Shareholding percentage
Mr. LAO Li-hua	Beneficial owner	HannStar Taiwan	23,000	0.01%
Mr. CHIAO Yu-heng	Beneficial owner	HannStar Taiwan	1,736,013	0.62%
Mr. HSU Yao-tsung (resigned on 1 August 2007)	Beneficial owner	HannStar Taiwan	198,440	0.07%

Other than as disclosed above, none of the directors nor their associates had any interests or short positions in any shares or underlying shares of the Company or any of its associated corporations as at 30 June 2007.

CONNECTED TRANSACTIONS

During the period, the Group had the following continuing connected transactions:

(1) Non-exempt continuing connected transactions

Sub-contracting Agreement between HannStar Taiwan and the Company

On 22 September 2006, the Company and HannStar Taiwan entered into the Master Sub-contracting Agreement pursuant to which the Company agreed to engage HannStar Taiwan to act as a sub-contractor for the production and processing of PCBs for Migrated Orders when the Group had insufficient production capacity prior to 31 March 2007. The transactions entered into under the Master Sub-contracting Agreement constituted non-exempt continuing connected transactions of the Company under the Listing Rules and thus would be subject to reporting, announcement and independent shareholders approval requirements under Rule 14A.45 to 14A.48 of the Listing Rules. The Stock Exchange has granted a waiver from strict compliance by the Company with the announcement and independent shareholders' approval requirements in respect of these transactions. It was expected the cap amount of the transactions under the Master Subcontracting Agreement would not exceed US$15.9 million for the three months ended 31 March 2007. During the three months ended 31 March 2007, the Directors confirmed that the Company incurred a subcontracting fee of approximately US$14.8 million to HannStar Taiwan for engaging it as a sub-contractor under the Master Sub-contracting Agreement. The Directors confirmed that the Group had ceased to engage HannStar Taiwan as one of the sub-contractors for the Migrated Orders after 31 March 2007.

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

The following transactions constituted continuing connected transactions for the Company under Rule 14A.33 (3) of the Listing Rules and thus would be exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14 of the Listing Rules.

(a) Lease of properties by HannStar Precision Technology (Jiangyin) Corporation ("HannStar Precision") from HannStar Board Technology (Jiangyin) Corp. (the "Leasing Arrangement")

During the period, the Group received monthly rental of RMB7,000 (exclusive of utilities charges) from HannStar Precision for a term of three years from 15 December 2005 to 14 December 2008 for the production of flexible printed circuits. The rent was determined with reference to the prevailing market rent at the time when the Leasing Arrangement was entered into on 12 December 2005. HannStar Precision is an indirect wholly owned subsidiary of HannStar Taiwan, the controlling shareholder of the Company. The Leasing Arrangement therefore constitutes continuing connected transactions under Chapter 14A of the Listing Rules.

(b) Sharing of Underwriters Laboratories Certification services and computer software licences between the Company and HannStar Taiwan

During the period, the Group has reimbursed HannStar Taiwan for the service fee paid by HannStar Taiwan in respect of the Underwriters Laboratories Certification Services and the licence paid by HannStar Taiwan in respect of the Software License of approximately US$37,000 pursuant to the Services Agreement dated 22 September 2006.

(c) *Loan from the controlling shareholder of the Company*

Pursuant to various loan agreements entered into between HannStar Board (SAMOA) Holdings Corp. ("HannStar Samoa"), a wholly-owned subsidiary of the Company and HannStar BVI, the Company's controlling shareholder, loans in an aggregate amount of US$27 million were granted. The loans are interest bearing with annual interest rates ranging from 5.35% to 5.37% and with terms of 1 year. The Group incurred interest payment of US$304,000 for the period.

(3) Continuing connected transactions exempt from the independent shareholders' approval requirement

The following transaction constituted continuing connected transactions for the Company under Rule 14A.34 of the Listing Rules and thus would be exempt from the independent shareholders' approval requirements under Chapter 14 of the Listing Rules.

Walsin Board Corporation ("Walsin Board"), a wholly-owned subsidiary of the Company had entered into a Licence Agreement with HannStar Taiwan, pursuant to which HannStar Taiwan has agreed to grant a licence for using the Machinery and Equipment for a term of one year commencing from 1 April 2007 and ending on 31 March 2008 with monthly fee of US$468,563. Pursuant to the Licence Agreement, HannStar Taiwan has also agreed to provide the technical and consulting services of monthly fee US$163,249 to support Walsin Board in the operation, maintenance and repair of the Machinery and Equipment during the term of the Licence Agreement. Walsin Board paid licence fee of approximately US$1.9 million during the period.

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