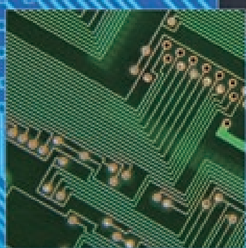
HannStar Board International Holdings Limited

瀚宇博德國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 667



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Interim Report

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Yeh Shin-jiin (葉新錦)
(Chief Executive Officer)
Mr. Chen Cheng-chieh (陳正傑)

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. Chen Cheng-chieh (陳正傑)

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

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

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor
Services Limited
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 17 which comprises the condensed consolidated balance sheet of HannStar Board International Holdings Limited as of 30 June 2008 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 this 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.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
20 August 2008

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2008

		Six months ended 30 June	
		2008	2007
	Notes	***US$'000***	*US$'000*
		(unaudited)	(unaudited)
Revenue	*3*	**312,431**	195,506
Cost of sales		**(269,232)**	(161,120)
Gross profit		**43,199**	34,386
Other income		**19,802**	11,217
Distribution expenses		**(9,724)**	(6,415)
Administrative expenses		**(13,101)**	(7,434)
Finance costs		**(6,290)**	(5,807)
Profit before taxation		**33,886**	25,947
Income tax expenses	*4*	**(8,690)**	(1,830)
Profit for the period	*5*	**25,196**	24,117
Earnings per share *(US$)*			
– Basic	*7*	**0.019**	0.018

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2008

	Notes	30 June 2008 US$'000 (unaudited)	31 December 2007 US$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	8	**351,408**	316,994
Prepaid lease payments		**5,680**	5,400
		357,088	322,394
CURRENT ASSETS			
Inventories		**61,722**	59,978
Trade and other receivables	9	**245,519**	218,478
Prepaid lease payments		**126**	112
Amount due from ultimate holding company		**–**	3,077
Derivative financial instruments		**4,267**	7,859
Pledged bank deposits		**1,296**	11,148
Bank balances and cash		**74,275**	49,358
		387,205	350,010
CURRENT LIABILITIES			
Trade and other payables	10	**195,819**	210,473
Amount due to ultimate holding company		**2,967**	–
Amount due to immediate holding company		**–**	27,056
Tax liabilities		**6,903**	1,093
Bank borrowings – due within one year	11	**138,396**	93,642
		344,085	332,264
NET CURRENT ASSETS		**43,120**	17,746
TOTAL ASSETS LESS CURRENT LIABILITIES		**400,208**	340,140
NON-CURRENT LIABILITY			
Bank borrowings – due after one year	11	**139,000**	108,827
		261,208	231,313
CAPITAL AND RESERVES			
Share capital	12	**16,925**	16,925
Reserves		**244,283**	214,388
		261,208	231,313

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2008

	Share capital	Share premium	Special reserve	Exchange reserve	Accumulated profits	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
At 1 January 2007 (audited)	16,925	58,119	51,987	5,488	37,408	169,927
Exchange differences arising on translation of foreign operations recognised directly in equity	–	–	–	3,252	–	3,252
Profit for the period	–	–	–	–	24,117	24,117
Total recognised income 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
Exchange differences arising on translation of foreign operations recognised directly in equity	–	–	–	7,648	–	7,648
Profit for the period	–	–	–	–	33,951	33,951
Total recognised income for the period	–	–	–	7,648	33,951	41,599
At 31 December 2007 (audited)	16,925	58,119	51,987	16,388	87,894	231,313
Exchange differences arising on translation of foreign operations recognised directly in equity	–	–	–	13,143	–	13,143
Profit for the period	–	–	–	–	25,196	25,196
Total recognised income for the period	–	–	–	13,143	25,196	38,339
Dividend paid	–	–	–	–	(8,444)	(8,444)
At 30 June 2008 (unaudited)	16,925	58,119	51,987	29,531	104,646	261,208

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2008

	Six months ended 30 June	
	2008	2007
	US$'000	*US$'000*
	(unaudited)	(unaudited)
Net cash from operating activities	**27,573**	40,922
Net cash used in investing activities		
Purchase of property, plant and equipment	**(44,719)**	(48,670)
Decrease (increase) in pledged bank deposits	**9,852**	(3,149)
Other investing cash flows	**–**	1,957
	(34,867)	(49,862)
Net cash from financing activities		
New bank borrowings raised	**193,046**	124,400
(Repayment of) loan from an immediate holding company	**(27,056)**	27,000
Repayment of bank borrowings	**(119,259)**	(124,600)
Dividend paid	**(8,444)**	(7,582)
Interest paid	**(6,290)**	(5,756)
	31,997	13,462
Net increase in cash and cash equivalents	**24,703**	4,522
Cash and cash equivalents at 1 January	**49,358**	22,926
Effect of foreign exchange rate changes	**214**	276
Cash and cash equivalents at 30 June	**74,275**	27,724

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2008

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

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 2007.

In the current interim period, the Group has applied, for the first time, the following new interpretations (the "new Interpretations") issued by the HKICPA that are effective for the Group's financial year beginning on 1 January 2008.

HK(IFRIC) – INT 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC) – INT 12	Service Concession Arrangements
HK(IFRIC) – INT 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of these new Interpretations 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.

The Group has not early applied the following new standards, amendments or interpretation that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements [1]
HKAS 23 (Revised)	Borrowing Costs [1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements [2]
HKAS 32 & HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation [1]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations [1]
HKFRS 3 (Revised)	Business Combinations [2]
HKFRS 8	Operating Segments [1]
HK(IFRIC) – INT 13	Customer Loyalty Programmes [3]

[1] Effective for annual periods beginning on or after 1 January 2009.
[2] Effective for annual periods beginning on or after 1 July 2009.
[3] Effective for annual periods beginning on or after 1 July 2008.

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of the other new or revised standards, amendments or interpretations will have no material impact on the results and financial position of the Group.

3. REVENUE AND SEGMENT INFORMATION

Revenue represents revenue arising from sales of goods for the period.

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	
	2008	2007
	US$'000	*US$'000*
	(unaudited)	(unaudited)
The charge comprises:		
PRC Foreign Enterprise Income Tax ("FEIT")		
– current period	**8,599**	1,512
– underprovision in previous years	**–**	74
Taiwan income tax	**91**	244
	8,690	1,830

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

According to Article 73 of the FEIT Detailed Rules, as the Group has foreign investments of over US$30 million injected to PRC subsidiaries which required long period to recover investment costs, it is eligible to enjoy the preferential tax rate of 15% upon approval by the competent tax authorities.

Pursuant to the relevant laws and regulations in the PRC, HannStar Board Technology (Jiangyin) Corporation ("HannStar Jiangyin") and HannStar Percision Technology (Jiangyin) Corporation ("HannStar Precision") are 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 ("Tax Exemptions").

In accordance with the Investment Catalogue as approved by the State Council, each newly invested project in a Foreign Investment Enterprise ("FIE") 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") could be subject to independent assessment. Plant 1, Plant 2, Plant 3 and Plant 4 have been approved by the relevant Tax Bureau as accounted for as a separate invested project for tax purposes.

The newly promulgated Corporate Income Tax Law ("CIT Law") of the PRC became effective on 1 January 2008 and, in February 2008, the Ministry of Finance and the State Administration of Taxation issued several important tax circulars which clarified the implementation of the CIT Law. As a result, the tax rate of HannStar Jiangyin and HannStar Precision, subsidiaries of the Company as foreign investment enterprises, were changed.

Under the new CIT Law, FIE previously enjoyed the Tax Exemptions shall have five years from the time when the CIT Law took effect to migrate progressively to the legally prescribed tax rate. Accordingly, HannStar Jiangyin would be subject to the 18% tax rate for the year 2008, 20% for the year 2009, 22% for the year 2010, 24% for the year 2011, and 25% for the year 2012, and HannStar Precision would be subject to the 25% tax rate since the year 2008.

During the period from 1 January 2008 to 30 June 2008, all the plants of HannStar Jiangyin were subject to tax rate of 18%. For HannStar Precision, it was not subject to any FEIT as it incurred tax loss during the period.

During the period from 1 January 2007 to 30 June 2007, Plant 1 and Plant 2 were subject to tax rate of 7.5%. Plant 3 was exempted from the FEIT and Plant 4 has not yet commenced operation.

Taxation in jurisdictions outside the PRC was 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	
	2008	2007
	US$'000	*US$'000*
	(unaudited)	(unaudited)
Cost of inventories recognised as an expense	**269,232**	161,120
Depreciation of property, plant and equipment	**24,511**	16,032
Employees benefit expenses	**19,853**	11,028
Loss on disposal of property, plant and equipment	**19**	17
and after crediting:		
Net exchange gain	**6,666**	3,053
Gain arising from changes in fair value of derivative financial instruments	**2,100**	1,560
Interest income	**657**	1,945
Sales of scrap	**10,249**	3,972

6. DIVIDENDS

The directors do not recommend payment of an interim dividend for the six months ended 30 June 2008.

During the period, the Company paid final dividend of HK$0.05 (2007: HK$0.045) per share which amounted to HK$65,813,000 (equivalent to US$8,444,000) for the year ended 31 December 2007 (31 December 2006: HK$59,231,000 (equivalent to US$7,582,000)).

7. EARNINGS PER SHARE

The calculation of the basic earnings per share for the period ended 30 June 2008 is based on the profit attributable to equity holders of the Company of approximately US$25,196,000 (2007: US$24,117,000) and the weighted average number of 1,316,250,000 shares (2007: 1,316,250,000 shares).

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

8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period ended 30 June 2008, the Group acquired property, plant and equipment of US$37,832,000 (2007: 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 150 days to its trade customers.

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

	30 June 2008 *US$'000* **(unaudited)**	31 December 2007 *US$'000* (audited)
Trade receivables:		
0 – 30 days	**56,913**	45,124
31 – 60 days	**53,560**	54,979
61 – 90 days	**51,167**	52,170
91 – 120 days	**39,967**	39,671
121 – 180 days	**28,628**	16,159
181 – 365 days	**479**	2
	230,714	208,105
Other receivables:		
Prepayments for utility	**5,909**	3,352
Prepayment for maintenance	**1,159**	998
Deposits paid	**1,882**	1,262
Value added tax recoverable	**4,569**	3,282
Others	**1,286**	1,479
	14,805	10,373
	245,519	218,478

10. TRADE AND OTHER PAYABLES

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

	30 June 2008 *US$'000* **(unaudited)**	31 December 2007 *US$'000* (audited)
Trade payables:		
0 – 30 days	**73,470**	93,979
31 – 60 days	**39,170**	30,224
61 – 90 days	**26,984**	20,102
91 – 180 days	**17,752**	22,752
181 – 365 days	**2,319**	1,194
	159,695	168,251
Other payables:		
Accruals	**23,586**	22,797
Amounts payable for purchase of property, plant and equipment	**12,538**	19,425
	36,124	42,222
	195,819	210,473

11. BANK BORROWINGS

During the period, the Group obtained new borrowings in the amount of approximately US$193,046,000 (2007: US$124,400,000). The borrowings bear interest at 3.03% to 6.14% per annum (2007: 5.41% to 5.79% 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.

12. SHARE CAPITAL

	Number of shares	**Nominal value**
		HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
At 31 December 2007 and 30 June 2008	5,000,000,000	500,000
Issued and fully paid:		
At 31 December 2007 and 30 June 2008	1,316,250,000	131,625
	Equivalent to	US$16,925,000

13. CAPITAL COMMITMENTS

	30 June 2008	31 December 2007
	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	**22,919**	4,520

14. RELATED PARTY TRANSACTIONS

		Six months ended 30 June	
Related party	**Transactions**	**2008**	2007
		US$'000	*US$'000*
		(unaudited)	(unaudited)
Ultimate holding company	Subcontracting fee payable by the Group	**21,809**	14,770
	Licence fee payable by the Group	**2,458**	1,895
	Interest expenses payable by the Group	**–**	304
Immediate holding company	Interest expenses payable by the Group	**307**	–

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is the largest PCB supplier for the notebook industry in the world. It possesses over 40% market share in the worldwide notebook PCB industry. The Group also supplies PCBs for the consumer electronics and communication industries for use in game consoles, set-top boxes, servers and mobile phones. The overwhelming market share, the consistently high quality of products and the customer satisfaction continuously strengthen the leading position of the Group in the industry.

The following six factors construct the core competitiveness of the Group: Established good and stable relationship with the original designed manufacturers of major brand in the notebook computer industry; Efficient production processes enable speedy product delivery; Strict and effective quality control guarantees product quality; Strategic location of production bases in the neighboring region of the main customers' bases in PRC; Powerful engineering and manufacturing capabilities; as well as Extensive industry experience and Skilled management team.

In the first half of 2008, the total revenue of the Group grew by approximately US$116.92 million, at a growth rate of 59.8%, from approximately US$195.51 million in the first half of 2007 to approximately US$312.43 million in the first half of 2008. Expansion of customer base and diversification of the Group's products have reduced the business risk.

The monthly production capacity of the Group reached 4,150,000 square feet in the first half of 2008. The continuous upgrading management performance of the Group makes the utilization rate for the first half of 2008 of the Group rise by 2% to reach 96% as compared with 2007. The Group will continue its expansion plan of new plants to satisfy the demand of the customers. A new plant with an initial capacity of 600,000 square feet per month will be built in the second half of 2008.

FINANCIAL REVIEW

The profit for the first half of 2008 amounted to US$25.19 million, representing an increase of 4.5% compared with US$24.12 million of the first half of 2007. The drop of net profit margin is mainly due to the appreciation of RMB and the corporate tax law reform in the mainland China. The earnings per share was US$0.019, which was increased by US$0.001 compared with US$0.018 of the first half of 2007.

Current capital and financial resources

As at 30 June 2008, the Group's total assets were US$744.29 million, which were increased by US$71.89 million compared with approximately US$672.40 million as at 31 December 2007. The debt ratio of the Group was 64.9% as at 30 June 2008. The Group's gearing ratio (calculated as bank borrowings divided by total assets) as at 30 June 2008 was approximately 37.3%, a rise of 7.2% as compared with 30.1% as at 31 December 2007.

As at 30 June 2008, the bank borrowings denominated in US dollars of the Group were approximately US$277.39 million, of which, US$138.39 million is due within 1 year while US$139 million is due after 1 year. The Group obtained new borrowings in the amount of approximately US$193,046,000 (2007: US$124,400,000). The borrowings bear interest at 3.03% to 6.14% per annum (2007: 5.41% to 5.79% per annum) and are repayable within two years.

Treasury policies

The Group adopted relatively prudent financial policy and closely monitored its cash flows during the first half year under review. Most of the trading transactions of the Group were denominated in US dollars. As the appreciation of RMB was fast in recent years, the group adopted financial instrument to hedge against the exchange risk. The Group requires its group entities to use foreign exchange forward contracts to manage the currency exposures.

From the views of the management, we believe that the working capital of the Group is not exposed to any significant risk arising from the exchange fluctuation and the revenue of the Group was fairly consistent with the currency requirements of operating expenses.

Bank balances and cash

The amounts of bank balances and cash denominated in US dollars were approximately US$74.28 million as at 30 June 2008. Since the tightening monetary policy has made loan interest rates raised up with a possibility of further increase, the Group increased its cash reserves appropriately to withstand the high interest rate. Bank balances carry interest at market rates which range from 0.72% to 6.3% (2007: 0.72% to 1.15%).

Employees and remuneration policy

As at 30 June 2008, the Group had over 7,800 full-time employees based in the PRC and Taiwan. During the first half year, the relevant employee costs (including directors' remuneration) were approximately US$19.85 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.

OUTLOOK

The management believes that the demand for PCB products will continue to grow. The growth is being driven by the increased demand for digital consumer products, notebook and desktop computers, telecommunications and the demands from the rapidly expanding domestic automotive segment. The Group has captured the opportunities resulted from such demand well. In order to achieve shareholders' expectation and keep its long-term development, it is the strategy of the Group to maintain its leading position in the global notebook PCB industry.

The Group will continue to expand its customer base and maintain close relationships with its customers by assisting in their product design, providing resources and supplying high quality products and services, improving the quality of the Group's products and attaining its cost effectiveness. At the same time, the Group will also expand 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.

In view of the growth of the global PCB market, the management is confident of the development of the Group. We have adopted many management tools such as Lean Production to reduce production cost. We are anticipating creating a higher return to investors in the second half of 2008.

PURCHASE, SALE OR REDEMPTION OF COMPANY'S SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the 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 2008.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board of Directors hereby confirms that the Company has complied with the Code on Corporate Governance Practices specified in Appendix 14 to the Listing Rules throughout the period except Code Provision E.1.2 which requires the chairman of the board should attend the annual general meeting. Mr. Chiao Yu-heng, the chairman of the board, was absent from the 2008 annual general meeting of the Company because of the unanticipated business commitment.

REVIEW BY THE AUDIT COMMITTEE

The financial results for the six months ended 30 June 2008 have been reviewed by the audit committee of the Company. The audit committee consists of five independent non-executive directors, including Mr. Chao Yuan-san (Committee Chairman), Ms. Chen Shun Zu, Deborah, Mr. Yeh Yu-an, Ms. Chang Pi-lan and Mr. Yen Chin-chang.

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2008, 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 shares 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 Technology Corporation ("Walsin Tech")	Held by controlled corporation *(note)*	975,000,000	74.07%

Note: HannStar BVI is wholly-owned by HannStar Taiwan. Walsin Tech and its associates beneficially owns approximately 57.5% of the issued share capital of HannStar Taiwan. HannStar Taiwan and Walsin Tech 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 2008.

DIRECTORS' INTERESTS IN SHARES

As at 30 June 2008, 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. Chiao Yu-heng	Beneficial owner	HannStar Taiwan	2,054,875	0.62%
Mr. Chen Cheng-chieh	Beneficial owner	HannStar Taiwan	65,514	0.02%

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 2008.

CONNECTED TRANSACTIONS

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

(1) Non-exempt continuing connected transactions

New Master Sub-contracting agreement between HannStar Taiwan and the Company

On 23 November 2007, the Company and HannStar Taiwan entered into the New Master Sub-contracting Agreement ("New 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 the Migrated Orders when the Company has insufficient production capacity prior to 31 December 2010. The Proposed Annual Cap of the sub-contracting fee payable by the Company to HannStar Taiwan for each of the three years ending 31 December 2010 is estimated to be US$63.4 million. During the six months ended 30 June 2008, the migrated orders subcontracted to HannStar Taiwan amounted to approximately US$21.81 million.

(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.65(4) of the Listing Rules and thus would be exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Loan from the controlling shareholder of the Company

During 2007, HannStar BVI, the Company's controlling shareholder, granted a loan in an aggregate amount of US$27 million to the Company and its subsidiaries. During the six months ended 30 June 2008, the Company repaid the loan to HannStar BVI and an interest payment of US$307,000 for the period was incurred.

(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 technical and consulting services at a monthly fee of 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 fees, services fees and ancillary expenses in aggregate of approximately US$14.19 million up to 29 February 2008, which exceeded the cap set by the Company as shown on the announcement dated 27 March 2007 amounting to approximately US$6.95 million. The Licence Agreement was fully terminated on 29 February 2008 as the Group entered into the New Master Sub-contracting Agreement.

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.