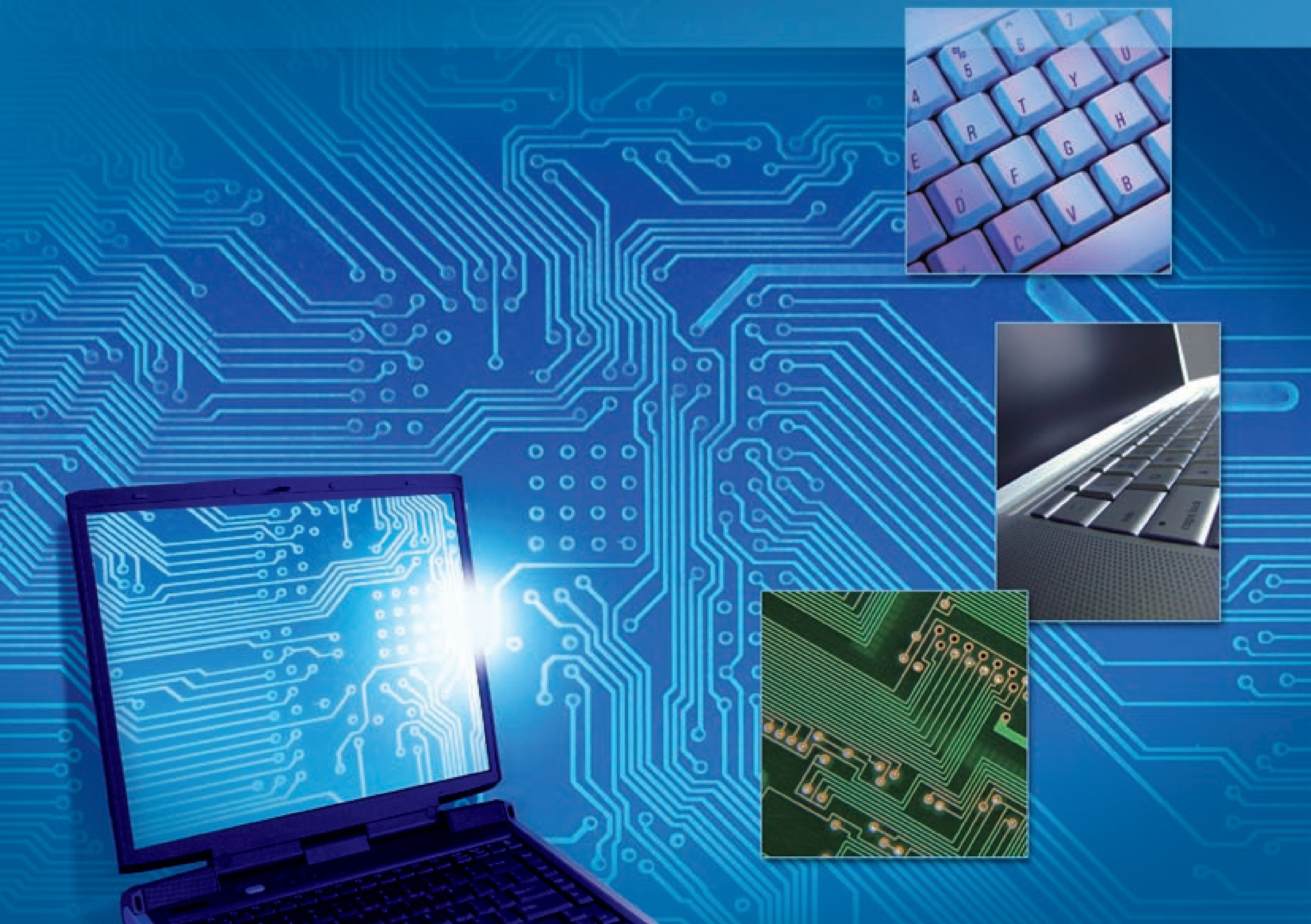
HannStar Board International Holdings Limited

瀚宇博德國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 667



08

ANNUAL REPORT

Contents

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)

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

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

PRINCIPAL PLACE OF BUSINESS IN PEOPLE'S REPUBLIC OF CHINA

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL BANKERS

Far Eastern International Bank
Taishin International Bank
Agricultural Bank of China Jiangyin Sub-branch
Bank of China Limited Jiangyin Sub-branch
Australia and New Zealand Banking Group
Limited Shanghai Branch
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
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

Dear Shareholders:

On behalf of the board of directors of HannStar Board International Holdings Limited (the "Company" or "HBI"), I am pleased to present you the operational performance of HBI and its subsidiaries (the "Group") in 2008.

Pushed by the strong customer demand in the early 2008 and as a result of the implementation of the development strategy of the Group, the monthly production capacity of the Group increased 26.8% and reached 5.2 million square feet by the end of 2008. Because of the large production capacity and turnover volume, the Group played a pivotal role in the worldwide supply chain of notebook computers industry. We delivered approximately 55 million pieces of notebook PCB in 2008, captured over 40% of the global market share and maintained the leading position in the industry.

Due to the impact of the global financial crisis, the customers of the Group reduced their orders from the last quarter of 2008, it encumbered the growth of the Group. Besides, the income tax expenses of the Group increased sharply for the income tax reform in mainland China. Hence, the net profit declined approximately 12.7% and reached US$50.7 million though the revenue of the Group increased approximately 23% and reached US$622.5 million in 2008. From the directors' view, it is really not that easy to get such performance during the global economic downturn.

As we enter 2009, the economy is still challenging and we are taking strategy and management seriously. We believe that it gives HBI an opportunity to grow faster and stronger. We know where we are going with our core business, and we have talented people and technological strength to get there. We will keep on maintaining appropriate expansion and focus on furtherance of performance management and will continuously look for capturing more orders other than the notebook PCB products, such as PCB for netbook and consumer products. We believe that HBI will emerge from this global depression and going stronger, we will become growth-oriented and more customer-focused ever more.

To keep a steady increase in shareholders' value is a challenging goal, but the one we can and will achieve in 2009.

Thanks for your constant trust and support again.

Sincerely yours,

Chiao Yu-heng
Chairman

The Board of Directors (the "Board") is pleased to present this Corporate Governance Report in the Group's annual report for the year ended 31 December 2008.

The Company recognizes good governance as an essential component of the development of the Company and had, basing on the Principles and Code Provisions as set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"), established the Company's corporate governance practices appropriate to the conduct and growth of its business. During the year, the Company has fully complied with all the Code Provisions set out in the CG Code except Code Provision E.1.2 which requires the chairman of the board to attend the annual general meetings. Mr. Chiao Yu-heng, the chairman of the board, was absent from the 2008 annual general meeting of the Company because of the unanticipated business commitment.

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

THE BOARD

Roles and Responsibilities

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

Principal responsibilities of the Board including:

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

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

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

THE BOARD (continued)

Board Composition

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

The Board currently comprises nine members, consisting of two executive directors, two non-executive directors and five independent non-executive directors. Biographical details of the directors are set out in the "Biographies of Directors and Senior Management" on pages 13 to 15 of the Annual Report. None of the members of the Board is related to one another.

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

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

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

Chairman and Chief Executive Officer

The Company fully supports the division of responsibility between the Chairman of the Board and the Chief Executive Officer to ensure a balance of power and authority. The positions of the Chairman and the Chief Executive Officer are held by Mr. Chiao Yu-heng and Mr. Yeh Shin-jiin respectively. Their respective responsibilities are clearly defined and set out in writing.

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

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

THE BOARD (continued)

Appointment and Succession Planning of Directors

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

Each of the directors of the Company is engaged on a service contract for a term of approximately but not more than three years until determined by not less than three months' written notice (for executive directors and non-executive directors) and two months written notice (for independent non-executive directors) served by either party.

During the year ended 31 December 2008, Mr. Chen Cheng-chieh for his leadership and professional expertise in the PCB industry was recommended by the Board and elected as Executive Director of the Company by the Shareholders at the 2008 annual general meeting.

In accordance with the Company's Articles of Association (the "Articles"), Mr. Ho Ai-tang Simon. Ms. Chen Shun Zu Deborah and Mr. Yeh Yu-an shall retire at the forthcoming 2009 annual general meeting (the "2009 AGM"). All retiring directors (except Mr. Ho Ai-tang Simon), being eligible, offer themselves for re-election at the 2009 AGM. Subsequent to the retirement of Mr. Ho Ai-tang Simon, the Board recommended Ms. Cao Jianhua to be elected as non-Executive Director of the Company which is subject to the approval by the shareholders at the 2009 AGM. The Board also recommended the re-appointment of the directors standing for re-election at the 2009 AGM.

The Company's circular dated 8 April 2009 contains detailed information of the directors standing for re-election and election.

Induction and Continuing Development for Directors

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

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

THE BOARD (continued)

Board Meetings

The Company has held seven board meetings during the year ended 31 December 2008.

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

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

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

BOARD COMMITTEES

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

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

Remuneration Committee

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

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

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

BOARD COMMITTEES (continued)

Remuneration Committee (continued)

The Remuneration Committee has held one meeting during the year ended 31 December 2008. The following is a summary of the work performed by the Remuneration Committee up to the date of this Annual Report:

- reviewed and recommended the remuneration policy and the remuneration packages of Directors to the Board;
- reviewed and recommended the remuneration policy and the remuneration packages of senior management to the Board;
- reviewed the Group's policy on the reimbursement of expenses to Directors.

Audit Committee

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

The main duties of the Audit Committee include the following:

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

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

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

The Audit Committee held two meetings during the year ended 31 December 2008 to discuss the financial reporting and compliance procedures system with the external auditors and review the internal control system, and annual financial results for the year ended 31 December 2007 as well as the interim results for the six months ended 30 June 2008.

The Company's annual results for the year ended 31 December 2008 has been reviewed by the Audit Committee. There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. There is no disagreement between the Board and the Audit Committee regarding the selection and appointment of the external auditors.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2008.

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

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2008.

The statement of the external auditors of the Company about their reporting responsibilities on the financial statements is set out in "Independent Auditor's Report" on pages 23 to 24 of the Annual Report.

INTERNAL CONTROLS

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

The Company has developed its systems of internal control including financial, operational and compliance controls and risk management. The internal audit is performed on a quarterly basis. The Audit Committee receives the internal audit report including procedures implemented after the audit. The Audit Committee reports to the Board on any material issues and makes recommendations to the Board based on the work performed by the internal auditor. During the year ended 31 December 2008, the Board has conducted an annual review of the effectiveness of the system of internal control of the Company and its subsidiaries.

AUDITORS' REMUNERATION

The remuneration paid to the external auditors of the Company in respect of audit services for the year ended 31 December 2008 amounted to HK$1,030,000.

SHAREHOLDERS' RIGHTS

The rights of shareholders and the procedures for demanding a poll on resolutions at shareholders' meetings are contained in the Company's Articles. Details of such rights to demand a poll are always included in all circulars to shareholders and explained during the proceedings of meetings.

The general meetings of the Company provide a forum for communication between the shareholders and the Board. The Chairman of the Board as well as chairmen of the Remuneration Committee and Audit Committee or, in their absence, other members of the respective committees are always available to answer questions at the shareholders' meetings.

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

MEETINGS ATTENDANCE RECORD

The following table summarizes the meetings attendance record of the Company's Board and Committee meetings held during the year ended 31 December 2008.

Meetings attended/held in 2008

	Board	Audit Committee	Remuneration Committee
Number of meetings held during the year	7	2	1
Executive Directors			
Mr. Yeh Shin-jiin	7	N/A	N/A
Mr. Chen Cheng-chieh *(appointed on 16 April 2008)*	1*	N/A	N/A
Mr. Lao Li-hua *(retired on 16 April 2008)*	0$^{\Delta}$	N/A	N/A
Non-executive Directors			
Mr. Chiao Yu-heng	7	N/A	1
Mr. Ho Ai-tang Simon	0	N/A	N/A
Independent Non-executive Directors			
Mr. Chao Yuan-san	7	2	1
Ms. Chen Shun Zu Deborah	7	2	1
Mr. Yeh Yu-an	6	2	0
Ms. Chang Pi-lan	7	2	1
Mr. Yen Chin-chang	7	2	1

* Only 4 meetings held during his tenure of directorship

Δ Only 3 meetings held during his tenure of directorship

BUSINESS REVIEW

During the year, the Group has kept its leading position as the largest PCB supplier for the notebook industry in the world. It possesses over 40% market share in the worldwide notebook PCB industry. Because of the huge market share, we may achieve more advantages than our competitors on, such as production cost and quality. During the year, about 70% of the Group's revenue was derived from notebook PCB.

The financial crisis impacts the worldwide notebook industry and notebook producers slashed their purchase orders with the group from the fourth quarter of 2008, resulting in the revenue of the Group declined since November 2008.

For the year ended 31 December 2008, the total revenue of the Group grew by 23.4%, approximately US$622.5 million (2007: US$504.4 million) and EBITDA (represented by gross profit plus other income minus distribution costs and administrative expenses plus depreciation and amortization) grew by 16.2% to US$126.5 million (2007: US$108.9 million).

The monthly production capacity of the Group reached 5,200,000 square feet at the end of 2008 and the Group also has the capacity to produce PCB and HDI for consumer products. As an effort of diversification, the Group is looking for capturing more orders other than the notebook PCB products. We saw the orders of PCB for set-top boxes, game consoles, and Flat-TV growing steadily in 2008. We will keep up with this development trend in 2009.

FINANCIAL REVIEW

The profit for the year ended December 31, 2008 amounted to US$50.7 million, representing a decrease of 12.7% compared with US$58.1 million of 2007. The drop in net profit margin is mainly due to the loss arising from the changes in fair value of derivative financial instruments and the corporate tax law reform in PRC. The earnings per share was US$0.038, which was decreased by US$0.006 compared with US$0.044 of 2007.

Current capital

As at 31 December 2008, the Group's total assets were US$713.2 million, which were increased by US$40.8 million compared with approximately US$672.4 million as at 31 December 2007. The debt ratio of the Group was 59.7% as at 31 December 2008, a decrease of 5.9% as compared with 65.6% as at 31 December 2007.

Gearing ratio

The Group's gearing ratio (calculated as bank borrowings divided by total assets) as at 31 December 2008 was approximately 40.9%, an increase of 10.8% as compared with 30.1% as at 31 December 2007.

The inventory amount was US$34.2 million as at 31 December 2008 (2007: US$60.0 million). The inventory turnover period was 32 days, decreased by 8 days compared with 40 days of 2007.

The accounts receivable amounted to US$196.7 million as at 31 December 2008 (2007: US$208.1 million). The accounts receivable credit period was 117 days, a decrease of 9 days compared with 126 days of 2007.

The accounts payable amounted to US$95.5 million as at 31 December 2008 (2007: US$168.3 million). The accounts payable credit period was 88 days, a decrease of 28 days compared with 116 days of 2007.

Bank balances and cash

The amounts of bank balances and cash denominated in US dollars were approximately US$102.1 million as at 31 December 2008 (2007: US$49.4 million). During the economic downturn, cash is king, so the Group increased its cash reserves appropriately to withstand the unexpected working capital requirement. Bank balances carry interest at market rates which range from 0.35% to 0.72%.

FINANCIAL REVIEW (continued)

Financial resources

As at 31 December 2008, the bank borrowings denominated in US dollars of the Group were approximately US$292 million, of which US$165.6 million is due within 1 year while US$126.4 million is due after 1 year. The average effective interest rates on the variable rate borrowings of the Group is 4.14% in 2008.

Treasury policies

The Group adopted relatively prudent financial policy and closely monitored its cash flows during the year under review. Most of the trading transactions of the Group were denominated in US dollars. The Group adopts foreign exchange forward contracts and interest rate swap 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.

Capital Commitment

As at 31 December 2008, the capital commitment of the Group was approximately US$3.1 million (2007: US$4.5 million). Usually, the capital commitment will be funded by profits generated from operations.

Pledge of Assets

The Group has pledged its assets of approximately US$84.8 million (2007: US$124.2 million) to secure general banking facilities granted to the Group.

Employees and remuneration policy

As at 31 December 2008, the Group had over 7,300 full-time employees based in the PRC and Taiwan. During the year, the relevant employee costs (including directors' remuneration) were approximately US$34.9 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 year, no option has been granted or agreed to be granted to any person under the share option scheme adopted by the Company on 21 September 2006.

OUTLOOK

During the economic downturn, the management has a well-thought-out plan to meet the business challenge. Many operational measures have been executed to keep the steady operation of the Group and moderate development will be continued to capture the first wave of the future economic upturn.

As the market leader in the notebook PCB market, the Group will continue to maintain its close relationship with main customers and suppliers. We would like to support customers' success by assisting in product development, improving quality and reducing delivery period. At the same time, the Group will interact with suppliers, especially raw material suppliers, more frequently to get more favorable price to reduce cost.

The management has promoted many management tools such as Lean Production to boost operation performance in 2008. The Group decided to adopt Toyota's Production System (TPS) in 2009. The TPS training course for the middle level management has been kicked off from January and more staff will be trained. We anticipate the staff with TPS knowledge will contribute more to the business success of the Group.

To keep a steady growth in shareholders' value is a challenging goal, but the one we can and will achieve in 2009.

EXECUTIVE DIRECTORS

Mr. Yeh Shin-jiin (葉新錦先生), aged 53, is the Chief Executive Officer and Authorised Representative of the Company. Mr. Yeh is also director of HannStar Board Technology (Jiangyin) Corporation ("HannStar Jiangyin") and HannStar Precision Technology (Jiangyin) Corporation ("HannStar Precision"), the Company's indirect subsidiaries. He is also the general manager of HannStar Jiangyin. He joined the Group in August 2007. Mr. Yeh is in charge of the day-to-day management and operation of the Group and is responsible for the implementation of the Group's objectives, policies and strategies approved by the Board. Mr. Yeh has over 31 years of experience in the PCB industry. Prior to joining the Group, he was the Executive Vice-President of Compeq Manufacturing (Huizhou) Co., Ltd. (華通電腦(惠州)有限公司), a subsidiary of Compeq Manufacturing Company Limited (華通電腦股份有限公司) from November 2003 to June 2007. He graduated with a degree of master of business administration (on-job program) from Chung Yuan Christian University (中原大學) in Taiwan in 1990.

Mr. Chen Cheng-chieh (陳正傑先生), aged 44, is an executive Director, Authorised Representative and the vice president of the Company and responsible for the sales, marketing and production. Mr. Chen is also a director of HannStar Jiangyin. He joined HannStar Jiangyin in April 2002 as an assistant vice president of the sales and marketing centre. He was an assistant vice president of HannStar Taiwan from October 1992 to August 2006. Mr. Chen graduated with a bachelor's degree in aeronautics and astronautics from National Cheng Kung University (國立成功大學) in Taiwan in 1986. He has 15 years of experience in the PCB industry.

NON-EXECUTIVE DIRECTORS

Mr. Chiao Yu-heng (焦佑衡先生), aged 47, is a non-executive Director and the Chairman of the Company and the Remuneration Committee. He is also the Chairman or a Director of all subsidiaries of the Company. He joined HannStar Jiangyin in April 2003 as a director. He is also currently the chairman of Walsin Technology Corporation (華新科技股份有限公司) and Walton Advanced Engineering Inc. (華東科技股份有限公司) and a director of Walton Chaintech Corporation (華東承啟科技股份有限公司) and Walsin Lihwa Corporation, all of which are companies listed on the Taiwan Stock Exchange and he is also the Chairman of Prosperity Dielectrics Co., Ltd. (信昌電子陶瓷股份有限公司), which is listed on the Gre Tai Securities Market in Taiwan. He is also a director of HannStar Board (BVI) Holdings Corp. ("HannStar BVI"), controlling and substantial shareholder of the Company. He holds a degree in master of business administration in finance from Golden Gate University in the US.

Mr. Ho Ai-tang Simon (何藹棠先生), aged 54, is a non-executive Director of the Company and joined the Group in September 2006. Mr. Ho is a director of HannStar Jiangyin and Walsin Board. Mr. Ho is also currently a Director of Walton Chaintech Corporation (華東承啟科技股份有限公司), a company currently listed on the Taiwan Stock Exchange and engaged in the manufacture and sale of memory cards and information appliances. Mr. Ho graduated from National Chengchi University (國立政治大學) in Taiwan with a bachelor degree in foreign languages.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chao Yuan-san (趙元山先生), aged 58, joined the Company since September 2006 as an independent non-executive Director of the Company. He has ten years of experience in the electronic component industry. Since August 2007, Mr. Chao has been appointed as the Chairman of Taiwan Microloops Corp. (邁萪科技股份有限公司), a supplier of advanced thermal components for various industries and the Chairman of Danen Technology Corporation (達能科技股份有限公司), a company producing ingot and wafer for the solar cell industry. He was the chief financial officer of Worldwide Semiconductor Manufacturing Corp. (世大積體電路股份公司) from January 1997 to June 1998 and the vice-president of China Development Industrial Bank (中華開發工業銀行股份有限公司). Mr. Chao graduated from City University in the US with a bachelor's degree in science in 1981 and is a certified public accountant in the US. The director's fee to Mr. Chao has been revised from HK$10,000 to HK$7,000 per month effective from January 1, 2009.

Ms. Chen Shun Zu Deborah (陳淳如女士), aged 45, joined the Company since September 2006 as an independent non-executive Director of the Company. Ms. Chen is currently a director of Alpha Star Limited (昇振有限公司). She was an assistant vice-president in operation of The Hongkong and Shanghai Banking Corporation Limited from January 2002 to October 2004 and a vice-president of Pacific Resources Technology Corporation (太聯科技股份有限公司) and a senior member of Allied Pacific Century Corporation (太平洋聯合股份有限公司) from February 1997 to August 2001. Ms. Chen graduated from University of Southern California in the US with a Bachelor of Science degree in business administration in 1989. The director's fee to Ms. Chen has been revised from HK$10,000 to HK$7,000 per month effective from January 1, 2009.

Mr. Yeh Yu-an (葉育恩先生), aged 47, joined the Company since September 2006 as an independent non-executive Director of the Company. Mr. Yeh is currently a supervisor of the Da Yeh Takashimaya Department Store (大葉高島屋百貨股份有限公司). He served as the chairman of the board of directors of Da-Yeh University (大葉大學) from November 2004 to April 2007. Mr. Yeh received a degree of master of business administration from Loyola Marymount University in the US in 1992. The director's fee to Mr. Yeh has been revised from HK$10,000 to HK$7,000 per month effective from January 1, 2009.

Ms. Chang Pi-lan (張碧蘭女士), aged 51, joined the Company since September 2006 as an independent non-executive Director of the Company. Mr. Chang has served Walton Chaintech Corporation (華東承啟科技股份有限公司), a company currently listed on the Taiwan Stock Exchange and engaged in the manufacture and sale of motherboards, graphic cards and information appliances, since November 1986 and is currently a director of Walton Chaintech Corporation. During the period she worked for Walton Chaintech Corporation, Ms. Chang gained approximately 20 years of experience in the procurement of PCB products for PCs. Ms. Chang graduated from Fu Jen Catholic University (私立輔仁大學) in Taiwan with a degree in business management. The director's fee to Ms. Chang has been revised from HK$10,000 to HK$7,000 per month effective from January 1, 2009.

Mr. Yen Chin-chang (嚴金章先生), aged 47, joined the Company since September 2006 as an independent non-executive Director of the Company. Mr. Yen has almost 11 years of experience in the PCB industry. He was a sales manager of Shye Feng Name Plate Industrial, Co., Ltd (協峰銘版印刷股份有限公司), a private company engaged in the sale and manufacture of PCBs from May 2004 to May 2005 and a marketing manager of Vertex Precision Electronics Inc. (佳鼎科技股份有限公司), a company currently listed on the Taiwan Stock Exchange and engaged in the sale and manufacture of PCBs from January 2003 to January 2004. Mr. Yen also worked for Lan An Electronics Inc. (連安電子股份有限公司), a private company engaged in the sale and manufacture of PCBs from June 2001 to January 2003 and was a sales manager for Yeti Electronics Co., Ltd (九德電子股份有限公司) a company listed on the Taiwan Stock Exchange and engaged in the sale and manufacture of PCBs from June 1990 to September 1995. Mr. Yen was a project manager of Taiwan Express Co., Ltd. (台灣航空貨運承攬股份有限公司), a private company providing logistics services from August 2005 to August 2006. The director's fee to Mr. Yen has been revised from HK$10,000 to HK$7,000 per month effective from January 1, 2009.

SENIOR MANAGEMENT

Ms. Chen Hui-lan (陳會蘭女士), aged 61, is the Chief Financial Officer of the Group, she is also a supervisor of Walsin Board, joined the Group in August 2005. Prior to joining the Group, she had been working in Philips Electronic Building Elements (Taiwan) Ltd. for over 23 years since 1977. Ms. Chen was a special assistant to the general manager of Prosperity Dielectrics Co., Ltd. (信昌電子陶瓷股份有限公司) from 2003 to 2004 and the chief financial officer of HannStar Electronics Corporation (瀚宇電子股份有限公司) from January 2004 to August 2005. Ms. Chen graduated with a bachelor's degree in business administration from National Cheng Kung University (國立成功大學) in Taiwan in 1971. She has extensive experience in the areas of financial advisory.

Mr. Lai Wei-chen (賴偉珍先生), aged 44, is the Chief Quality Officer of the Group, he is also a director of HannStar Board (SAMOA) Holdings Corp ("HannStar Samoa"). and Walsin Board, the Company's subsidiaries. He joined the Group in April 2002. Prior to joining the Group, he was working in the quality assurance department of Compeq Manufacturing Co., Ltd. from June 1988 to October 1999 and an assistant vice president of the quality assurance centre of HannStar Taiwan from October 1999 to August 2006. Mr. Lai graduated with a bachelor's degree in management science from National Chiao Tung University (國立交通大學) in Taiwan in 1986. He has 19 years of experience in the field of quality control.

Mr. Chao Kun-yin (趙冠胤先生), aged 47, is the Sales Director of the Group, joined the Group in July 2006. Prior to joining the Group, he held various positions including section manager, manager and assistant vice president in Walsin Lihwa Corporation from 1988 to 2006. Mr. Chao graduated from mechanical engineering department of Hsinpu Institute of Business and Industry (新埔工專) in 1982.

Mr. Chou Chun-hsien (周俊賢先生), aged 49, is the Manufacturing Director of Production for Supervising Division I, Division III and Engineering Division of the Group, joined the Group in July 2007. Prior to joining the Group, he was the Manufacturing Director of Compeq Manufacturing Co., Ltd from July 1990 to July 2002 and also the Manufacturing Director of Unimicron Corporation (欣興電子公司) from February 2002 to July 2005. Mr. Chou graduated from Feng Chia University (逢甲大學) in Taiwan with a bachelor's degree in chemical specialty in July 1986.

Mr. Wang Chi-wei (汪志偉先生), aged 36, is the Manufacturing Director of Production for Supervising Division II of the Group, joined the Group in April 2004 as a deputy manager and was promoted to his current position in April 2007. Prior to joining the Group, he was the section manager of Compeq Manufacturing Co., Ltd. from August 1997 to April 2002 and a manager of Unicap Electronics Industrial Corp. (耀文電子工業股份有限公司) from 2002 to 2003. Mr. Wang graduated with a bachelor's degree in chemical engineering from Chinese Culture University (私立中國文化大學) in Taiwan in 1995.

Mr. Mao I-chang (茅益彰先生), aged 37, is the manager of the Information Department of the Group. He joined the Group in September 2002 as a section manager and was promoted to manager in April 2008. Prior to joining the Group, he had been working in the technical department of Siam Pacific Electric Wire & Cable Co., Ltd. for three years when he specialised in the communication cable production technology. Mr. Mao graduated with a bachelor's degree in information systems from La Trobe University in Australia in 2002.

The directors present their annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and engages in the sales of printed circuit boards ("PCB"). The principal activities of its subsidiaries are set out in note 31 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2008 are set out in the consolidated income statement on page 25.

The directors recommend the payment of a final dividend of HK4.5 cents per share for the year ended 31 December 2008 to the shareholders whose names appear on the register of members on 15 May 2009, amounting to approximately HK$59,231,000 (equivalent to approximately US$7,644,000), and the retention of the remaining profit for the year.

The proposed dividend is subject to the approval of the shareholders at the forthcoming annual general meeting and will be payable on 5 June 2009.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 13 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 22 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders were as follows:

	2008 **US$'000**	2007 US$'000
Share premium	**58,119**	58,119
Contributed surplus	**82,140**	82,140
(Accumulated losses) retained profits	**(1,648)**	9,026
	138,611	149,285

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

DIRECTORS

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

Executive Directors

Mr. YEH Shin-jiin
Mr. CHEN Cheng-chieh (appointed on 16 April 2008)
Mr. LAO Li-hua (retired on 16 April 2008)

Non-executive Directors

Mr. CHIAO Yu-heng *(Chairman)*
Mr. HO Ai-tang Simon

Independent Non-executive Directors

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

In accordance with the provisions of the Company's Articles of Association, Mr. Ho Ai-tang Simon, Ms. Chen Shun Zu Deborah and Mr. Yeh Yu-an retire at the forthcoming annual general meeting. All the retiring directors, being eligible, offer themselves for re-election at the meeting except Mr. Ho Ai-tang Simon.

DIRECTORS' SERVICE CONTRACTS

None of the directors being proposed for re-election at the forthcoming annual general meeting has a service agreement with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

SHARE OPTION SCHEME

Particulars of the Company's share option scheme are set out in note 24 to the audited consolidated financial statements.

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

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

SUBSTANTIAL SHAREHOLDERS

As at 31 December 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:

Ordinary shares of HK$0.1 each of the Company:

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
HannStar Board (BVI) Holdings Corp. ("HannStar BVI")	Beneficial owner	976,786,000	74.21%
HannStar Board Corporation ("HannStar Taiwan")	Held by controlled corporation (Note)	976,786,000	74.21%
Walsin Technology Corporation ("Walsin Tech")	Held by controlled corporation (Note)	976,786,000	74.21%

Note: HannStar BVI is wholly-owned by HannStar Taiwan. Walsin Tech beneficially owns approximately 20% of the issued share capital of HannStar Taiwan and has the power to appoint or remove the majority of the members of the Board. HannStar Taiwan and Walsin Tech were deemed to be interested in 976,786,000 shares in the Company which are held by HannStar BVI. Mr. Chiao Yu-heng is also a director of Walsin Tech and 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 31 December 2008.

DIRECTORS' INTERESTS IN SHARES

As at 31 December 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 of Hong Kong Limited ("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. CHEN Cheng-chieh	Beneficial owner	HannStar Taiwan	78,182	0.02%
Mr. CHIAO Yu-heng	Beneficial owner	HannStar Taiwan	2,070,221	0.62%
Mr. YEH Shin-jiin	Beneficial owner	HannStar Taiwan	5,400	0.00%

Other than as disclosed above, none of the directors, chief executives, nor their associates had any interests or short positions in any shares or underlying shares of the Company or any of its associated corporations as at 31 December 2008.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

CONNECTED TRANSACTIONS

The directors of the Company, including the independent non-executive directors of the Company, has reviewed and confirmed that the continuing connected transactions set out below have been entered into:

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

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

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

CONNECTED TRANSACTIONS (continued)

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

(1) Non-exempt continuing connected transactions

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

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 when the Company has insufficient production capacity prior to 31 December 2010. According to the announcement dated 23 November 2007, the Proposed Annual Cap of the sub-contracting fee payable by the Company to HannStar Taiwan for each of the three years ending 31 December 2010 is estimated to be US$63.4 million. During the year ended 31 December 2008, the sub-contracting fee paid was approximately US$47.51 million under the New Master Sub-contracting Agreement.

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

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

Loan from the controlling shareholder of the Company

Pursuant to various loan agreements entered into between the Group and HannStar BVI, the Company's controlling shareholder, loans in an aggregate amount of approximately US$27 million were granted in prior year and which have been fully repaid as at 31 December 2008. The Group incurred interest payment of US$490,226 for the year.

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

The following transactions 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 14A of the Listing Rules.

(a) Licence Agreement between HannStar Taiwan and the Company

Walsin Board Corporation ("Walsin Board"), a wholly-owned subsidiary of the Company had entered into a licence agreement ("Licence Agreement") with HannStar Taiwan, pursuant to which HannStar Taiwan has agreed to grant a licence for using certain machinery and equipment ("Machinery and Equipments") for a term of one year commencing from 1 April 2007 and ended on 31 March 2008 with a 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 and the necessary water and electricity 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 terminated on 29 February 2008.

CONNECTED TRANSACTIONS (continued)

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

(b) Equipment Purchase Agreement and Machinery Purchase Agreement between HannStar Taiwan and the Company

On 5 August 2008, HannStar Board Technology (Jiangyin) Corporation ("HannStar Jiangyin") and HannStar Precision Technology (Jiangyin) Corporation ("HannStar Precision"), indirect wholly owned subsidiaries of the Company entered into an equipment purchase agreement ("Equipment Purchase Agreement") and a machinery purchase agreement with HannStar Taiwan, respectively. Pursuant to these agreements, HannStar Jiangyin and HannStar Precision had agreed to purchase certain machinery and equipment from HannStar Taiwan for the production of PCBs. The Equipment Purchase Agreement and the Machinery Purchase Agreement are not inter-conditional. According to these purchase agreements, HannStar Jiangyin and HannStar Precision would pay a consideration of US$874,110 and US$1,588,579 to HannStar Taiwan, respectively.

During the year, the machinery and equipment purchased by HannStar Jiangyin and HannStar Precision amounted to US$873,640 and US$900,229 respectively.

Particulars of the connected transactions, which are also related party transactions, are disclosed in note 30 to the consolidated financial statements in accordance with Hong Kong Accounting Standard 24 "Related Party Disclosures" issued by the Hong Kong Institute of Certified Public Accountants.

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

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

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

MAJOR CUSTOMERS AND SUPPLIERS

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

– the largest supplier	27%
– five largest suppliers	42%
– the largest customer	24%
– five largest customers	63%

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

EMOLUMENT POLICY

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

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

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company, there was a sufficient prescribed public float of the issued shares of the Company under the Listing Rules throughout the year.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 64 of the annual report.

AUDITOR

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

On behalf of the Board

CHIAO Yu-heng
Chairman

26 March 2009

Deloitte.
德勤

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

We have audited the consolidated financial statements of HannStar Board International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 25 to 63, which comprise the consolidated balance sheet as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2008 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
26 March 2009

Consolidated Income Statement

For the year ended 31 December 2008

	Notes	**2008** **US$'000**	2007 US$'000
Revenue	6	**622,528**	504,399
Cost of sales		**(537,840)**	(427,539)
Gross profit		**84,688**	76,860
Other income		**30,418**	24,863
(Loss) gain arising from changes in fair value of derivative financial instruments		**(305)**	7,361
Distribution and selling expenses		**(15,715)**	(14,213)
Administrative expenses		**(24,294)**	(21,640)
Finance costs	7	**(12,282)**	(12,611)
Profit before tax		**62,510**	60,620
Income tax expense	8	**(11,841)**	(2,552)
Profit for the year	9	**50,669**	58,068
Earnings per share US$ – basic	12	**0.038**	0.044

Consolidated Balance Sheet

At 31 December 2008

	Notes	2008 US$'000	2007 US$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**364,266**	316,994
Prepaid lease payments	14	**5,638**	5,400
		369,904	322,394
CURRENT ASSETS			
Inventories	15	**34,249**	59,978
Trade and other receivables	16	**204,942**	218,478
Prepaid lease payments	14	**126**	112
Amount due from ultimate holding company	17	**–**	3,077
Amount due from immediate holding company	17	**10**	–
Derivative financial instruments	18	**–**	7,859
Pledged bank deposits	19	**1,880**	11,148
Bank balances and cash	19	**102,130**	49,358
		343,337	350,010
CURRENT LIABILITIES			
Trade and other payables	20	**121,199**	210,473
Amount due to ultimate holding company	17	**5,238**	–
Amount due to immediate holding company	17	**–**	27,056
Derivative financial instruments	18	**1,357**	–
Tax liabilities		**5,779**	1,093
Bank borrowings – due within one year	21	**165,603**	93,642
		299,176	332,264
NET CURRENT ASSETS		**44,161**	17,746
TOTAL ASSETS LESS CURRENT LIABILITIES		**414,065**	340,140
NON-CURRENT LIABILITY			
Bank borrowings – due after one year	21	**126,397**	108,827
		287,668	231,313
CAPITAL AND RESERVES			
Share capital	22	**16,925**	16,925
Reserves		**270,743**	214,388
		287,668	231,313

The consolidated financial statements on pages 25 to 63 were approved and authorised for issue by the Board of Directors on 26 March 2009 and are signed on its behalf by:

Mr. Chiao Yu-heng
Director

Mr. Yeh Shin-jiin
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2008

	Share capital US$'000	Share premium US$'000	Special reserve US$'000 (Note 23)	Exchange reserve US$'000	Retained profits US$'000	Total US$'000
At 1 January 2007	16,925	58,119	51,987	5,488	37,408	169,927
Exchange differences arising on translation to presentation currency recognised directly in equity	–	–	–	10,900	–	10,900
Profit for the year	–	–	–	–	58,068	58,068
Total recognised income for the year	–	–	–	10,900	58,068	68,968
Dividend paid	–	–	–	–	(7,582)	(7,582)
At 31 December 2007	16,925	58,119	51,987	16,388	87,894	231,313
Exchange differences arising on translation to presentation currency recognised directly in equity	–	–	–	14,130	–	14,130
Profit for the year	–	–	–	–	50,669	50,669
Total recognised income for the year	–	–	–	14,130	50,669	64,799
Dividend paid	–	–	–	–	(8,444)	(8,444)
At 31 December 2008	**16,925**	**58,119**	**51,987**	**30,518**	**130,119**	**287,668**

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	Note	2008 US$'000	2007 US$'000
OPERATING ACTIVITIES			
Profit before tax		**62,510**	60,620
Adjustments for:			
Depreciation of property, plant and equipment		**51,731**	35,692
Finance costs		**12,282**	12,611
Impairment loss on inventories		**2,265**	700
Impairment loss on trade receivables		**874**	291
Release of prepaid lease payments		**125**	113
Loss on disposal of property, plant and equipment		**19**	25
Interest income		**(3,642)**	(3,508)
Operating cash flows before movements in working capital		**126,164**	106,544
Decrease (increase) in inventories		**23,464**	(25,384)
Decrease (increase) in trade and other receivables		**12,662**	(68,220)
Decrease (increase) in derivative financial instruments		**8,415**	(7,361)
Decrease (increase) in amount due from ultimate holding company		**3,077**	(3,860)
(Decrease) increase in trade and other payables		**(80,009)**	70,414
Increase in amount due to ultimate holding company		**5,238**	–
Cash generated from operations		**99,011**	72,133
Income Tax paid		**(7,304)**	(2,771)
Interest received		**3,642**	3,508
NET CASH FROM OPERATING ACTIVITIES		**95,349**	72,870
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(86,962)**	(110,557)
Decrease in pledged bank deposits		**9,268**	35,467
Proceeds from disposal of property, plant and equipment		**–**	21
Acquisition of a subsidiary	25	**–**	(1,450)
NET CASH USED IN INVESTING ACTIVITIES		**(77,694)**	(76,519)
FINANCING ACTIVITIES			
New bank borrowings raised		**327,651**	68,516
Repayment of bank borrowings		**(247,917)**	(48,016)
(Repayment of) advance from immediate holding company		**(27,066)**	27,056
Interest paid		**(12,282)**	(10,668)
Dividend paid		**(8,444)**	(7,582)
NET CASH FROM FINANCING ACTIVITIES		**31,942**	29,306
NET INCREASE IN CASH AND CASH EQUIVALENTS		**49,597**	25,657
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**49,358**	22,926
Effect of foreign exchange rate changes		**3,175**	775
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		**102,130**	49,358

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 immediate holding company is HannStar Board (BVI) Holdings Corp. ("HannStar BVI") which was incorporated in the British Virgin Islands ("HannStar BVI") and its ultimate holding company 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 31.

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

In the current year, the Group has applied the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
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 the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

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

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

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 39 (Amendment)	Eligible Hedged Items[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments[2]
HKFRS 8	Operating Segments[2]
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives[4]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[5]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation[6]
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners[3]
HK(IFRIC) – Int 18	Transfer of Assets from Customers[7]

[1] Effective for annual periods beginning on or after 1 January 2009 except for the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009
[2] Effective for annual periods beginning on or after 1 January 2009
[3] Effective for annual periods beginning on or after 1 July 2009
[4] Effective for annual periods ending on or after 30 June 2009
[5] Effective for annual periods beginning on or after 1 July 2008
[6] Effective for annual periods beginning on or after 1 October 2008
[7] Effective for transfers on or after 1 July 2009

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

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with HKFRSs 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.

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 income statement 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 in line with those used by other members of the Group.

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

Business combinations

The acquisition of business is accounted for using the purchase method. The cost of the acquisition is 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 meet the conditions for recognition under HKFRS 3 "Business Combinations" are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

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 the goods are delivered and title has passed.

Interest income from a financial asset excluding financial assets at fair value through profit or loss 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 construction in progress, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment, other than construction in progress, over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category 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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Prepaid lease payments

Prepaid lease payments, which represent up-front payments to acquire leasehold land interest, are stated at cost and released to the consolidated income statement over the period of the lease on a straight-line basis.

Impairment losses on assets

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss is recognised as income immediately.

Inventories

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet 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.

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 balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuated significantly during that period, in which cases, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the exchange reserve). Such exchange differences are recognised in profit or loss in the period.

Borrowing costs

All borrowing costs are recognised as and included in finance costs in the consolidated income statement in the period in which they are incurred.

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement 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 balance sheet dates.

Deferred tax is recognised on 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, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which 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 arising on 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

The carrying amount of deferred tax assets is reviewed at each balance sheet date 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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Retirement benefit costs

Payments to defined contribution retirement benefit plans and 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 on the balance sheet 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 financial assets at fair value through profit or loss ("FVTPL") and loans and receivables. 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.

Financial assets at fair value through profit or loss

The Group's 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.

At each balance sheet date subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, amount due from ultimate holding company/immediate 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).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. 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 the Group's financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity

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.

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.

At each balance sheet date subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value 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, amounts due to ultimate holding company/immediate 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 each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire, or the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, 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 directly in equity is recognised in profit or loss.

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

4. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 21, cash and cash equivalents disclosed in note 19, and equity attributable to equity holders of the Company, comprising issued share capital and accumulated profits.

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, and the issue of new debt or the redemption of existing debt.

5. FINANCIAL INSTRUMENTS

5a. Categories of financial instruments

	2008	2007
	US$'000	US$'000
Financial assets		
Derivative financial instruments	**–**	7,859
Loans and receivables (including cash and cash equivalents)	**301,996**	274,293
Financial liabilities		
Derivative financial instruments	**1,357**	–
Amortised cost	**402,881**	417,201

5b. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amount due from/to ultimate/immediate 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.

5. FINANCIAL INSTRUMENTS (continued)

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

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 almost 32.5% of production costs are denominated in US Dollars.

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

	Assets		**Liabilities**	
	2008	2007	**2008**	2007
	US$'000	US$'000	**US$'000**	US$'000
US Dollars	**218,484**	253,664	**329,763**	258,670

The Group's exposure to currency risk mainly related to US Dollars trade receivables, 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$1,357,000 classified as current liabilities (2007: US$7,859,000 classified as current assets), in which the Group was in the position of selling US Dollars with aggregate notional amount of US$20,000,000 (2007: US$149,000,000).

5. FINANCIAL INSTRUMENTS (continued)

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

Market risk (continued)

Currency risk (continued)

Sensitivity analysis

Non-derivative financial instruments

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

The following table details the Group's sensitivity to a 5% increase and decrease in Renminbi against US Dollars. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and 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% change in foreign currency rates. The sensitivity analysis includes mainly trade receivables, 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. For a 5% weakening of Renminbi against US Dollars, there would be an equal and opposite impact on the profit or loss.

	US Dollars	
	2008	2007
	US$'000	US$'000
Assets	**(8,193)**	(10,781)
Liabilities	**12,366**	10,993
Profit or loss [i]	**4,173**	212

(i) This is mainly attributable to the exposure outstanding on US Dollars trade receivables, trade payables and bank borrowings at year end in the Group.

Derivative financial instruments

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

The Group's sensitivity is to a 5% increase/decrease in market bid 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% change in market bid forward foreign exchange rates.

If Renminbi strengthens/weakens against US Dollars, profit for the year ended 31 December 2008 would increase/decrease by approximately US$51,000 (2007: decrease/increase by US$334,000).

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

5. FINANCIAL INSTRUMENTS (continued)

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

Market risk (continued)

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank deposits and bank borrowings (see notes 19 and 21 for detail of these bank deposits and bank borrowing 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 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 at the balance sheet date. For variable-rate bank balances and bank borrowings, the analysis is prepared assuming the amounts outstanding at the balance sheet date were outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2008 would decrease/increase by approximately US$705,000 (2007: decrease/increase by US$603,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank balances and bank borrowings.

Credit risk

As at 31 December 2008, 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 balance sheet.

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 each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

5. FINANCIAL INSTRUMENTS (continued)

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

Credit risk (continued)

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 73% (2007: 92%) of the total trade receivables as at 31 December 2008. The Group also has concentration of credit risk by customer as 63% (2007: 42%) and 21% (2007: 11%) 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 21. As at 31 December 2008, the Group has available unutilised bank loan facilities of approximately US$383,474,000 (2007: US$800,000).

The following table details the Group's remaining contractual maturity for its financial liabilities. 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. The table includes both interest and principal cash flows. For derivative instruments settle on a net basis, undiscounted net cash flows are presented.

Liquidity and interest risk tables

	Weighted average effective interest rate %	Less than 3 month US$'000	3-6 months US$'000	6 months to 1 year US$'000	1-5 years US$'000	Total undiscounted cash flows US$'000	Carrying amount at 31.12.2008 US$'000
2008							
Non-derivative financial liabilities							
Trade and other payables	–	105,643	–	–	–	105,643	105,643
Amount due to ultimate holding company	–	5,238	–	–	–	5,238	5,238
Bank loans – variable rate	4.14	59,011	10,204	99,128	135,690	304,033	292,000
		169,892	10,204	99,128	135,690	414,914	402,881
Derivatives – net settlement							
Interest rate swaps	–	379	267	267	267	1,180	1,180
Foreign exchange forward contracts	–	177	–	–	–	177	177
		556	267	267	267	1,357	1,357

5. FINANCIAL INSTRUMENTS (continued)

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

Liquidity risk (continued)

Liquidity and interest risk tables (continued)

	Weighted average effective interest rate %	Less than 3 month US$'000	3-6 months US$'000	6 months to 1 year US$'000	1-5 years US$'000	Total undiscounted cash flows US$'000	Carrying amount at 31.12.2007 US$'000
2007							
Non-derivative financial liabilities							
Trade and other payables	–	163,730	22,752	1,194	–	187,676	187,676
Amount due to immediate holding company	5.36	27,419	–	–	–	27,419	27,056
Bank loans							
– fixed rate	5.91	9,319	–	–	–	9,319	9,200
– variable rate	6.28	59,477	16,256	15,811	114,781	206,325	193,269
		259,945	39,008	17,005	114,781	430,739	417,201

5c. Fair value

The fair value of financial assets and financial liabilities (including derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

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.

6. REVENUE AND GEOGRAPHICAL SEGMENT INFORMATION

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

Geographical segments

The Group's operations are located in PRC. The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods:

2008

	PRC US$'000	United States of America ("USA") US$'000	Others US$'000	Consolidated US$'000
Revenue	456,148	40,802	125,578	622,528
Result	64,773	5,998	13,917	84,688
Other income				30,418
Loss arising from changes in fair value of derivative financial instruments				(305)
Unallocated corporate expenses				(40,009)
Finance costs				(12,282)
Profit before tax				62,510
Income tax expense				(11,841)
				50,669

	PRC US$'000	USA US$'000	Others US$'000	Consolidated US$'000
Assets				
Segment assets	150,125	1,630	44,988	196,743
Unallocated assets				516,498
				713,241
Liabilities				
Unallocated liabilities				425,573
Other information				
Capital expenditure				77,697
Depreciation of property, plant and equipment				51,731
Impairment loss recognised in respect of:				
– inventories				2,265
– trade receivables	874	–	–	874
Release of prepaid lease payments				125

6. REVENUE AND GEOGRAPHICAL SEGMENT INFORMATION (continued)

Geographical segments (continued)

2007

	PRC US$'000	USA US$'000	Others US$'000	Consolidated US$'000
Revenue	464,078	21,204	19,117	504,399
Result	71,004	3,371	2,485	76,860
Other income				24,863
Gain arising from changes in fair value of derivative financial instruments				7,361
Unallocated corporate expenses				(35,853)
Finance costs				(12,611)
Profit before tax				60,620
Income tax expense				(2,552)
				58,068

	PRC US$'000	USA US$'000	Others US$'000	Consolidated US$'000
Assets				
Segment assets	177,279	6,037	24,789	208,105
Unallocated assets				464,299
				672,404
Liabilities				
Unallocated liabilities				441,091
Other information				
Capital expenditure				114,747
Depreciation of property, plant and equipment				35,692
Impairment loss recognised in respect of:				
– inventories				700
– trade receivables	291	–	–	291
Release of prepaid lease payments				113

Business segments

No business segment information is presented as over 90% of the Group's revenue was derived from the sales of printed circuit boards ("PCB").

6. REVENUE AND GEOGRAPHICAL SEGMENT INFORMATION (continued)

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2008	2007	**2008**	2007
	US$'000	US$'000	**US$'000**	US$'000
PRC	**196,743**	208,105	**77,697**	113,385

7. FINANCE COSTS

	2008	2007
	US$'000	US$'000
Interests on borrowings wholly repayable within five years:		
– bank loans	**11,792**	11,599
– other loan	**490**	1,012
	12,282	12,611

8. INCOME TAX EXPENSE

	2008	2007
	US$'000	US$'000
Tax charge represents:		
PRC Foreign Enterprise Income Tax ("FEIT")	**11,750**	2,552
Underprovision in prior years:		
FEIT	**38**	–
Overseas taxation	**53**	–
	11,841	2,552

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

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

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

According to Article 73 of the FEIT Detailed Rules, as HannStar Jiangyin engaged in projects with foreign investments of over US$30 million which required long period to recover investment cost, each of the plants of HannStar Jiangyin ("Plant 1", "Plant 2", "Plant 3" and "Plant 4") is eligible to enjoy the preferential tax rate of 15% for the year ended 31 December 2007.

8. INCOME TAX EXPENSE (continued)

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax ("New Tax Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulation of the New Tax Law. Under the New Tax Law and the Implementation Regulation, the FEIT rate of the Group's subsidiaries in the PRC was increased from 15% to 25% progressively from 1 January 2008 onwards. The relevant tax rates for the Group's subsidiaries in the PRC range from 0% to 18% (2007: 0% to 15%).

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 as accounted for 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 FEIT for the two years ended 31 December 2004, and is subject to a 50% relief from FEIT for the three years ended 31 December 2007. After the end of Tax Exemptions, the FEIT 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 FEIT for the two years ended 31 December 2005 and is subject to a 50% relief from FEIT for the three years ended 31 December 2008. Applying this 50% relief, the FEIT rate applicable to Plant 2 is 9% for this year. After the end of Tax Exemptions, the FEIT 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 FEIT for the two years ended 31 December 2007. Applying this 50% relief, the FEIT 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 FEIT rate applicable to Plant 3 will be 24% and 25% thereafter from the year ended 31 December 2011.

In accordance with the Circular of the State Council on the Implementation of Transactional Professional Policies for Enterprises Income Tax (Guofa 4 2007 No. 39), all documents for the application of the tax benefit need to be submitted on or before 16 March 2007. Although the tax benefit application of Plant 4 have been approved by the relevant Tax Bureau as mentioned above, submission of certain documents related to the application made beyond 16 March 2007 and no formal guidance released by relevant Tax Bureau for clarification of this issue. As there is no relevant laws and regulations for circumstances shown as above, FEIT rate applicable to Plant 4 is 25%.

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

8. INCOME TAX EXPENSE (continued)

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

	2008 US$'000	2007 US$'000
Profit before tax	**62,510**	60,620
Tax at the PRC FEIT rate of 18% (2007: 15%)	**11,252**	9,093
Tax effect of expenses not deductible for tax purposes	**5,774**	435
Tax effect of income not taxable for tax purposes	**(236)**	(378)
Underprovision in respect of prior years	**91**	–
Tax effect of tax losses not recognised	**488**	–
Effect of Tax Exemptions granted to PRC subsidiaries	**(5,528)**	(6,598)
Tax charge for the year	**11,841**	2,552

At the balance sheet date, the Group has unused tax losses of approximately US$2,824,000 (2007: nil) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability future profit streams.

Under the New Law of 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$58,843,000. 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.

9. PROFIT FOR THE YEAR

	2008 US$'000	2007 US$'000
Profit for the year has been arrived at after charging:		
Directors' emoluments (note 10)	**218**	188
Other staff costs	**30,445**	31,435
Retirement benefit scheme contributions, excluding directors	**4,251**	2,402
Total staff costs	**34,914**	34,025
Impairment loss on inventories	**2,265**	700
Auditor's remuneration	**132**	152
Cost of inventories recognised as an expense	**535,575**	426,839
Depreciation for property, plant and equipment	**51,731**	35,692
Impairment loss on trade receivables	**874**	291
Loss on disposal of property, plant and equipment	**19**	25
Release of prepaid lease payments	**125**	113
and after crediting:		
Bank interest income	**3,642**	3,508
Net foreign exchange gain	**5,387**	7,296
Sale of scrap materials (included in other income)	**20,656**	12,897

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

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

	YEH Shin-jiin US$'000	CHEN Cheng-chieh US$'000 (Note)	LAO Li-hua US$'000 (Note)	CHIAO Yu-heng US$'000	HO Ai-tang Simon US$'000	CHAO Yuan-san US$'000	CHEN Shun Zu Deborah US$'000	YEH Yu-an US$'000	CHANG Pi-lan US$'000	YEN Chin-chang US$'000	2008 Total US$'000
Fees	–	–	–	–	–	15	15	15	15	15	75
Other emoluments											
– salaries and other benefits	35	17	–	91	–	–	–	–	–	–	143
Total emoluments	35	17	–	91	–	15	15	15	15	15	218

	YEH Shin-jiin US$'000	HSU Yao-tsung US$'000 (Note)	LAO Li-hua US$'000	CHIAO Yu-heng US$'000	HO Ai-tang Simon US$'000	CHAO Yuan-san US$'000	CHEN Shun Zu Deborah US$'000	YEH Yu-an US$'000	CHANG Pi-lan US$'000	YEN Chin-chang US$'000	2007 Total US$'000
Fees	–	–	–	–	–	17	17	17	17	19	87
Other emoluments											
– salaries and other benefits	19	31	51	–	–	–	–	–	–	–	101
Total emoluments	19	31	51	–	–	17	17	17	17	19	188

Note: Mr. CHEN Cheng-chieh was appointed as director of the Company on 16 April 2008 and Mr. HSU Yao-tsung resigned and LAO Li-hua retired as directors of the Company on 1 August 2007 and 16 April 2008, respectively.

Of the five individuals with the highest emoluments in the Group, two (2007: two) are the directors of the Company whose emoluments are included above. The emoluments of the remaining three (2007: three) individuals are as follows:

	2008 US$'000	2007 US$'000
Employee		
– salaries and other benefits	**70**	182

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.

11. DIVIDENDS

	2008 US$'000	2007 US$'000
Dividends recognised as distribution during the year Final – HK5.0 cents per share in respect of the financial year ended 31 December 2007 (2007: HK4.5 cents per share in respect of the financial year ended 31 December 2006)	**8,444**	7,582

A final dividend of HK4.5 cents (2007: HK5.0 cents) per share in respect of the financial year ended 31 December 2008 has been proposed by the directors and is subject to approval by the shareholders.

12. EARNINGS PER SHARE

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

	2008 US$'000	2007 US$'000
Earnings for the purposes of basic earnings per share	**50,669**	58,068

	2008	2007
Weighted average number of ordinary shares for the purposes of basic earnings per share	**1,316,250,000**	1,316,250,000

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

13. 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 2007	58,158	186,070	22,594	6,645	881	3,378	277,726
Exchange adjustments	3,943	12,764	1,534	451	62	225	18,979
Acquired on acquisition of a subsidiary	–	1,239	115	4	–	4	1,362
Additions	14,503	25,067	1,655	24	296	71,840	113,385
Transfer	14,661	55,767	1,553	84	310	(72,375)	–
Disposals	–	–	(44)	–	(104)	–	(148)
At 31 December 2007	91,265	280,907	27,407	7,208	1,445	3,072	411,304
Exchange adjustments	6,405	19,081	1,964	530	99	399	28,478
Additions	1,269	30,742	1,845	427	30	43,384	77,697
Transfer	6,618	20,542	3,110	1,801	47	(32,118)	–
Disposals	–	–	(42)	–	–	–	(42)
At 31 December 2008	**105,557**	**351,272**	**34,284**	**9,966**	**1,621**	**14,737**	**517,437**
DEPRECIATION							
At 1 January 2007	3,548	44,213	3,697	2,032	257	–	53,747
Exchange adjustments	398	4,018	346	184	27	–	4,973
Provided for the year	3,823	28,244	2,299	1,145	181	–	35,692
Eliminated on disposals	–	–	(20)	–	(82)	–	(102)
At 31 December 2007	7,769	76,475	6,322	3,361	383	–	94,310
Exchange adjustments	610	5,751	506	257	29	–	7,153
Provided for the year	4,608	40,824	4,418	1,627	254	–	51,731
Eliminated on disposals	–	–	(23)	–	–	–	(23)
At 31 December 2008	**12,987**	**123,050**	**11,223**	**5,245**	**666**	**–**	**153,171**
CARRYING VALUES							
At 31 December 2008	**92,570**	**228,222**	**23,061**	**4,721**	**955**	**14,737**	**364,266**
At 31 December 2007	83,496	204,432	21,085	3,847	1,062	3,072	316,994

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.

14. PREPAID LEASE PAYMENTS

	2008 US$'000	2007 US$'000
Balance at beginning of the year	**5,512**	5,272
Exchange adjustment	**377**	353
Released to the consolidated income statement	**(125)**	(113)
Balance at end of the year	**5,764**	5,512
Current portion of non-current assets	**(126)**	(112)
Non-current portion	**5,638**	5,400

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 2008, the carrying amount of the land use rights for which the Group had not yet been granted formal title amounted to approximately US$1,226,000 (2007: US$1,172,000). 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.

15. INVENTORIES

	2008 US$'000	2007 US$'000
Raw materials	**11,412**	24,270
Work-in-progress	**5,001**	18,348
Finished goods	**17,836**	17,360
	34,249	59,978

16. TRADE AND OTHER RECEIVABLES

	2008 US$'000	2007 US$'000
Trade receivables	**198,283**	208,771
Less: Allowance for doubtful debts	**(1,540)**	(666)
	196,743	208,105

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

16. TRADE AND OTHER RECEIVABLES (continued)

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

	2008 **US$'000**	2007 US$'000
Trade receivables:		
0 – 30 days	**35,574**	45,124
31 – 60 days	**33,592**	54,979
61 – 90 days	**54,481**	52,170
91 – 120 days	**51,246**	39,671
121 – 180 days	**21,350**	16,159
181 – 365 days	**500**	2
	196,743	208,105
Other receivables:		
Prepayments for utility	**3,862**	3,352
Prepayment for maintenance	**714**	998
Deposits paid	**684**	1,262
Value added tax recoverable	**1,706**	3,282
Others	**1,233**	1,479
	8,199	10,373
	204,942	218,478

Included in the Group's trade and other receivable are balances with aggregated amounts of approximately US$128,497,000 (2007: US$208,105,000) 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$500,000 (2007: US$2,000) which are past due at the reporting date for which the Group has not provided for impairment loss and fully settled subsequently after the balance sheet date. The Group does not hold any collateral over these balances.

Ageing of trade receivables which are past due but not impaired

	2008 **US$'000**	2007 US$'000
181 – 365 days	**500**	2

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.

16. TRADE AND OTHER RECEIVABLES (continued)

Movement in the allowance for doubtful debts

	2008	2007
	US$'000	US$'000
Balance at beginning of the year	**666**	375
Impairment losses recognised on receivables	**874**	291
Balance at end of the year	**1,540**	666

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 reporting date. 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$1,540,000 (2007: US$666,000). The Group does not hold any collateral over these balances.

17. AMOUNTS DUE FROM/TO ULTIMATE HOLDING COMPANY/IMMEDIATE HOLDING COMPANY

The amount due from ultimate holding company/immediate holding company are unsecured, non-interest bearing and recoverable within one year.

For the year ended 31 December 2007, included in the amount due from ultimate holding company was a balance of approximately US$1,520,000 denominated in US Dollars which is other than the functional currency of the respective group entities. The credit period granted is 90 days with the amount aged within 90 days as at the balance sheet date.

The amount due to ultimate holding company was unsecured, non-interest bearing and repayable within a credit period of 90 days. The amount aged within 90 days as at the balance sheet date.

For the year ended 31 December 2007, the amount due to immediate holding company was unsecured, non-interest bearing and repaid during the year.

For the year ended 31 December 2008, the amount due to ultimate holding company is denominated in the functional currency of the respective group entities. For the year ended 31December 2007, included in amount due to immediate holding company are a balance of approximately US$13,056,000 denominated in US Dollars which is other than the functional currency of the respective group entities.

18. DERIVATIVE FINANCIAL INSTRUMENTS

	2008 **US$'000**	2007 US$'000
Interest rate swaps	**(1,180)**	297
Forward foreign exchange contracts	**(177)**	7,562
	(1,357)	7,859

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 2008 are set out below:

Notional amount	**Maturity**	**Swaps**
USD40,000,000	23 February 2009	LIBOR+0.625% to 4.98%
USD10,000,000	25 March 2011	LIBOR+0.85% to 3.765%
USD5,000,000	25 March 2011	LIBOR+0.85% to 3.5%
USD4,800,000	25 March 2011	LIBOR+0.85% to 3.765%

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

At 31 December 2008, details of the outstanding forward foreign exchange contracts to which the Group is committed are as follows:

Notional amount	**Maturity**	**Exchange rates**
Sell USD10,000,000	9 January 2009	RMB/USD6.7838
Sell USD5,000,000	20 January 2009	RMB/USD6.7710
Sell USD5,000,000	10 February 2009	RMB/USD6.7425

At 31 December 2007, the major term of the interest rate swaps are set out below:

Notional amount	**Maturity**	**Swaps**
USD20,000,000	23 February 2008	LIBOR+0.65% to (LIBOR+5.44%)/2 or 5.44%, whichever is lower
USD20,000,000	23 February 2008	LIBOR+0.65% to (LIBOR+5.44%)/2 or 5.44%, whichever is lower
USD40,000,000	23 February 2009	LIBOR+0.625% to 4.98%
USD20,000,000	30 March 2008	LIBOR+0.65% to (LIBOR+5.44%)/2 or 5.54%, whichever is lower

18. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

At 31 December 2007, details of the outstanding forward foreign exchange contracts to which the Group is committed are as follows:

Notional amount	Maturity	Exchange rates
Sell USD10,000,000	10 January 2008	RMB/USD7.3040
Sell USD5,000,000	25 January 2008	RMB/USD7.2695
Sell USD10,000,000	6 February 2008	RMB/USD7.2518
Sell USD5,000,000	25 February 2008	RMB/USD7.2179
Sell USD10,000,000	10 March 2008	RMB/USD7.1941
Sell USD5,000,000	25 March 2008	RMB/USD7.1703
Sell USD10,000,000	10 April 2008	RMB/USD7.1393
Sell USD5,000,000	25 April 2008	RMB/USD7.1168
Sell USD10,000,000	12 May 2008	RMB/USD7.0874
Sell USD5,000,000	23 May 2008	RMB/USD7.0690
Sell USD10,000,000	10 June 2008	RMB/USD6.9919
Sell USD5,000,000	25 June 2008	RMB/USD7.0169
Sell USD3,000,000	10 July 2008	RMB/USD6.9538
Sell USD3,000,000	10 July 2008	RMB/USD6.9951
Sell USD5,000,000	10 July 2008	RMB/USD6.9951
Sell USD5,000,000	25 July 2008	RMB/USD6.9747
Sell USD5,000,000	8 August 2008	RMB/USD6.9557
Sell USD5,000,000	8 August 2008	RMB/USD6.9557
Sell USD3,000,000	25 August 2008	RMB/USD6.9326
Sell USD3,000,000	10 September 2008	RMB/USD6.9109
Sell USD8,000,000	10 September 2008	RMB/USD6.9109
Sell USD5,000,000	25 September 2008	RMB/USD6.8905
Sell USD8,000,000	10 October 2008	RMB/USD6.8696
Sell USD6,000,000	24 October 2008	RMB/USD6.8496

The above derivatives are measured at fair value at each balance sheet date. 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 balance sheet date 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.

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.

19. PLEDGED BANK DEPOSITS/BANK BALANCES

Bank balances carry interest at market rates which range from 0.35% to 0.72% (2007: 0.72% to 1.15%) per annum. The pledged bank deposits carry interest at market rates which range from 1.71% to 4.82% (2007: 1.8% to 5.3%) per annum.

Pledged bank deposits represent deposits pledged to banks to secure general banking facilities granted to the Group. Deposits amounting to approximately US$1,880,000 (2007: US$11,148,000) have been pledged to secure short-term bank loans and are therefore classified as current assets. The pledged bank deposits will be released upon the settlement of relevant bank borrowings.

Included in pledged bank deposits and bank balances are balances of approximately US$1,000 and US$89,604,000 (2007: US$8,925,000 and US$35,115,000) respectively denominated in US Dollars which is other than the functional currency of the respective group entities.

20. TRADE AND OTHER PAYABLES

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

	2008 **US$'000**	2007 US$'000
Trade payables:		
0 – 30 days	**21,534**	93,979
31 – 60 days	**28,883**	30,224
61 – 90 days	**19,684**	20,102
91 – 180 days	**22,358**	22,752
181 – 365 days	**1,540**	1,194
Over 365 days	**1,484**	–
	95,483	168,251
Other payables:		
Accruals	**15,556**	22,797
Amounts payable for purchase of property, plant and equipment	**10,160**	19,425
	25,716	42,222
	121,199	210,473

The average credit period on purchases of goods is 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$54,764,000 (2007: US$113,924,000) denominated in US Dollars which is other than the functional currency of the respective group entities.

21. BANK BORROWINGS

	2008 US$'000	2007 US$'000
Bank loans	**292,000**	202,469
Secured (note 27)	**32,000**	99,641
Unsecured	**260,000**	102,828
	292,000	202,469
Carrying amount repayable:		
Within one year	**165,603**	93,642
More than one year, but not exceeding two years	**54,400**	108,827
More than two years but not exceeding five years	**71,997**	–
	292,000	202,469
Less: Amount due within one year shown under current liabilities	**(165,603)**	(93,642)
	126,397	108,827

As at 31 December 2008, all bank borrowings of the Group carry variable interest rate at prevailing market rate ranging from LIBOR+0.65% to LIBOR+3.3% per annum.

As at 31 December 2007, the Group had variable-rate borrowing of US$193.3 million which carried interest at prevailing market rate ranging from SIBOR+0.85% to LIBOR+0.85% per annum. The Group had fixed-rate borrowing which carried interest at 5.91% 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:

	2008	2007
Effective interest rate	**4.14%**	6.28%

All of the Group's bank borrowings are denominated in US Dollars. Included in the Group's bank borrowings are balances of approximately US$275,000,000 (2007: US$130,399,000) denominated in US Dollars which is other than the functional currency of the respective group entities.

21. BANK BORROWINGS (continued)

As at the balance sheet date, the Group has the following undrawn borrowing facilities:

	2008 US$'000	2007 US$'000
Floating rates		
– expiring within one year	**83,434**	680
– expiring beyond one year	**300,040**	120
	383,474	800

22. SHARE CAPITAL

	Number of shares	Nominal value US$'000
Authorised:		
At 1 January 2007, 31 December 2007 and 2008	5,000,000,000	64,291
Issued and fully paid:		
At 1 January 2007, 31 December 2007 and 2008	1,316,250,000	16,925

23. 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.

24. 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 "Board"). 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.

25. ACQUISITION OF A SUBSIDIARY

On 24 December 2007, HannStar Board (Hong Kong) Holdings Limited ("HannStar HK"), a wholly owned subsidiary of the Company entered into an agreement with HannStar Board Precision (SAMOA) Holding Corp., a wholly owned subsidiary of HannStar Taiwan for the acquisition by HannStar HK the entire issued share capital of HannStar Precision for a consideration of US$1,900,000. This acquisition has been accounted for using the purchase method.

The net assets acquired in the transaction are as follows:

	Acquiree's carrying amount before combination US$'000	Fair value adjustments US$'000	Fair value US$'000
Net assets acquired:			
Property, plant and equipment	1,362	–	1,362
Inventories	136	–	136
Trade and other receivables	117	–	117
Bank balances and cash	450	–	450
Trade and other payable	(165)	–	(165)
	1,900	–	1,900
Total consideration satisfied by:			
Cash			1,900
Net cash outflow arising on acquisition:			
Cash consideration paid			(1,900)
Bank balances and cash acquired			450
			(1,450)

HannStar Precision did not contribute significant profit or loss to the Group's profit for the period ended 31 December 2007 between the date of acquisition and the balance sheet date.

If the acquisition had been completed on 1 January 2007, total group revenue for the year ended 31 December 2007 would have been approximately US$504,409,000, and profit for the year ended 31 December 2007 would have been approximately US$57,995,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2007, nor is it intended to be a projection of future results.

26. CAPITAL COMMITMENTS

	2008 US$'000	2007 US$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**3,100**	4,520

27. PLEDGE OF ASSETS

As at the respective balance sheet date, the following assets were pledged to banks to secure general banking facilities granted to the Group:

	2008 US$'000	2007 US$'000
Property, plant and equipment	**81,937**	111,842
Prepaid lease payments	**1,000**	1,195
Bank deposits	**1,880**	11,148
	84,817	124,185

28. 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.

29. BALANCE SHEET OF THE COMPANY

The balance sheet of the Company is as follows:

	Note	2008 US$'000	2007 US$'000
TOTAL ASSETS		**281,907**	193,767
TOTAL LIABILITIES		**(126,119)**	(26,958)
NET ASSETS		**155,788**	166,809
CAPITAL AND RESERVES			
Share capital		**16,925**	16,925
Reserves	(i)	**138,863**	149,884
TOTAL EQUITY		**155,788**	166,809

29. BALANCE SHEET OF THE COMPANY (continued)

Note:

(i) Reserves of the Company

	Share premium US$'000	Contributed surplus US$'000 (Note)	Translation reserve US$'000	Retained profits (accumulated losses) US$'000	Total US$'000
At 1 January 2007	58,119	82,140	–	7,751	148,010
Exchange differences arising on translation of assets and liabilities to presentation currency recognised directly in equity	–	–	599	–	599
Profit for the year	–	–	–	8,857	8,857
Total recognised income for the year	–	–	599	8,857	9,456
Dividend paid	–	–	–	(7,582)	(7,582)
At 31 December 2007	58,119	82,140	599	9,026	149,884
Exchange differences arising on translation of assets and liabilities to presentation currency recognised directly in equity	–	–	(347)	–	(347)
Loss for the year	–	–	–	(2,230)	(2,230)
Total recognised income and expense for the year	–	–	(347)	(2,230)	(2,577)
Dividend paid	–	–	–	(8,444)	(8,444)
At 31 December 2008	**58,119**	**82,140**	**252**	**(1,648)**	**138,863**

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.

30. RELATED PARTY DISCLOSURES

(a) Related party transactions

Name of related party	Transaction	2008 US$'000	2007 US$'000
HannStar Taiwan	Purchase of plant and machinery	**1,774**	–
	Subcontracting fee expenses	**47,507**	14,771
	License fee paid for use of machinery and equipment	**1,172**	2,823
	Service fees and ancillary expenses in respect of the use of machinery and equipment	**1,290**	8,907
	Acquisition of HannStar Precision	**–**	1,900
	Underwriters laboratories certification and computer service fee paid	**–**	37
HannStar (BVI)	Interest expense	**490**	1,012
HannStar Precision	Rental income received	**–**	11

(b) Related party balances

Details of the Group's outstanding balances with related parties are set out on the consolidated balance sheet and in note 17.

(c) Compensation of key management personnel

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

	2008 US$'000	2007 US$'000
Short-term benefits	**290**	296

31. SUBSIDIARIES OF THE COMPANY

Particulars of the Company's subsidiaries at 31 December 2008 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$60,000,000	100	–	Investment holding and trading of PCB
HannStar HK	Hong Kong	PRC	US$158,970,000	100	–	Investment holding
Walsin Board Corporation	Republic of China ("ROC")	ROC	NTD143,300,000	100	–	Inactive
HannStar Jiangyin*	PRC	PRC	US$160,970,000	–	100	Manufacturing and sales of PCB
HannStar Precision*	PRC	PRC	US$49,000,000	–	100	Manufacturing and sales of PCB

Particulars of the Company's subsidiaries at 31 December 2007 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$52,000,000	100	–	Investment holding
Hannstar HK	Hong Kong	PRC	US$1	100	–	Investment holding
Walsin Board Corporation	ROC	ROC	NTD3,300,000	100	–	Manufacturing and sales of PCB
HannStar Jiangyin*	PRC	PRC	US$105,000,000	–	100	Manufacturing and sales of PCB
HannStar Precision*	PRC	PRC	US$3,000,000	–	100	Manufacturing and sales 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.

Financial Summary

RESULTS

	Year ended 31 December				
	2004	2005	2006	2007	**2008**
	US$'000	US$'000	US$'000	US$'000	**US$'000**
Revenue	76,362	170,279	304,487	504,399	**622,528**
Profit for the year	9,110	23,431	30,801	58,068	**50,669**

ASSETS AND LIABILITIES

	As at 31 December				
	2004	2005	2006	2007	**2008**
	US$'000	US$'000	US$'000	US$'000	**US$'000**
Total assets	166,348	310,479	484,869	672,404	**713,241**
Total liabilities	118,170	223,561	314,942	441,091	**425,573**
Shareholders' funds	48,178	86,918	169,927	231,313	**287,668**

Note:

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

The results of the Group for each of the two years ended 31 December 2005 and the assets and liabilities of the Group as at 31 December 2004 and 2005 have been prepared on a combined basis as if the group structure had been in existence throughout the years concerned and have been extracted from the Company's prospectus dated 26 September 2006.