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HANNSTAR BOARD INTERNATIONAL HOLDINGS LTD:
<u>THE FLOTATION WAS A SUCCESS, BUT WHAT ABOUT THESE MATTERS ?</u>

As far as **TARGET** () is concerned, there are 3 aspects with regard to the flotation of HannStar Board International Holdings Ltd () (Code: 667, Main Board, The Stock Exchange of Hongkong Ltd) which may be terribly worrying to some people:

1. The Company is controlled by its Taiwan-domiciled parent company to the extent of 75 percent of the Issued and Fully Paid-Up Share Capital;

2. Nearly 30 percent of the net proceeds from the Company's **I**nitial **P**ublic **O**ffering (IPO) will be utilised to retire some bank debt; and,

3. The Company only has 5 customers of materiality.

Other than these 3 caveats, HannStar appears to be a very reasonable company.

The investing public of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC) certainly thought it was more than just a reasonable company when they put their money on the table to buy into this Company.

HannStar went public in the HKSAR on September 26, 2006, when it Offered a total of 325 million, 10-cent Shares at $HK1.77 per Share.

Because of the widespread interest in the shares, on October 5, 2006, it was decided that the Placing tranche of the flotation would have an equal number of shares as the Public Offer tranche: 162.50 million shares per tranche.

Originally, only 32.50 million shares were designated for the Public Offer tranche, but this tranche was over-subscribed about 312 times so that the Sole Coordinator, Joint Bookrunner and Joint Lead Manager of the IPO did some fast footwork and clawed back shares from the Placing tranche, which was, also, *'significantly over-subscribed'*, the Company announced.

Then, on October 24, 2006, HannStar announced that the Sole Coordinator, Joint Bookrunner and Joint Lead Manager, Polaris Capital (Asia) Ltd (()), had exercised its Over-Allotment Option of 16.25 million Shares in full.

Adding it all up, HannStar bagged about $HK569 million, net of expenses, for its troubles.

According to the Prospectus, at Page 106, the net proceeds will be utilised for the following purposes:

1. $HK120 million *'to fund the capital expenditure on the construction of a new factory building for Plant IV'*;

2. $HK130 million *'for the acquisition of new equipment and machinery for the production of HDIs'* (**H**igh **D**ensity **I**nterconnects, substrates or boards with a higher wiring density per unit area than conventional substrates or boards);

3. $HK130 million *'for the acquisition of new equipment and machinery for the production of PCBs* (**P**rinted **C**ircuit **B**oards) *to be installed in Plant IV'*; and,

4. $HK161 million *'for the repayment of a portion of the Group's banking borrowings with interest rate ranging from 4.93% to 5.28% per annum and maturities ranging from one year to three years.'*

The above scheduled uses of the net proceeds was on the basis of the Company, netting only $HK541 million, excluding the $HK28 million, obtained from the exercise of the Over-Allotment Option, which is, now, earmarked to pay for the purchase of machinery.

The $HK161 million, which will be handed over to banks in order to retire some debt, is equal to nearly 30 percent of the net proceeds, excluding the exercise of the Over-Allotment tranche.

Still **...**