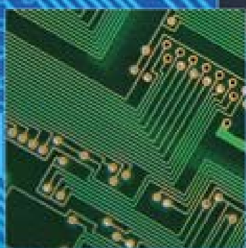
HannStar Board International Holdings Limited

瀚宇博德國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 00667



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Interim Report

CORPORATE INFORMATION

DIRECTORS

Executive Director

Mr. Yeh Shin-jiin (葉新錦)
(Chief Executive Officer)

Non-executive Directors

Mr. Chiao Yu-heng (焦佑衡) *(Chairman)*
Ms. Cao Jianhua (曹建華)

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. Chiao Yu-heng (焦佑衡)

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

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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

INDEPENDENT REVIEW REPORT

Deloitte.
德勤

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

INTRODUCTION

We have reviewed the interim financial information set out on pages 6 to 18, which comprises the condensed consolidated statement of financial position of HannStar Board International Holdings Limited and its subsidiaries as of 30 June 2009 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
20 August 2009

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2009

	Notes	Six months ended 30 June **2009** ***US$'000*** **(unaudited)**	 2008 *US$'000* (unaudited)
Revenue	*3*	**239,932**	312,431
Cost of sales		**(206,892)**	(269,232)
Gross profit		**33,040**	43,199
Other income		**5,899**	17,702
Distribution and selling expenses		**(6,272)**	(9,724)
Gain arising from changes in fair value of derivative financial instruments		**634**	2,100
Administrative expenses		**(11,579)**	(13,101)
Finance costs		**(2,839)**	(6,290)
Profit before taxation		**18,883**	33,886
Income tax credit (charge)	*4*	**2,095**	(8,690)
Profit for the period	*5*	**20,978**	25,196
Other comprehensive income			
Exchange differences arising on translation to presentation currency		**(251)**	13,143
Total comprehensive income for the period		**20,727**	38,339
Earnings per share *(US$)*			
– Basic	*7*	**0.016**	0.019

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2009

	Notes	**30 June 2009 *US$'000* (unaudited)**	31 December 2008 *US$'000* (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*8*	**342,057**	364,266
Prepaid lease payments		**5,576**	5,638
		347,633	369,904
CURRENT ASSETS			
Inventories		**54,226**	34,249
Trade and other receivables	*9*	**201,376**	204,942
Prepaid lease payments		**127**	126
Amount due from immediate holding company		**–**	10
Pledged bank deposits		**736**	1,880
Bank balances and cash		**62,476**	102,130
		318,941	343,337
CURRENT LIABILITIES			
Trade and other payables	*10*	**131,307**	121,199
Amount due to ultimate holding company		**1,556**	5,238
Derivative financial instruments		**723**	1,357
Tax liabilities		**1,506**	5,779
Bank borrowings – due within one year	*11*	**103,209**	165,603
		238,301	299,176
NET CURRENT ASSETS		**80,640**	44,161
TOTAL ASSETS LESS CURRENT LIABILITIES		**428,273**	414,065
NON-CURRENT LIABILITY			
Bank borrowings – due after one year	*11*	**127,520**	126,397
		300,753	287,668
CAPITAL AND RESERVES			
Share capital	*12*	**16,925**	16,925
Reserves		**283,828**	270,743
		300,753	287,668

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2009

	Share capital US$'000	Share premium US$'000	Special reserve US$'000	Exchange reserve US$'000	Retained profits US$'000	Total US$'000
At 1 January 2008 (audited)	16,925	58,119	51,987	16,388	87,894	231,313
Exchange differences arising on translation to presentation currency recognised directly in equity	–	–	–	13,143	–	13,143
Profit for the period	–	–	–	–	25,196	25,196
Total comprehensive income for the period	–	–	–	13,143	25,196	38,339
Dividend paid	–	–	–	–	(8,444)	(8,444)
At 30 June 2008 (unaudited)	16,925	58,119	51,987	29,531	104,646	261,208
Exchange differences arising on translation to presentation currency recognised directly in equity	–	–	–	987	–	987
Profit for the period	–	–	–	–	25,473	25,473
Total comprehensive income for the period	–	–	–	987	25,473	26,460
At 31 December 2008 (audited)	16,925	58,119	51,987	30,518	130,119	287,668
Exchange differences arising on translation to presentation currency recognised directly in equity	–	–	–	(251)	–	(251)
Profit for the period	–	–	–	–	20,978	20,978
Total comprehensive income for the period	–	–	–	(251)	20,978	20,727
Dividend paid	–	–	–	–	(7,642)	(7,642)
At 30 June 2009 (unaudited)	16,925	58,119	51,987	30,267	143,455	300,753

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2009

	Six months ended 30 June	
	2009	2008
	US$'000	*US$'000*
	(unaudited)	(unaudited)
Net cash from operating activities	**39,744**	27,573
Purchase of property, plant and equipment	**(8,808)**	(44,719)
Decrease in pledged bank deposits	**1,144**	9,852
Other investing cash flows	**14**	–
Net cash used in investing activities	**(7,650)**	(34,867)
Repayment of bank borrowings	**(257,535)**	(119,259)
Dividend paid	**(7,642)**	(8,444)
Interest paid	**(2,839)**	(6,290)
New bank borrowings raised	**196,264**	193,046
Repayment of loan from immediate holding company	**–**	(27,056)
Net cash (used in) from financing activities	**(71,752)**	31,997
Net (decrease) increase in cash and cash equivalents	**(39,658)**	24,703
Cash and cash equivalents at beginning of the period	**102,130**	49,358
Effect of foreign exchange rate changes	**4**	214
Cash and cash equivalents at end of the period	**62,476**	74,275

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

2. PRINCIPAL ACCOUNTING POLICIES

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

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on 1 January 2009.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in relation to the amendment to paragraph 80 of HKAS 39
HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the annual financial statements of the Group for the year ended 31 December 2008, except for the application of HKAS 23 (Revised 2007) Borrowing Costs.

HKAS 23 (Revised 2007) Borrowing Costs

In previous years, the Group expensed all borrowing costs that were directly attributable to the acquisition, construction or production of a qualifying asset when they were incurred. HKAS 23 (Revised 2007) removes the option available under the previous version of the standard to recognise all borrowing costs as expenses immediately and requires borrowing costs to be capitalised as part of the cost of a qualifying asset. The revised accounting policy has been applied prospectively and has had no impact on the reported results or financial position of the Group for the current or prior accounting periods. Accordingly, no adjustment has been recognised.

HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced a number of terminology changes (including revised titles for the condensed consolidated financial statements) and has resulted in a number of changes in presentation and disclosure. However, HKAS 1 (Revised 2007) has no impact on the reported results or financial position of the Group.

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The application of HKFRS 8 has resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 Segment Reporting (see note 3) and has had no impact on the reported results or financial position of the Group.

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

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs issued in 2009[1]
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009[3]
HKAS 27 (Revised 2008)	Consolidated and Separate Financial Statements[1]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	First-time Adoption of Hong Kong Financial Reporting Standards[2]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[2]
HKFRS 3 (Revised 2008)	Business Combinations[1]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) – Int 18	Transfers of Assets from Customers[4]

[1] Effective for annual periods beginning on or after 1 July 2009

[2] Effective for annual periods beginning on or after 1 January 2010

[3] Amendments that are effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate

[4] Effective for transfers on or after 1 July 2009

The adoption of HKFRS 3 (Revised 2008) may affect the Group's accounting for business combinations for which the acquisition dates are on or after 1 January 2010. HKAS 27 (Revised 2008) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. Changes in the Group's ownership interest that do not result in loss of control of the subsidiary will be accounted for as equity transactions. The directors of the Company anticipate that the application of other revised standards, amendments and interpretations will have no material effect on how the results and financial position of the Group are prepared and presented.

3. REVENUE AND SEGMENT INFORMATION

Revenue represents the fair value of the consideration received and receivable for goods sold in the normal course of business, net of discount and sales related taxes for the year.

HKFRS 8 "Operating Segments", with effect from 1 January 2009, requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. The Group's board of directors is the chief operating decision maker as they collectively make strategic decision towards the Group's operation. In contrast, the predecessor standard (HKAS 14 "Segment Reporting") required an entity to identify two sets of segment (business and geographical), using a risks and rewards approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments.

In the past, the Group's primary reporting format, was geographical segments by location of customers, irrespective of the origin of the goods.

For the purpose of resources allocation and performance assessment, the Group's board of directors reviews operating results and financial information on a plant by plant basis. It focuses on the operating result of each of the plants ("Plant 1", "Plant 2", "Plant 3" and "Plant 4") operated under HannStar Board Technology (Jiangyin) Corp. ("HannStar Jiangyin") and the plant operated under HannStar Precision Technology (Jiangyin) Corporation ("HannStar Precision"), both of each are subsidiaries of the Company. Accordingly, each of the plants constitutes an operating segment of the Group. As each plant shares similar economic characteristics, produces similar products by using similar production process and all of products produced are distributed and sold to same level of customers through a central sales function, the Group's operating segments are aggregated into a single reportable segment and accordingly no separate segment information is prepared.

4. INCOME TAX (CREDIT) CHARGE

	Six months ended 30 June	
	2009	2008
	US$'000	*US$'000*
	(unaudited)	(unaudited)
Tax (credit) charge comprises:		
PRC Foreign Enterprise Income Tax ("FEIT")		
– current period	**2,218**	8,599
– overprovision in previous period	**(4,313)**	–
Taiwan income tax	**–**	91
	(2,095)	8,690

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

Taxation arising in other jurisdictions is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimate average annual tax rate used is based on information below.

Pursuant to the relevant laws and regulations in the People's Republic of China ("PRC"), HannStar Jiangyin and HannStar Precision are entitled to exemptions from the FEIT for two years starting from its first profit-making year, and thereafter, entitled to a 50% relief from FEIT for the next three years ("Tax Exemptions").

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 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 20% (1.1.2008 to 30.6 2008: 0% to 18%).

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, Plant 1, Plant 2, Plant 3, Plant 4 and HannStar Precision could be subject to independent assessment. Each of Plant 1, Plant 2, Plant 3, Plant 4 and HannStar Precision has been approved by the relevant Tax Bureau and treated as 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%. Plant 1 is subject to FEIT of 20% (1.1.2008 to 30.6.2008: 18%) in the current period.

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. After the end of Tax Exemptions, the FEIT rate applicable to Plant 2 will be 20%, 22%, 24% and 25% thereafter from the year ending 31 December 2009. Plant 2 is subject to FEIT of 20% (1.1.2008 to 30.6.2008: 9%) in the current period.

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 ending 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 ending 31 December 2011.

In accordance with the Circular of the State Council on the Implementation of Transactional Professional Policies for Enterprises Income Tax (Guofa 2007 No. 39), all documents for the application of the tax benefit need to be submitted on or before 16 March 2007. The tax benefit application of Plant 4 and submission of certain documents related to the application were made after 16 March 2007 and the Group has not obtained formal approval from the Tax Bureau as at 31 December 2008. Accordingly, FEIT rate adopted by Plant 4 for the year ended 31 December 2008 is 25%.

During the current period, approval for Tax Exemptions have been obtained for Plant 4. Accordingly, Plant 4 is exempted from the FEIT for two years ending 31 December 2009, and is subject to a 50% relief from FEIT for the three years ending 31 December 2012. Overprovision of FEIT amounted to US$4,313,000 for the year ended 31 December 2008 has been reversed in the current period. After the end of Tax Exemptions, the FEIT rate applicable to Plant 4 will be 25% thereafter from the year ending 31 December 2013.

As HannStar Precision is still under the Tax Exemptions and the first profit making year is 31 December 2008, no provision for FEIT has been provided for both six months periods ended 2008 and 2009. Applying the 50% relief from FEIT, the applicable rate to HannStar Precision will be 12.5% for the three years ending 31 December 2012 and 25% thereafter.

Under the New Tax Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards amounted to US$79,967,000 (1.1.2008 to 30.6.2008: US$30,330,000). 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 of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

5. PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2009	2008
	US$'000	*US$'000*
	(unaudited)	(unaudited)
Cost of inventories recognised as an expense	**206,892**	269,232
Depreciation of property, plant and equipment	**27,047**	24,511
Employee benefit expenses	**15,470**	19,853
Loss on disposal of property, plant and equipment	**670**	19
Allowance for trade and other receivables	**533**	529
Release of prepaid lease payments	**63**	61
Net exchange gain	**(221)**	(6,666)
Interest income	**(1,083)**	(657)
Reversal of allowance for inventories	**(1,099)**	(609)
Sales of scrap materials	**(3,931)**	(10,249)

During the current period, there was a high utilisation rate of inventories written down for prior periods. As a result, a reversal of allowance for inventories of US$1,099,000 (30.6.2008: US$609,000) has been recognised and included in cost of sales in the current period.

6. DIVIDENDS

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2009.

During the period, the Company paid final dividend of HK$0.045 (30.6.2008: HK$0.05) per share which amounted to HK$59,231,250 (equivalent to US$7,642,000) for the year ended 31 December 2008 (For the year ended 31 December 2007: HK$65,813,000 (equivalent to US$8,444,000)).

7. EARNINGS PER SHARE

The calculation of the basic earnings per share for the six months ended 30 June 2009 is based on the profit attributable to owners of the Company of US$20,978,000 (30.6.2008: US$25,196,000) and 1,316,250,000 shares (30.6.2008: 1,316,250,000 shares).

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

8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period ended 30 June 2009, the Group acquired property, plant and equipment of US$4,604,000 (30.6.2008: US$37,832,000) for the business expansion.

9. TRADE AND OTHER RECEIVABLES

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

The following is an analysis of the Group's trade receivables by age, presented based on the invoice date at the end of reporting period:

	30 June 2009	31 December 2008
	US$'000	*US$'000*
	(unaudited)	(audited)
Trade receivables:		
0 – 30 days	**54,219**	35,574
31 – 60 days	**43,040**	33,592
61 – 90 days	**31,659**	54,481
91 – 120 days	**40,222**	51,246
121 – 180 days	**16,598**	21,350
181 – 365 days	**480**	500
	186,218	196,743
Other receivables:		
Prepayments for utility	**4,148**	3,862
Prepayment for maintenance	**445**	714
Deposits paid	**1,914**	684
Value added tax recoverable	**7,232**	1,706
Others	**1,419**	1,233
	15,158	8,199
	201,376	204,942

10. TRADE AND OTHER PAYABLES

The following is an analysis of the Group's trade payables by age, based on the invoice date, at the end of reporting period:

	30 June 2009 *US$'000* (unaudited)	31 December 2008 *US$'000* (audited)
Trade payables:		
0 – 30 days	**59,044**	21,534
31 – 60 days	**25,973**	28,883
61 – 90 days	**14,378**	19,684
91 – 180 days	**8,062**	22,358
181 – 365 days	**1,351**	1,540
Over 365 days	**502**	1,484
	109,310	95,483
Other payables:		
Accruals	**16,041**	15,556
Amounts payable for purchase of property, plant and equipment	**5,956**	10,160
	21,997	25,716
	131,307	121,199

11. BANK BORROWINGS

During the period, the Group obtained new borrowings in the amount of US$196,264,000 (30.6.2008: US$193,046,000). The borrowings bear interest at The London InterBank Offered Rates ("LIBOR") +0.45% to LIBOR+3.3% per annum (31.12.2008: LIBOR+0.65% to LIBOR+3.3% per annum) and are repayable within two years. The proceeds were used to finance the acquisition of property, plant and equipment and for general working capital. Repayments of bank borrowing in the amount of US$257,535,000 (30.6.2008: US$119,259,000) were made in the current period.

12. SHARE CAPITAL

	Number of shares	Nominal value *HK$'000*
Ordinary shares of a par value of HK$0.1 each		
Authorised:		
At 31 December 2008 and 30 June 2009	5,000,000,000	500,000
Issued and fully paid:		
At 31 December 2008 and 30 June 2009	1,316,250,000	131,625
	Equivalent to	US$16,925,000

13. CAPITAL COMMITMENTS

	30 June 2009 ***US$'000*** **(unaudited)**	31 December 2008 *US$'000* (audited)
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	**4,950**	3,100

14. RELATED PARTY TRANSACTIONS

		Six months ended 30 June	
Related party	**Transactions**	**2009** ***US$'000*** **(unaudited)**	2008 *US$'000* (unaudited)
Ultimate holding company	Subcontracting fee payable by the Group	**18,976**	21,809
	Licence fee payable by the Group	**–**	2,458
	Purchase of plant and machinery by the Group	**678**	–
Immediate holding company	Interest expenses payable by the Group	**138**	307

The remuneration of directors and other members of key management paid during the period represented short-term benefits of US$27,000 (30.6.2008: US$38,000).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

In the first half of 2009, the total revenue of the Group dropped 23% from approximately US$312.4 million in the first half of 2008 to approximately US$239.9 million in the first half of 2009. PBIT (represents profit before taxation add finance costs) dropped 46% from approximately US$40.2 million in the first half of 2008 to approximately US$21.7 million in the first half of 2009. The profit for the first half of 2009 amounted to US$21.0 million, decreased 17% compared with US$25.2 million of the first half of 2008. The earnings per share were US$0.016, decreased by US$0.003 compared with US$0.019 of the first half of 2008.

The drop of profit is mainly due to the dismal of the notebook industry; capacity utilization rate went down as customers cut down their orders, especially in the first quarter. Thanks to the effort of the operation improvement measures such as Lean Production and Toyota's Production System, the gross profit ratio maintained at 13.8%, same as the last interim period. As the relevant tax authority clarified the tax incentive policy applied to Plant 4 of HannStar Jiangyin, Plant 4 was exempted from the corporate income tax for the year ended 31 December 2008 that was its first profit making year. The clarification brought about a reversal of over-provided tax expenses.

Current capital and financial resources

As at 30 June 2009, the Group's total assets were US$666.6 million, which were decreased 6.5% compared with approximately US$713.2 million as at 31 December 2008. The debt ratio of the Group was 54.9% as at 30 June 2009, decreased approximately 500 basis point compared with 59.7% as at 31 December 2008. The Group's gearing ratio (calculated as bank borrowings divided by total assets) as at 30 June 2009 was approximately 34.6%, decreased approximately 600 basis point compared with 40.9% as at 31 December 2008.

As at 30 June 2009, the bank borrowings of the Group were approximately US$230.7 million, of which, US$103.2 million is due within one year while US$127.5 million is due after one year.

Working capital

The inventory amount was US$54.2 million as at 30 June 2009 (31 December 2008: US$34.2 million). The inventory turnover period was 38 days, increased by 6 days compared with 32 days of 2008.

The accounts receivable amounted to US$186.2 million as at 30 June 2009 (31 December 2008: US$196.7 million). The accounts receivable credit period was 144 days, an increase of 27 days compared with 117 days of 2008.

The accounts payable amounted to US$109.3 million as at 30 June 2009 (31 December 2008: US$95.5 million). The accounts payable credit period was 89 days, an increase of 1 day compared with 88 days of 2008.

Treasury policies

The Group adopted relatively prudent financial policy and closely monitored its cash flows during the first half year under review. From the views of the management, we believe that the revenue of the Group was fairly consistent with the currency requirements of operating expenses and the working capital of the Group is not exposed to any significant risk arising from the exchange fluctuation.

Bank balances and cash

The amounts of bank balances and cash were approximately US$62.5 million as at 30 June 2009. The Group kept moderate cash reserves to withstand the operation requirement.

Employees and remuneration policy

As at 30 June 2009, the Group had over 9,000 full-time employees based in the PRC and Taiwan. During the first half of the year, the relevant employee costs (including directors' remuneration) were approximately US$15.5 million. The remuneration of each staff member was determined on the basis of his qualification, performance and experience. The Group also provides other benefits such as medical coverage and training to keep a steady work force.

BUSINESS REVIEW AND OUTLOOK

The Group maintained its leading notebook PCB manufacturer position in the world during the period. Because of the global financial crisis all over the world in the second half of 2008 and the dismal notebook shipment in the first half of 2009, the Group experienced its fall in revenue and in net profit during the period.

With the vision to be a leading professional PCB manufacturer with technology advantage, the Group focuses on its core business and explores other opportunity during its development. It possesses over 40% market share in the worldwide notebook PCB industry. Sales of main-board PCB for notebook and net-book account for 70% of the revenue, other application of PCB such as consumer products account for 30% of the revenue.

The Group currently has a monthly production capacity of 5.2 million square feet, same as the capacity at the end of last year. We implemented many measures to perfect our manufacturing capacity and technology to meet with the future upturn of the economy. Though the utilization rate dropped in the first half and the investment was withheld, the equipment and technology upgrading was progressing smoothly.

The Group provides the monthly revenue announcement and quarterly results announcement on the Stock Exchange's news website and the Group's website with an effort to enhance the communication with shareholders. You may see that the data of the second quarter was better off than the first quarter, both in terms of revenue and net profit, though the interim results were somewhat weaker than the same period of last year.

The Group monitors the market and industry closely to follow the tide of the economic development. We may react immediately and expand our capacity as soon as possible to satisfy customer's requirement if the rebound of market conditions emerges. Though the green shoot emerged in recent months, we cannot jump to the conclusion that the economy recovered yet. The status quo is also a challenge for the Group. The management endeavors to improve the operation effectively and efficiently to keep the steady increase in shareholders' value in 2009.

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2009, 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 shareholders	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	987,050,000	74.99%
HannStar Board Corporation ("HannStar Taiwan")	Held by controlled corporation *(Note)*	987,050,000	74.99%
Walsin Technology Corporation ("Walsin Tech")	Held by controlled corporation *(Note)*	987,050,000	74.99%

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 its board of directors. HannStar Taiwan and Walsin Tech were deemed to be interested in 987,050,000 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 30 June 2009.

DIRECTORS' INTERESTS IN SHARES

As at 30 June 2009, the interests of the directors and their associates in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long positions:

Ordinary shares of the associated corporation of the Company:

Name of directors	Capacity	Name of associated corporations	Number of issued ordinary shares held	Shareholding percentage
Mr. CHEN Cheng-chieh (resigned on 16 July 2009)	Beneficial owner	HannStar Taiwan	78,182	0.02%
Mr. CHIAO Yu-heng	Beneficial owner	HannStar Taiwan	3,696,265	0.93%
Mr. YEH Shin-jiin	Beneficial owner	HannStar Taiwan	155,400	0.04%

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 30 June 2009.

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.

PURCHASE, SALE OR REDEMPTION OF COMPANY'S SECURITIES

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

DIRECTORS' COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code"). Specific enquiries have been made to the Directors, who have confirmed that they had complied with the required standards set out in the Model Code during the six months ended 30 June 2009.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board of Directors hereby confirms that the Company has complied with the Code on Corporate Governance Practices specified in Appendix 14 to the Listing Rules throughout the period except Code Provision E.1.2 which requires the chairman of the board to attend the annual general meeting. Mr. Chiao Yu-heng, the chairman of the board, was absent from the 2009 annual general meeting of the Company because of an unanticipated business commitment.

REVIEW BY THE AUDIT COMMITTEE

The financial results for the six months ended 30 June 2009 have been reviewed by the audit committee of the Company. The audit committee consists of five independent non-executive directors, including Mr. Chao Yuan-san (Committee Chairman), Ms. Chen Shun Zu, Deborah, Mr. Yeh Yu-an, Ms. Chang Pi-lan and Mr. Yen Chin-chang.