

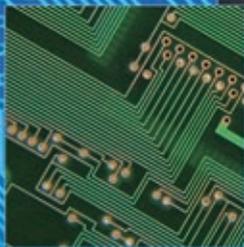


HannStar Board International Holdings Limited

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

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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) (FCS, FCS (PE))

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. 00667

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
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

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

Deloitte.

德勤

**TO THE BOARD OF DIRECTORS OF
HANNSTAR BOARD INTERNATIONAL HOLDINGS LIMITED**

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 6 to 18, which comprises the condensed consolidated statement of financial position of Hannstar Board International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 30 June 2010 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 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company 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

24 August 2010

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Notes	Six months ended 30 June	
		2010 US\$'000 (unaudited)	2009 US\$'000 (unaudited)
Revenue	3	332,333	239,932
Cost of sales		(302,142)	(206,892)
Gross profit		30,191	33,040
Other income		7,967	5,899
Distribution and selling expenses		(4,719)	(6,272)
Gain arising from changes in fair value of derivative financial instruments		321	634
Administrative expenses		(10,791)	(11,579)
Finance costs		(1,381)	(2,839)
Profit before tax		21,588	18,883
Taxation	4	(4,025)	2,095
Profit for the period	5	17,563	20,978
Other comprehensive income			
Exchange differences arising on translation to presentation currency		2,493	(251)
Fair value adjustment on available-for-sale investments		(736)	–
Total comprehensive income for the period		19,320	20,727
Earnings per share (US\$)			
– Basic	7	0.013	0.016

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2010

	Notes	30 June 2010 US\$'000 (unaudited)	31 December 2009 US\$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	8	336,355	329,183
Prepaid lease payments		5,482	5,516
Available-for-sale investments		2,692	3,436
		344,529	338,135
CURRENT ASSETS			
Inventories		60,087	56,736
Trade and other receivables	9	248,907	238,574
Prepaid lease payments		126	126
Amount due from ultimate holding company		–	1,422
Derivative financial instruments		143	–
Pledged bank deposits		–	1,147
Bank balances and cash		109,553	95,664
		418,816	393,669
CURRENT LIABILITIES			
Trade and other payables	10	155,578	143,509
Amount due to ultimate holding company		179	–
Derivative financial instruments		–	549
Tax liabilities		2,357	3,217
Bank borrowings – due within one year	11	100,476	102,751
		258,590	250,026
NET CURRENT ASSETS		160,226	143,643
TOTAL ASSETS LESS CURRENT LIABILITIES		504,755	481,778
NON-CURRENT LIABILITY			
Bank borrowings – due after one year	11	151,994	139,040
		352,761	342,738
CAPITAL AND RESERVES			
Share capital	12	16,925	16,925
Reserves		335,836	325,813
		352,761	342,738

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Share capital <i>US\$'000</i>	Share premium <i>US\$'000</i>	Special reserve <i>US\$'000</i>	Revaluation reserve <i>US\$'000</i>	Exchange reserve <i>US\$'000</i>	Retained profits <i>US\$'000</i>	Total <i>US\$'000</i>
At 1 January 2009 (audited)	16,925	58,119	51,987	–	30,518	130,119	287,668
Exchange differences arising on translation to presentation currency	–	–	–	–	(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
Exchange differences arising on translation to presentation currency	–	–	–	–	343	–	343
Fair value adjustment on available-for-sale investment	–	–	–	1,270	–	–	1,270
Profit for the period	–	–	–	–	–	40,372	40,372
Total comprehensive income for the period	–	–	–	1,270	343	40,372	41,985
At 31 December 2009 (audited)	16,925	58,119	51,987	1,270	30,610	183,827	342,738
Exchange differences arising on translation to presentation currency	–	–	–	–	2,493	–	2,493
Fair value adjustment on available-for-sale investments	–	–	–	(736)	–	–	(736)
Profit for the period	–	–	–	–	–	17,563	17,563
Total comprehensive income for the period	–	–	–	(736)	2,493	17,563	19,320
Dividend paid	–	–	–	–	–	(9,297)	(9,297)
At 30 June 2010 (unaudited)	16,925	58,119	51,987	534	33,103	192,093	352,761

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Six months ended 30 June	
	2010 US\$'000 (unaudited)	2009 US\$'000 (unaudited)
NET CASH FROM OPERATING ACTIVITIES	47,060	39,744
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(33,897)	(8,808)
Decrease in pledged bank deposits	1,147	1,144
Other investing cash flows	(375)	14
NET CASH USED IN INVESTING ACTIVITIES	(33,125)	(7,650)
FINANCING ACTIVITIES		
New bank borrowings raised	294,750	196,264
Repayment of bank borrowings	(284,071)	(257,535)
Dividend paid	(9,297)	(7,642)
Interest paid	(1,381)	(2,839)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	1	(71,752)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	13,936	(39,658)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	95,664	102,130
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(47)	4
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash	109,553	62,476

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 requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants ("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.

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 2009 except as described below.

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.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) – INT 17	Distributions of Non-cash Assets to Owners

Except for described below, the adoption of the new and revised HKFRSs has had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

Amendment to HKAS 17 Leases

As part of Improvements to HKFRSs issued in 2009, HKAS 17 Leases has been amended in relation to the classification of leasehold land. Before the amendment to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the condensed consolidated statement of financial position. The amendment to HKAS 17 has removed such a requirement. The amendment requires that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

In accordance with the transitional provisions set out in the amendment to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at 1 January 2010 based on information that existed at the inception of the leases. No land elements met finance lease classification requirement and no reclassification required.

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 2010 ¹
HKAS 24 (Revised)	Related Party Disclosures ⁴
HKAS 32 (Amendment)	Classification of Rights Issues ²
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters ³
HKFRS 9	Financial Instruments ⁵
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement ⁴
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments ³

¹ Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

² Effective for annual periods beginning on or after 1 February 2010

³ Effective for annual periods beginning on or after 1 July 2010

⁴ Effective for annual periods beginning on or after 1 January 2011

⁵ Effective for annual periods beginning on or after 1 January 2013

HKFRS 9 “Financial Instruments” introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group’s financial assets.

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

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 period.

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.

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) Corporation (“HannStar Jiangyin”) and the plant operated under HannStar Precision Technology (Jiangyin) Corporation (“HannStar Precision”), both of which 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. TAXATION

	Six months ended 30 June	
	2010	2009
	<i>US\$'000</i>	<i>US\$'000</i>
	(unaudited)	(unaudited)
The (credit) charge comprises:		
PRC Enterprise Income Tax (“EIT”)		
– current period	4,145	2,218
– overprovision in previous period	(120)	(4,313)
	4,025	(2,095)

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 calculated at the rates prevailing in the relevant jurisdictions.

Pursuant to the relevant laws and regulation in the People’s Republic of China (“PRC”), HannStar Jiangyin and Hannstar Precision, subsidiaries of the Company, are entitled to exemptions from the EIT for two years commencing from its first profit-making year, and thereafter, entitled to a 50% relief from EIT for the next three years (“Tax Exemptions”).

Under the Law of the PRC on EIT (“the EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards. The relevant tax rates for the Group’s subsidiaries in the PRC range from 11% to 22% (1.1.2009 to 30.6.2009: 0% to 20%).

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 and treated as separate invested projects for tax purposes.

The first profit making year of Plant 1 was the year ended 31 December 2003. Accordingly, Plant 1 is exempted from EIT for the two years ended 31 December 2004, and is subject to a 50% relief from EIT for the three years ended 31 December 2007. After the end of Tax Exemptions, the EIT 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 EIT for the two years ended 31 December 2005 and is subject to a 50% relief from EIT for the three years ended 31 December 2008. After the end of Tax Exemptions, the EIT 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 EIT for the two years ended 31 December 2007 and is subject to a 50% relief from EIT for the three years ending 31 December 2010. Applying this 50% relief, the EIT 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 EIT rate applicable to Plant 3 will be 25% thereafter from the year ending 31 December 2011.

The approval for Tax Exemptions effective from 1 January 2008 have been obtained for plant 4 during 2009 and the first profit making year of Plant 4 was the year ended 31 December 2008. Accordingly, Plant 4 is exempted from the EIT for the two years ended 31 December 2009, and is subject to a 50% relief from EIT for the three years ending 31 December 2012. Applying 50% relief, the EIT rate applicable to Plant 4 is 11%, 12% and 12.5% for the three years ending 31 December 2012. After the end of Tax Exemptions, the EIT 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 EIT has been provided for the two years ended 31 December 2009 and it is subject to a 50% relief from EIT for the three years ending 31 December 2012. Applying the 50% relief from EIT, 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 the PRC subsidiaries from 1 January 2008 onwards which amounted to US\$138,825,000 (1.1.2008 to 30.6.2009: US\$79,967,000). 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	
	2010 <i>US\$'000</i> (unaudited)	2009 <i>US\$'000</i> (unaudited)
Cost of inventories recognised as an expense <i>(Note i)</i>	302,142	206,892
Depreciation of property, plant and equipment	27,159	27,047
Employee benefit expenses	23,155	15,470
Release of prepaid lease payments	63	63
Reversal of allowance for trade and other receivables <i>(Note ii)</i>	(358)	–
Bank interest income	(538)	(1,083)
Sales of scrap materials (included in other income)	(7,230)	(3,931)
Loss on disposal of property, plant and equipment	–	670
Allowance for trade and other receivables	–	533
Net foreign exchange loss (gain)	518	(221)

Notes:

- (i) During the reporting period ended 30 June 2010, there was some inventories stated higher than the net realisable value. As a result, a written down of inventories of US\$1,633,000 (30.6.2009: Nil) has been recognised. During the reporting period ended 30 June 2009, there was a high utilisation rate of inventories written down and a reversal of allowance for inventories of USD1,099,000 has been recognised and included in cost of sales in the prior period.
- (ii) During the reporting period ended 30 June 2010, there was a repayment from debtors which was written-off by the Group in prior year. As a result, a reversal of allowance for trade and other receivables of US\$358,000 (30.6.2009: Nil) has been recognised.

6. DIVIDEND

The directors do not recommend the payment of an interim dividend.

During the period, the Company paid final dividend of HK\$0.055 (30.6.2009: HK\$0.045) per share which amounted to HK\$72,393,750 (equivalent to US\$9,297,000) for the year ended 31 December 2009 (31 December 2008: HK\$59,231,250 (equivalent to US\$7,642,000) for the year ended 31 December 2008).

7. EARNINGS PER SHARE

The calculation of the basic earnings per share for the six months ended 30 June 2010 is based on the profit attributable to owners of the Company of US\$17,563,000 (30.6.2009: US\$20,978,000) and 1,316,250,000 shares (30.6.2009: 1,316,250,000 shares).

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

8. PROPERTY, PLANT AND EQUIPMENT

During the period ended 30 June 2010, the Group acquired property, plant and equipment of US\$32,394,000 (30.6.2009: US\$4,604,000) for 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 trade receivables by age, presented based on the invoice date, net of allowance for doubtful debts.

	30 June 2010 US\$'000 (unaudited)	31 December 2009 US\$'000 (audited)
Trade receivables:		
0 – 30 days	53,159	51,563
31 – 60 days	58,593	50,011
61 – 90 days	50,571	42,799
91 – 120 days	52,150	44,907
121 – 180 days	19,627	32,408
181 – 365 days	290	39
	234,390	221,727
Other receivables:		
Prepayments for utility	4,682	4,568
Prepayment for maintenance	1,668	917
Deposits paid	796	3,004
Value added tax recoverable	5,747	6,629
Others	1,624	1,729
	14,517	16,847
	248,907	238,574

10. TRADE AND OTHER PAYABLES

The following is an analysis of trade payables by age, presented based on the invoice date.

	30 June 2010 US\$'000 (unaudited)	31 December 2009 US\$'000 (audited)
Trade payables:		
0 – 30 days	75,510	58,259
31 – 60 days	31,212	28,870
61 – 90 days	14,605	13,842
91 – 180 days	10,570	14,845
181 – 365 days	1,005	515
Over 365 days	2,212	1,941
	135,114	118,272
Other payables:		
Accruals	16,621	19,891
Amounts payable for purchase of property, plant and equipment	3,843	5,346
	20,464	25,237
	155,578	143,509

11. BANK BORROWINGS

During the period, the Group obtained new bank loans amounting US\$294,750,000 (30.6.2009: US\$196,264,000). The loans bear interest at The LIBOR+0.5% to LIBOR+2.9% per annum (31.12.2009: LIBOR+0.2% 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\$284,071,000 (30.6.2009: US\$257,535,000) were made in the current period.

12. SHARE CAPITAL

	Number of shares	Nominal value <i>HK\$'000</i>
Ordinary shares of a par value of HK\$0.1 each		
Authorised:		
At 31 December 2009 and 30 June 2010	5,000,000,000	500,000
Issued and fully paid:		
At 31 December 2009 and 30 June 2010	1,316,250,000	131,625
	Equivalent to	US\$16,925,000

13. CAPITAL COMMITMENTS

	30 June 2010 <i>US\$'000</i> (unaudited)	31 December 2009 <i>US\$'000</i> (audited)
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	19,931	5,265

14. RELATED PARTY TRANSACTIONS

Related party	Transactions	Six months ended 30 June	
		2010 US\$'000 (unaudited)	2009 US\$'000 (unaudited)
Ultimate holding company	Subcontracting fee expenses	22,708	18,976
	Purchase of plant and machinery by the Group	–	678
Immediate holding company	Interest expenses payable by the Group	46	138

The remuneration of directors and other members of key management paid during the period represented short-term benefits of US\$32,000 (30.6.2009: US\$27,000).

15. EVENTS AFTER THE END OF THE INTERIM PERIOD

Subsequent to the reporting date, the Group entered into a series of transactions to dispose of its entire interest in an equity security listed in the Republic of China, representing the whole amount of available-for-sale investments the Group held at the end of the reporting period, in the consideration of approximately US\$2,850,000.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the six months ended 30 June 2010, the Group recorded an unaudited revenue of approximately US\$332.3 million (2009: approximately US\$239.9 million), representing an increase of approximately US\$92.4 million or an increase of 38.5% as compared to the corresponding period in the previous year, and net profit of approximately US\$17.6 million (2009: approximately US\$21 million) with a decrease of 16% as compared to the corresponding period in the last year. The gross profit for the first half of 2010 amounted to US\$30.2 million, decreased slightly from US\$33.0 million for the same period of 2009. The earnings per share was US\$0.013, decreased by US\$0.003 compared with US\$0.016 for the same period of 2009.

During the period under review, the revenue derived from the sale of notebook and netbook computer application, the main product of the Group, amounted to US\$249,727,000 an increase of 29% as compared to the same period in the previous year, and accounted for 75% of the total revenue during the period under review. Meanwhile, in the first half of year of 2010, the Group has also seized more revenue in flat TV and communication server application.

Decline in gross profit for the period is mainly due to the price increase of raw material, cost pressure of our products increased. Thanks to management's prompt response to market changes such as gradual sale price and working capital management, the gross profit for the second quarter has improved.

Financial Position

As at 30 June 2010, the Group's total assets were US\$763.3 million, which were increased by US\$31.5 million compared with approximately US\$731.8 million as at 31 December 2009. The Group's debt ratio was 53.8% as at 30 June 2010, flat with the year end of 2009. The gearing ratio (calculated as bank borrowing divided by total assets) of the Group as at 30 June 2010 was approximately 33.1%, similar to 33% at the year end of 2009.

Liquidity, Financial Resources and Capital Structure

The Group utilises cash generated by operations as our primary source of liquidity under relatively prudential supervision. We believe that internally generated cash flows are generally sufficient to support business operations, capital expenditures, in addition to a level of discretionary investments. The Group is able to supplement this current liquidity, if necessary, with broad access to credit facilities made available by various foreign and domestic banks. Since most of the Group's revenue is denominated in USD and most of the Group's expenses are denominated in RMB, the appreciation of value of the RMB will have adverse effect on the Group's profitability. Accordingly, the Group has entered into forward foreign exchange contracts to mitigate possible exchange losses in relation to the fluctuations in the values of the USD and RMB.

The Group determines debt levels after consideration of a number of factors, including cash flow expectations, cash requirements for operations, investment plans and our overall cost of capital. As at 30 June 2010, total bank borrowings of the Group were US\$252.5 million (31 December, 2009: US\$241.8 million), of which US\$100.5 million is due within one year, US\$152.0 million is due after one year. During the period, the Group repaid net bank borrowings of US\$11 million. The effective interest rate was 2.10% annually compared with 1.55% in 2009.

Working Capital

The Group keeps a moderate bank balances and cash for operational requirement. As at 30 June 2010, the amount of bank balances and cash was US\$109.6 million, representing an increase of 14 million compared with US\$95.7 million at the year end of 2009. The Group has sufficient financial resources to meet working capital requirements and finance its commitments. The inventory amount was US\$60.1 million as at 30 June 2010 (31 December 2009: US\$56.7 million). The inventory turnover period was 36 days, increased by 2 days compared with 34 days of 2009. The accounts receivable amounted to US\$234.4 million as at 30 June 2010 (31 December 2009: US\$221.7 million). The average accounts receivable credit period was 127 days, decreased by 5 days compared with 132 days in the year of 2009.

The accounts payable amounted to US\$135.1 million as at 30 June 2010 (31 December 2009: US\$118.2 million). The average accounts payable credit period was 80 days, an increase of 1 day compared with 79 days of 2009. According to the periods calculated above, the average cash conversion cycle was 83 days compared with 87 days of 2009, decreased by 4 days.

DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2010.

EMPLOYEES AND REMUNERATION

The Group's employees are remunerated in line with the prevailing market terms and individual performance, with the remuneration package and policies reviewed on a regular basis. Discretionary bonuses may be rewarded to employees after assessment of the performance of the Group and the individual employee. The Group also provides other benefits such as medical insurance and training to keep a steady work-force. As at 30 June 2010, the Group had a work-force of over 10,000 based in the PRC, Taiwan and Singapore. During the period under review, the relevant employee costs (including directors' remuneration) were approximately US\$23.2 million (2009: US\$15.5 million).

During the period under review, 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.

BUSINESS REVIEW AND OUTLOOK

In the first half of year 2010, facing the threat of contagion from sovereign debt problems in Europe, the Group continued to maintain a growth in revenue. However, the rising price in major raw materials, for example, CCL (Copper Claded Laminate), copper foil, prepreg and so on, had led to a sharp rise in production cost and so the gross margin is lower than expected.

As a leading Printed Circuit Board ("PCB") supplier for the notebook industry, the Group has been focusing on product quality improvement, research and development of high value-added products, better customer service. In order to sustain the organic growth of the Group, increase its competitiveness, maintain its market share, and to meet the varying clients' demand, in the third quarter of this year, new plant is scheduled for mass production. The company's total market share will further be improved, which will consolidate our domination.

Along with the emerging market demand for electronic products, industrial restructuring will bring positive growth in the global PCB output. Smart Phone and NB are still the star of the future product. In addition, the traditional sales season will be arriving in the second half year, the Group will seize the opportunity to create more value for shareholders in the future.

DISPOSAL OF AVAILABLE-FOR-SALE INVESTMENTS

Subsequent to the end of the period under review, the Group entered into a series of transactions to dispose of its entire interest in an equity security listed in the Republic of China, representing the whole amount of available-for-sale investments the Group held at the end of the reporting period for an aggregate consideration of approximately US\$2,850,000. The Board considers that the Disposal represents a strategic step taken by the Company to realise its investments in the available-for-sale investment and allows the Company to redeploy its resources to its core business or any other future investment opportunities (if any). The net proceeds in the amount of US\$2.8 million from the disposal are currently intended to be used as the Group's general working capital.

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2010, 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\$0.10 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 20.09% 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 are 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 shares or underlying shares of the Company as at 30 June 2010.

DIRECTORS' INTERESTS IN SHARES

As at 30 June 2010, 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 (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 corporation	Number of issued ordinary shares held	Shareholding percentage
Mr. CHIAO Yu-heng	Beneficial owner	HannStar Taiwan	3,120,265	0.78%
Mr. YEH Shin-jiin	Beneficial owner	HannStar Taiwan	189,102	0.05%

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 2010.

CONNECTED TRANSACTIONS

Details of the continuing connected transactions of the Company during the period ended 30 June, 2010 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 six months ended 30 June 2010, the sub-contracting fee paid and payable was approximately US\$22,708,000 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 US\$20 million were granted and all of which has been repaid during the period ended 30 June 2010. The Group incurred interest payment of approximately US\$46,000 for the period under review.

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 under review.

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 2010.

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 under review 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 2010 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 2010 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.