HUA LIEN INTERNATIONAL (HOLDING) COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 969)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30th JUNE 2006

The board of directors (the "Board") of Hua Lien International (Holding) Company Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30th June 2006, together with the comparative figures for the corresponding period in 2005, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT
for the six months ended 30th June 2006

	Note	Six months ended 30th June 2006 HK$'000 (Unaudited)	2005 HK$'000 (Unaudited)
Turnover	(3)	**368,218**	395,077
Cost of sales		**(354,443)**	(375,849)
Gross profit		**13,775**	19,228
Other operating income		**6,730**	2,863
Distribution costs		**(186)**	(428)
Administrative expenses		**(10,129)**	(12,303)
Profit from operations		**10,190**	9,360
Finance costs		**(5,046)**	(4,471)
Profit before taxation	(4)	**5,144**	4,889
Income tax expense	(5)	**(984)**	(780)
Profit for the period		**4,160**	4,109
Attributable to:			
Equity holders of the Company		**800**	1,253
Minority interests		**3,360**	2,856
		4,160	4,109
Dividend	(6)	**–**	–
Earnings per share (cents)	(7)	**0.12**	0.18

CONDENSED CONSOLIDATED BALANCE SHEET
at 30th June 2006

	Note	30th June 2006 HK$'000 (Unaudited)	31st December 2005 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment		**252,422**	270,562
Prepaid lease payments on land use rights		**41,465**	41,948
Deferred tax assets		**22,932**	22,653
		316,819	335,163
Current assets			
Inventories		**244,551**	245,628
Trade and other receivables	(8)	**427,203**	436,166
Prepaid lease payments on land use rights		**966**	966
Pledged bank deposits		**1,500**	10,100
Bank balances and cash		**19,131**	35,816
		693,351	728,676
Current liabilities			
Trade and other payables	(9)	**50,301**	80,998
Loan from a director		**17,129**	16,848
Tax liabilities		**10,974**	12,850
Amounts due to minority shareholders of subsidiaries		**1,638**	1,165
Bank borrowings – due within one year		**181,655**	204,614
		261,697	316,475
Net current assets		**431,654**	412,201
Total assets less current liabilities		**748,473**	747,364
Non-current liabilities			
Bank borrowings – due after one year		**–**	358
		748,473	747,006
Capital and reserves			
Share capital		**68,640**	68,640
Reserves		**631,937**	631,183
Equity attributable to equity shareholders of the Company		**700,577**	699,823
Minority interests		**47,896**	47,183
Total equity		**748,473**	747,006

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December 2005.

In the current period, the Group has applied, for the first time, a number of Hong Kong Financial Reporting Standards ("HKFRS(s)"), amendments to Hong Kong Accounting Standards ("HKAS (Amendments(s)") and interpretations ("HK (IFRIC)-INT(s)) (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are either effective for accounting periods beginning on or after 1st December 2005 or 1st January 2006. The application of the new HKFRSs has had no material effect on how the results for the current or prior accounting periods are prepared and presented. Accordingly, no prior period adjustment has been required. The Group has not early applied any new HKFRSs that have been issued but are not yet effective. The directors of the Company anticipate that the application of these new HKFRSs will have no material impact on the results and the financial position of the Group.

3. BUSINESS AND GEOGRAPHICAL SEGMENTS

In accordance with the Group's internal financial reporting, the Group has determined that geographical segments are its primary reporting format.

Business segment

The Group is solely engaged in the manufacture and sale of leather. All of the Group's turnover, contribution to operating profit and assets were attributable to this business segment.

Geographical segments

The Group reports its primary segment information by geographical location of its customers who are principally located in the United States of America (the "USA") and the People's Republic of China (the "PRC").

Segment information about these geographical markets is presented below:

Six months ended 30th June 2006

	USA HK$'000	PRC HK$'000	Others HK$'000	Consolidated HK$'000
TURNOVER	**294,683**	**73,535**	**–**	**368,218**
RESULTS				
Segment results	**7,116**	**1,609**	**1,465**	**10,190**
Finance charges				**5,046**
Profit before taxation				**5,144**
Income tax expenses				**984**
Profit for the period				**4,160**

Six months ended 30th June 2005

	USA HK$'000	PRC HK$'000	Others HK$'000	Consolidated HK$'000
TURNOVER	353,639	41,438	–	395,077
RESULTS				
Segment results	8,723	601	36	9,360
Finance charges				4,471
Profit before taxation				4,889
Income tax expenses				780
Profit for the period				4,109

4. DEPRECIATION AND AMORTIZATION

During the period, the operating profit has been arrived at after charging depreciation and amortization of HK$18,884,000 (six months ended 30th June 2005: HK$21,620,000).

5. INCOME TAX EXPENSE

	Six months ended 30th June 2006 HK$'000	2005 HK$'000
The charge comprises:		
PRC enterprise income tax	**1,263**	1,263
Deferred tax	**(279)**	(483)
	984	780

PRC enterprise income tax is calculated at the applicable prevailing rates in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

6. DIVIDEND

The directors of the Company do not recommend the payment of an interim dividend for the period ended 30th June 2006 (six months ended 30th June 2005: Nil).

7. EARNINGS PER SHARE

The calculation of the earnings per share for the period is based on profit for the period attributable to the equity holders of the Company of HK$800,000 (six months ended 30th June 2005: HK$1,253,000) and on the weighted average number of 686,400,000 shares (six months ended 30th June 2005: 686,400,000 shares) in issue during the period.

The Company has no dilutive potential ordinary shares in issue during the periods ended 30th June 2006 and 2005.

8. TRADE AND OTHER RECEIVABLES

The Group has a policy of allowing an average credit period of 90 days to its trade customers. Included in the trade and other receivables are trade receivables of HK$214,014,000 (31st December 2005: HK$231,336,000). The aged analysis of which at the balance sheet date is as follows:

	30th June 2006 HK$'000	31st December 2005 HK$'000
Up to 30 days	**45,020**	62,166
31 – 60 days	**43,259**	77,000
61 – 90 days	**47,784**	46,906
91 – 180 days	**77,951**	45,264
181 days – 1 year	**–**	–
	214,014	231,336

9. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK$29,733,000 (31st December 2005: HK$61,353,000). The aged analysis of which at the balance sheet date is as follows:

	30th June 2006 HK$'000	31st December 2005 HK$'000
Up to 30 days	**6,504**	14,651
31 – 60 days	**7,216**	14,677
61 – 90 days	**5,580**	13,430
91 – 180 days	**7,738**	12,676
181 days to 1 year	**1,629**	4,026
Over 1 year	**1,066**	1,893
	29,733	61,353

BUSINESS REVIEW

For the six months ended 30th June 2006, the Group had a turnover of HK$368,218,000, with a decrease of 7% compared to HK$395,077,000 for the same period in 2005. The slight decrease was attributed to the sluggish market in USA that slowed down orders from customers.

The consolidated net profit attributable to the equity holders of the Company for the period ended 30th June 2006 was HK$800,000, represents a decrease of approximately 36% over the corresponding period last year. Basic earnings per share was 0.12 cents (six months ended 30th June 2005: 0.18 cents). The reduction in consolidated net profit was due to the 1% reduction in gross profit margin caused by a 6% increase of average cost of raw materials which was higher than the 5% increase in the average selling price.

With regard to geographical market segments, USA remained to be the main contributor to the Group's turnover. For the period ended 30th June 2006, turnover from USA represented 80% of total sales turnover as compared to 89% in 2005 and the business from the PRC market showed a increase of 77% as compared the same period in 2005. The change was due to a shift in the market focus of the Company in response to decrease of order from USA and the Group increased the sales to PRC customers. The increase in segment result in other countries was the income derived from the processing of raw cowhides for other tanneries in South East Asia.

FINANCIAL REVIEW

Liquidity and financial resources

The Group financed its operation with cash flow generated internally and banking facilities. As at 30th June 2006, the Group's total borrowings was HK$181,655,000 as compared to HK$204,972,000 at 31st December 2005. Of the total borrowings, an amount of HK$181,655,000 (31st December 2005: HK$204,614,000) was repayable within one year and HK$ Nil (31st December 2005: HK$358,000) was repayable after one year.

Shareholders' equity of the Group as at 30th June 2006 amounted to approximately HK$700,577,000 (31st December 2005: HK$699,823,000). The Group's gearing ratio which is measured on the basis of the Group's total borrowings over the shareholders' funds as at 30th June 2006 was 25.9% (31st December 2005: 29.3%)

The sales and purchases of the Group are mainly denominated in Renminbi, US dollar and Hong Kong dollar. Hence, the Group's exposure to foreign exchange risk is expected to be minimal. Bank borrowings are also mainly denominated in Renminbi, US dollar and Hong Kong dollar and the interests are charged on a floating rate basis. The Group's management oversees the movement of interest rates very closely and takes appropriate measures to minimise the Group's interest rate risks whenever necessary.

Pledge of assets

At the balance sheet date, certain of the Group's plant and machinery with an aggregate carrying value of HK$28,093,000 (31st December 2005: HK$34,427,000), prepaid lease payments on land use right and buildings of HK$81,742,000 (31st December 2005: HK$85,979,000), inventories HK$73,397,000 (31st December 2005: HK$79,815,000) and bank deposits of HK$1,500,000 (31st December 2005: HK$10,100,000) were pledged to banks to secure general banking facilities granted to the Group.

Contingent Liabilities

Bank of East Asia, Shenzhen Branch ("the Bank") lodged litigation against 江門市華聯制皮工業有限公司(Jiangmen Hua Lien Tannery Company Limited), a subsidiary of the Company, for repayment of the principal of approximately Rmb11,241,000 (approximately equivalent to HK$10,800,000) and the interest accrued thereon and claimed that the Company accepts joint and several liabilities thereof. A hearing was held in 深圳市中級人民法院(Shenzhen Intermediate People's Court) on 28 August 2006. The court did not award any judgement thereto. The date of the next hearing remains uncertain. The liabilities have carried in the accounts by the Group. The Company is currently negotiating with the Bank with a view to reach out-of court settlements on appropriate terms. The Board does not consider that the litigation will have material influence on the Group's operation.

At the balance sheet date, the Company had given guarantees to banks in respect of general banking facilities granted to subsidiaries and the aggregate amount utilised by subsidiaries amounted to approximately HK$20 million (31 December 2005: HK$ 47 million)

Saved as disclosed above, the Group did not have any material contingent liabilities.

Post balance sheet event

The Xian Production Plant suspended operation in September 2006 by reason of the Notice issued by 西安市人民政府 (Xian People's Government). Pursuant to the Notice, enterprise located in the area surrounding 大興路 (Daxing Road), Xian, the PRC are encourage to relocate to other new industrial zones or logistic zones in Xian to confirm with the government's plan of town restructuring.

The Group started to transfer the customer orders of Xian Production Plant to other two plants of the Group in Guangdong Province, the PRC.

The Company issued an announcement on 11th August 2006 on details of this suspension of Xian Production

EMPLOYEE REMUNERATION POLICY

As at 30th June 2006, the Group employed 948 (31st December 2005: 1,106) full time management, administrative and production staff in Hong Kong, Taiwan and the PRC.

The Group's emolument policies are formulated on the basis of individual performance and the salary trend in various regions and will be reviewed every year. The Company has set up stock options plan and provides staff quarters to staff in the PRC.

PROSPECTS

Looking forward, the demand for the second half of the year remains strong.

Pressure from rising material cost is still expected. Our Group will maintain its cautious policy on inventory and examine the possibility of selling price adjustment to mitigate the pressure from the upward trend in the cost of raw materials onto our business.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company had complied with the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2006 except for the following:

Code Provision A.4.1

None of the existing independent non-executive directors of the Company is appointed for a specific term. However, all the independent non-executive directors are subject to retirement by rotation at each annual general meeting under the bye-laws of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG code.

REVIEW OF INTERIM FINANCIAL STATEMENTS

The Audit Committee comprises three independent non-executive directors has held meetings to review with management the accounting principles and practices adopted by the Group and discussing internal controls and financial reporting matters including a review of the unaudited condensed interim accounts for the six months ended 30th June 2006.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 of the Listing Rules (the "Model Code"). Having made specific enquiry of all the directors, all the directors confirmed that they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by directors adopted by the Company.

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

During the period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

By order of the Board
Shih Chian Fang
Chairman

Hong Kong, 22nd September 2006

As at the date hereof, the Board comprises six directors, of which three are executive directors, namely Mr. Shih Chian Fang, Mr. Liaw Yuan Chian and Ms. Chen Ling and three are independent non-executive directors, namely Mr. Fu Heng Yang, Mr. Yu Chi Jui & Ms. Li Xiao Wei