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 2005

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 2005, together with the comparative figures for the corresponding period in 2004, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT
for the six months ended 30th June 2005

		Six months ended 30th June	
		2005	2004
	Note	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited & Restated)
Turnover	(3)	**395,077**	397,689
Cost of sales		**(375,849)**	(374,319)
Gross profit		**19,228**	23,370
Other operating income		**2,863**	7,602
Distribution costs		**(428)**	(681)
Administrative expenses		**(12,303)**	(12,467)
Profit from operations		**9,360**	17,824
Finance costs		**(4,471)**	(4,877)
Profit before taxation	(4)	**4,889**	12,947
Income tax expense	(5)	**(780)**	(2,058)
Profit for the period		**4,109**	10,889
Attributable to:			
Equity holders of the Company		**1,253**	7,207
Minority interests		**2,856**	3,682
		4,109	10,889
Dividend	(6)	**–**	–
Earnings per share (cents)	(7)	**0.18**	1.05

CONDENSED CONSOLIDATED BALANCE SHEET
at 30th June 2005

	30th June 2005 *HK$'000* (Unaudited)	31st December 2004 *HK$'000* (Audited & Restated)
Non-current assets		
Property, plant and equipment	**292,103**	312,763
Prepaid lease payments on land use rights	**40,210**	40,693
Available-for-sale financial assets/Investment securities	**233**	233
Deferred tax assets	**23,384**	22,901
	355,930	376,590
Current assets		
Inventories	**287,218**	256,527
Trade and other receivables	**322,541**	330,906
Prepaid lease payments on land use rights	**966**	966
Amounts due from minority shareholders of subsidiaries	**4,676**	–
Pledged bank deposits	**13,225**	13,224
Bank balances and cash	**12,093**	26,768
	640,719	628,391
Current liabilities		
Trade and other payables	**24,994**	37,192
Bills payable	**2,968**	15,486
Loan from a director	**18,209**	15,287
Tax liabilities	**10,934**	14,250
Amounts due to minority shareholders of subsidiaries	**–**	145
Bank borrowings – due within one year	**189,367**	149,022
	246,472	231,382
Net current assets	**394,247**	397,009
Total assets less current liabilities	**750,177**	773,599
Non-current liabilities		
Bank borrowings – due after one year	**4,660**	29,544
	745,517	744,055
Capital and reserves		
Share capital	**68,640**	68,640
Reserves	**628,834**	627,581
Equity attributable to equity shareholders of the Company	**697,474**	696,221
Minority interests	**48,043**	47,834
Total equity	**745,517**	744,055

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 2004 except those described below.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after 1st January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. In particular, the presentation of minority interests has been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented:

Financial instruments

In the current period, the Group has applied HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 39, which is effective for annual periods beginning on or after 1st January 2005, generally does not permit to recognize, derecognize or measure financial assets and liabilities on a retrospective basis. The principal effect resulting from the implementation of HKAS 39 is summarized below:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

Up to 31st December 2004, the Group classified and measured its equity security as investment securities. The investment securities were carried at cost less impairment losses. From 1st January 2005 onwards, the Group classifies and measures its equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables", or "held-to-maturity financial assets". "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with change in fair values recognised in profit or loss and equity respectively. "Loan and receivables" and "held to maturity financial assets" are measured at amortized cost using the effective interest method.

On 1st January 2005, investment securities were classified as "financial assets available for sales" upon adoption of the HKAS 39.

Lease

In previous years, the land use rights and buildings were classified under property, plant and equipment and stated at cost less accumulated depreciation and any impairment losses.

Upon adoption of HKAS 17, the Group's land use rights are reclassified as an operating lease, because the title of the land is not expected to pass to the Group by the end of the lease term, and are reclassified from fixed assets to prepaid lease payments on land use rights, while buildings continue to be classified as part of the property, plant and equipment. Prepaid lease payments on land use rights under operating leases are initially stated at cost and subsequently amortised on the straight-line basis over the lease terms.

This change in accounting policy has had no effect on the condensed consolidated income statement and retained earnings. The comparatives on the condensed consolidated balance sheet for the year ended 31 December 2004 have been restated to reflect the reclassification of land use rights.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains or losses on the disposal of an entity included the carrying amount of goodwill relating to the entity sold.

In previous years, the goodwill arising on acquisitions prior to 1st January 2001was held in reserves. The Group has applied the relevant transitional provisions in the HKFRS 3 for non-restatement of such goodwill and the non-recognition of such goodwill in the profit or loss upon disposal or impairment.

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 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 costs				**4,471**
Profit before taxation				**4,889**
Income tax expenses				**780**
Profit for the period				**4,109**

Six months ended 30th June 2004

	USA *HK$'000*	PRC *HK$'000*	Others *HK$'000*	Consolidated *HK$'000*
TURNOVER	322,268	75,421	–	397,689
RESULTS				
Segment results	15,563	2,261	–	17,824
Finance costs				(4,877)
Profit before taxation				12,947
Income tax expenses				(2,058)
Profit for the period				10,889

4. DEPRECIATION AND AMORTIZATION

During the period, the operating profit has been arrived at after charging depreciation and amortization of HK$21,620,000 (six months ended 30th June 2004: HK$22,123,000).

5. INCOME TAX EXPENSE

	Six months ended 30th June	
	2005	2004
	HK$'000	*HK$'000*
The charge comprises:		
PRC enterprise income tax	**1,263**	2,088
Deferred tax	**(483)**	(30)
	780	2,058

PRC enterprise income tax is calculated at the prevailing rates. Pursuant to the relevant laws and regulations in the PRC, certain of the Company's PRC subsidiaries are entitled to exemption from PRC enterprise income tax for the first two years commencing from their first profit-making year of operation and thereafter, these PRC subsidiaries will be entitled to a 50% relief from PRC enterprise income tax for the following three years. The tax exemption and tax reduction period can be extended by the relevant tax authorities. The PRC enterprise income tax expense for both years has been provided for after taking these tax incentives into account. The charge for the PRC enterprise income tax for the period ended 30th June 2005 was subject to the rate ranging from 15% to 24%.

A portion of the Group's profit is not subject to income tax in the jurisdiction in which it operates.

6. DIVIDEND

The directors of the Company do not recommend the payment of an interim dividend for the period ended 30th June 2005 (six months ended 30th June 2004: 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$1,253,000. (six months ended 30th June 2004: HK$7,207,000) and on the weighted average number of 686,400,000 shares (six months ended 30th June 2004: 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 2005 and 2004.

BUSINESS REVIEW

For the six months ended 30th June 2005, the Group had a turnover of HK$395,077,000, with a slight decrease of 0.66% compared to HK$397,689,000 for the same period in 2004.

The consolidated net profit attributable to the equity holders of the Company for the period ended 30th June 2005 was HK$1,253,000, represents a decrease of approximately 82.61% over the corresponding period last year. Basic earnings per share was 0.18 cents (six months ended 30th June 2004: 1.05 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. The 6% increase in average cost of raw materials was mainly caused by the increase of cost of chemicals for tannery when the international crude oils price increased.

With regard to geographical market segments, USA remained to be the main contributor to the Group's turnover. For the period ended 30th June 2005, turnover from USA represented 89.51% of total sales turnover as compared to 81% in 2004 and the business from the PRC market showed a decrease of 45.05% as compared the same period in 2004. The change was due to a shift in the market focus of the Company in response to the increase in cost of raw materials. In order to mitigate the impact of increase in cost, the Company increased the sales to the more profitable USA customers and reduced the sales to the less profitable PRC customers.

FINANCIAL REVIEW

Liquidity and financial resources

The Group financed its operation with cash flow generated internally and banking facilities. As at 30th June 2005, the Group's total borrowings was HK$194,027,000 as compared to HK$178,566,000 at 31st December 2004. Of the total borrowings, an amount of HK$189,367,000 (31st December 2004: HK$149,022,000) was repayable within one year and HK$4,660,000 (31st December 2004: HK$29,544,000) was repayable after one year.

Shareholders' equity of the Group as at 30th June 2005 amounted to approximately HK$697,474,000 (31st December 2004: HK$696,221,000). 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 2005 was 27.8% (31st December 2004: 25.6%)

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.

Contingent liabilities

The Group has no significant contingent liabilities at the balance sheet date.

Pledges of assets

At the balance sheet date, certain of the Group's property, plant and equipment with an aggregate carrying value of HK$91,604,000 (31st December 2004: HK$93,922,000), prepaid lease payments on land use right of HK$30,925,000 (31st December 2004: HK$32,118,000), inventories HK$ Nil (31st December 2004: HK$41,470,000) and bank deposits of HK$13,225,000 (31st December 2004: HK$13,224,000) were pledged to banks to secure general banking facilities granted to the Group.

EMPLOYEE REMUNERATION POLICY

As at 30th June 2005, the Group employed 996 (31st December 2004: 1,048) 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. Our Group will adopt 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 30th June 2005 including 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.

Code Provision E.1.2

The Chairman of the Board was unable to attend the annual general meeting held on 10th June 2005 as he had another engagement outside Hong Kong that was important to the Company's business.

INDEPENDENT NON-EXECUTIVE DIRECTOR

The Company has complied with Rules 3.10(1) and 3.10(2) of the Listing Rules relating to appointment of a sufficient number of independent non-executive Directors ("INEDs") and at least an INED with appropriate professional qualifications, or accounting or related financial management expertise. The Board comprises three INEDs including one with financial management expertise. Details of their biographies were set out in the 2004 Annual Report of the Company.

BOARD COMMITTEE

Audit Committee

Terms of reference of the Audit Committee have been updated in compliance with the CG code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group and to review the Company's interim and annual report and financial statements. The Audit Committee comprises three INEDs, namely Mr. Fu Heng Yang (Chairman of the Audit Committee), Mr. Yu Chi Jui and Ms. Li Xiao Wei.

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussing internal control and financial reporting matters including a review of the unaudited condensed interim accounts for the six months ended 30th June 2005.

Remuneration Committee

A remuneration committee has been established with specific terms of reference in accordance with the requirement of the CG Code. The Remuneration Committee comprises three INEDs namely Mr. Fu Heng Yang (Chairman of Remuneration Committee), Mr. Yu Chi Jui and Ms. Li Xiao Wei.

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.

PUBLICATION OF INTERIM REPORT

The 2005 Interim Report of the Company will be dispatched to the shareholders of the Company as well as published on the website of The Stock Exchange of Hong Kong Limited in due course.

By order of the Board
Chaiteerath Boonchai
Chairman

Hong Kong, 23rd September 2005

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

Please also refer to the published version of this announcement in China Daily.