HUA LIEN INTERNATIONAL (HOLDING) COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 969)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30th JUNE 2008

The board of directors (the "Board") of Hua Lien International (Holding) Company Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30th June 2008 together with the comparative figures as follow:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June 2008

		Six months ended 30th June	
		2008	2007
	Notes	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Turnover	*(3)*	**307,154**	303,145
Cost of sales		**(357,105)**	(307,322)
Gross loss		**(49,951)**	(4,177)
Other operating income		**10,358**	5,922
Distribution costs		**(82)**	(119)
Administrative expenses		**(30,475)**	(19,438)
Loss from operations		**(70,150)**	(17,812)
Interest on bank borrowings wholly repayable within five years		**(4,553)**	(4,083)
Loss before taxation	*(4)*	**(74,703)**	(21,895)
Income tax income	*(5)*	**520**	1,692
Loss for the period		**(74,183)**	(20,203)
Attributable to:			
Equity holders of the Company		**(77,167)**	(21,185)
Minority interests		**2,984**	982
		(74,183)	(20,203)
Dividend	*(6)*	**–**	–
Loss per share *(cents)*	*(7)*		
– Basic		**(9.37)**	(3.09)
– Diluted		**N/A**	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

At 30th June 2008

	Notes	30th June 2008 HK$'000 (unaudited)	31st December 2007 HK$'000 (audited)
Non-current assets			
Property, plant and equipment		**191,316**	203,430
Prepaid lease payments on land use rights		**44,580**	44,649
Deferred tax assets		**10,872**	10,254
		246,768	258,333
Current assets			
Inventories		**120,680**	155,206
Trade and other receivables	*(8)*	**141,095**	142,712
Prepaid lease payments on land use rights		**1,089**	1,078
Pledged bank deposits		**–**	1,500
Bank balances and cash		**45,181**	52,389
		308,045	352,885
Current liabilities			
Trade and other payables	*(9)*	**53,376**	17,589
Loan from a director		**17,046**	16,534
Tax liabilities		**11,369**	11,916
Amounts due to minority shareholders of subsidiaries		**–**	1,880
Bank borrowings		**147,545**	160,358
		229,336	208,277
Net current assets		**78,709**	144,608
Net assets		**325,477**	402,941
Capital and reserves			
Share capital		**82,368**	82,368
Reserves		**241,013**	318,477
Equity attributable to equity shareholders of the Company		**323,381**	400,845
Minority interests		**2,096**	2,096
Total equity		**325,477**	402,941

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").

The unaudited condensed consolidated interim financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values or revalued amounts, as appropriate.

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies used in the unaudited consolidated interim financial statements are consistent with those used in the audited financial statements for the year ended 31 December 2007.

In the current interim period, the Group has applied, for the first time, a number of new interpretations ("new interpretations") issued by the HKICPA, which are effective for the Group's financial year beginning on 1st January 2008.

The adoption of these new interpretations had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

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

HKAS 1 (Revised)	Presentation of Financial Statements [1]
HKAS 23 (Revised)	Borrowing Costs [1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements [2]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation [1]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations [1]
HKFRS 3 (Revised)	Business Combinations [2]
HKFRS 8	Operating Segments [1]
HK(IFRIC)-Int 13	Customer Loyalty Programmes [3]

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

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

[3] *Effective for annual periods beginning on or after 1 July 2008*

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of the other new or revised standards or interpretation will have no material impact on the results and 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 results 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 2008

	USA	PRC	Others	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
TURNOVER	271,450	35,704	–	307,154
RESULTS				
Segment results	(58,646)	(12,754)	1,250	(70,150)
Finance charges				(4,553)
Loss before taxation				(74,703)
Income tax income				520
Loss for the period				(74,183)

Six months ended 30th June 2007

	USA	PRC	Others	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
TURNOVER	248,723	54,422	–	303,145
RESULTS				
Segment results	(13,353)	(9,722)	5,263	(17,812)
Finance charges				(4,083)
Loss before taxation				(21,895)
Income tax income				1,692
Loss for the period				(20,203)

4. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging:

	Six months ended 30th June	
	2008	2007
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Amortization of prepaid lease payments	**545**	512
Depreciation of property, plant and equipment	**14,834**	12,841
Total depreciation and amortization	**15,379**	13,353
Allowance for bad and doubtful receivables, net	**23,041**	10,003

5. INCOME TAX INCOME

	Six months ended 30th June	
	2008	2007
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
The charge comprises:		
PRC enterprise income tax	**–**	–
Deferred tax	**520**	1,692
	520	1,692

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 Board does not recommend the payment of an interim dividend for the period ended 30th June 2008 (six months ended 30th June 2007: Nil).

7. LOSS PER SHARE

The calculation of the loss per share for the period is based on loss for the period of HK$77,167,000 (six months ended 30th June 2007: HK$21,185,000) and on 823,680,000 ordinary shares (six months ended 30th June 2007: 686,400,000 ordinary shares) in issue during the period.

Diluted loss per share for the period ended 30th June 2008 has not been disclosed, as the warrants outstanding during the period had an anti-dilutive effect on the basic loss per share for the period ended 30th June 2008. No diluted loss per share was presented in 2007 as there was no potential dilutive shares during that period.

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 with a net balance of HK$119,414,000 (31st December 2007: HK$97,171,000). The aged analysis of which at the balance sheet date is as follows:

	30th June 2008	31st December 2007
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Up to 30 days	**61,892**	53,954
31 – 60 days	**46,045**	34,584
61 – 90 days	**11,477**	7,213
91 – 180 days	**–**	1,420
	119,414	97,171

9. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK$49,874,000 (31st December 2007: HK$17,339,000). The aged analysis of which at the balance sheet date is as follows:

	30th June 2008	31st December 2007
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Up to 30 days	**34,243**	10,459
31 – 60 days	**4,401**	92
61 – 90 days	**8,050**	501
91 – 180 days	**1,902**	3,027
181 days to 1 year	**139**	1,739
Over 1 year	**1,139**	1,521
	49,874	17,339

BUSINESS REVIEW

For the six months ended 30th June 2008, the Group had a turnover of HK$307,154,000, with an increase of 1.3% compared to HK$303,145,000 for the same period in 2007. The increase was brought by the increase in sale orders during the period.

The consolidated net loss attributable to the equity holders of the Company for the period ended 30th June 2008 was HK$74,183,000 compared to HK$20,203,000 over the corresponding period last year. Basic loss per share was HK9.37 cents (six months ended 30th June 2007: HK3.09 cents). The loss for the period was mainly due to the trading loss of HK$49,951,000, which caused by the double negative impacts on decreasing average selling price and increasing production cost. The average selling price was reduced approximately by 13% because the increase in orders of lower price in-fashion products but the average production cost for those products increased significantly due to the surge in fuels, chemicals and labour cost which offset all the positive effect on increase in volume. Besides, an additional provision of HK$23,041,000 for bad and doubtful debts has been made during the period under company policy for the increase in overdue trade receivables.

With regard to geographical market segments, USA remained to be the main contributor to the Group's turnover. For the period ended 30th June 2008, turnover from USA represented 88% of total sales turnover as compared to 82% in 2007 and the business from the PRC represented 12% as compared 18% during the same period in 2007. No material change in market segments during the periods under review.

FINANCIAL REVIEW

Liquidity and financial resources

The Group financed its operation with cash flow generated internally and banking facilities. As at 30th June 2008, the Group's total borrowings was HK$147,545,000 as compared to HK$160,358,000 at 31st December 2007. All the total borrowings in both periods were repayable within one year.

Shareholders' equity of the Group as at 30th June 2008 amounted to approximately HK$323,381,000 (31st December 2007: HK$400,845,000). 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 2008 was 45.6% (31st December 2007: 40.0%)

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 prepaid lease payments on land use right, property, plant and machinery of HK$127,857,000 (31st December 2007: HK$151,304,000), inventories of HK$29,161,000 (31st December 2007: HK$51,285,000) were pledged to banks to secure general banking facilities granted to the Group.

On 12th September 2006, Bank of China, Xian Branch (the "Bank of China") which lent USD9.8 million to the Xian Hua Lien obtained a writ from 陝西省高級人民法院 (Shannxi Province Highest People's Court) that granted the bank the legal rights to freeze and sequestrate all the assets of Xian Hua Lien including property, plant and equipment, inventories, trade receivables and bank balances. At the balance sheet date, Bank of China, Xian Branch continued to sequestrate the bank accounts, the property, plant and machinery and inventories of Xian Hua Lien as additional security which have no carrying value at the balance sheet date.

Besides, the pledged prepared lease premium and certain of pledged buildings of Jiangmen Hua Lien with carrying value of approximately HK$38.2 million at the balance sheet date continued to sequestrate by Bank of China. The same assets was also sequestrated by Bank of Construction, Jiangmen Branch (the "Bank of Construction") (the pledgee of those assets) on 5th May 2008.

As the sequestration does not affect the lawful right to use, the encumbrances on pledged assets do not have material influence on present trading operation of Jiangmen Hua Lien.

CONTINGENT LIABILITIES

On 30th April 2008, Bank of Construction lodged a litigation with Jiangmen Lower People's Court (the "Jiangmen Court") against Jiangmen Hua Lien for repayment of due bank loan of principal of approximately RMB8.8 Million and interest accrued thereon and requesting Jiangmen Court to sequestrate the bank accounts, the pledged prepared lease premium and certain of pledged buildings of Jiangmen Hua Lien. Judgement on sequestration on assets and on due bank loan was handed down on 5th May 2008 and 20th June 2008 respectively by Jiangmen Court in favour of Bank of Construction.

The Jiangmen Hua Lien lodged an appeal to Guangdong Intermediate People's Court on 20th July 2008. The hearing date is yet fixed.

During this period, Jiangmen Hua Lien is orderly repaying the bank loan, the principal outstanding reduced to approximately RMB6.3 million at the balance sheet date and further reduced to approximately RMB4.4 million up to the latest practicable date of this report. The Board, after seeking legal advice, is of the opinion that the litigation will not have a material adverse effect on the Group's financial position and the disputes will resolve in a few months.

Saved as disclosed above, there are no other material litigation, claims or contingent liabilities known to the directors pending or threatened against the Company and the Group.

EMPLOYEE REMUNERATION POLICY

As at 30th June 2008, the Group employed 717 (31st December 2007: 743) 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

As influenced by changes in demand and spiraling costs, the revenue still could not increase as the same pace of production cost. The performance in manufacture and sales of leather may still be unsatisfactory for the second half of 2008. The Board will continue the investigation for the possibility of diversifying into new line of business to create additional source of revenue.

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 2008 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.

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 financial statements for the six months ended 30th June 2008.

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 RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of Hong Kong Exchange and Clearing Limited (www.hkex.com.hk) and the Company (http://finance.thestandard.com.hk/en/0969hualien). The 2008 interim report of the Company containing all the information required by the Listing Rules will be dispatched to shareholders and made available on the above websites in due course.

By order of the Board
Shih Chian Fang
Chairman

Hong Kong, 12th September 2008

As at the date of this announcement, the executive directors of the Company are Mr. Shih Chian Fang, Mr. Liaw Yuan Chian, Ms. Zhou Yan Xia and Mr. Kuang Yong and the independent non-executive directors of the Company are Dr. Zheng Liu, Mr. Yu Chi Jui and Ms. Li Xiao Wei.