[For Immediate Release]

Luen Thai Announces 2004 Interim Results

Net Profit of Continuing Business Increased by 17.8% to US$15.5 Million

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Strategic Business Expansion to Capitalise on 2005 Quota Elimination and Propel Future Business Growth

Financial Highlights

	For the six months ended 30 June		
	2004 US$ '000	2003 US$ '000	Change (%)
Turnover	**270,369**	296,788	-8.9
• Continuing business	266,783	278,006	-4.0
• Discontinuing business*	3,586	18,782	-80.9
Gross profit	**61,237**	74,432	-17.7
Operating profit	**17,881**	19,521	-8.4
Profit attributable to shareholders	**13,120**	13,666	-4.0
• Continuing business	15,500	13,152	+17.8
• Discontinuing business*	(2,380)	514	N/A
Basic EPS	**1.94 US cents**	2.02 US cents	-4.0

** Garment manufacturing in Mexico, the system consultancy operations and the air cargo operations.*

(20 September 2004 – Hong Kong) – **Luen Thai Holdings Limited** ("Luen Thai" or the "Company", with its subsidiaries collectively known as the "Group"; stock code: 311), one of the key supply chain services providers in the global apparel industry, announced today its interim results for the six months ended 30 June 2004. As part of the reorganization, the Group disposed of/ transfer out its entire interests in certain subsidiaries in 2003 and 2004. To facilitate a better comparison, the discussion below focuses on continuing operation.

During the period under review, the Group's turnover of continuing operations was approximately US$266,783,000, representing a decrease of 4.0% as compared with the corresponding period in 2003. The slight decrease in turnover was mainly attributable to a reduction of low margin and unprofitable orders from US in 2004. Gross profit of continuing operations was approximately US$62,017,000 and gross profit margin increased from 22.1% for the same period in 2003 to 23.2% for the six months ended 30 June 2004, which was mainly due to the rationalization of the Group's business with our customers.

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However, while the Group's production capacity increased when compared to the same period in 2003, there was a drop in average selling price ("ASP") of garment, which led to nearly no change in turnover for the period under review. The change in ASP was a result of the Group's strategy to increase the business in Europe, Japan and its sleepwear to mitigate the US quota uncertainty towards the end of 2004. Despite the drop in the ASP, the net margin of continuing operations increased for the first half of 2004.

Operating profit of continuing operations amounted to approximately US$20,219,000. The Group recorded a 17.8% increase in profit attributable to shareholders of continuing operations, from approximately US$13,152,000 last year to approximately US$15,500,000 this period. The growth of operating profit and net profit were attributable to the continuous improvement on profit margin, turnaround of GJM business as well as stringent cost control.

As part of the reorganization, the Group disposed of/ transferred out its entire interests in certain subsidiaries in garment manufacturing in Mexico, the system consultancy operations and the air cargo operations. If taken into account the discontinuing business operations, the Group's turnover and net profit amounted to approximately US$270,369,000 and US$13,120,000, posting decreases of 8.9% and 4.0% respectively. Basic earnings per share were 1.94 US cents.

The Board of Directors did not recommend the payment of interim dividend for the six months ended 30 June 2004.

Commenting on the Group's interim results, Mr Henry Tan, CEO of Luen Thai, said, "We expect market consolidation will occur upon the elimination of quota in 2005. Capitalising on our global production facilities, prominent economies of scale and development on the sleepwear business as well as the strategic increase in business in Japan and Europe, the Group successfully mitigates quota risk in 2004, which contribute to the sustainable growth of the Group's business."

For the six months ended 30 June 2004, the Group's business in Japan increased by 71.3% to approximately US$24,700,000, which the growth trend is expected to continue in the second half of 2004. With the view of diversifying the concentration risk geographically, the Group further adjusted the geographical mix by increasing its business in Europe. For the first half of 2004, turnover to Europe was approximately US$20,400,000, an increase of 100.8%.

During the period under review, the Group achieved substantial growth in the sleepwear business. With such high demand on sleepwear, the Group is confident of the promising growth of the business and expects it to become one of the major growth momentums of the Group.

Looking ahead, the Group will continue to leverage on its strong relationship with customers, industry experience and unique business model to become one of the major consolidators and beneficiaries upon the elimination of quota system.

By adopting the unique "design-to-store" or "D2S" business model, the Group endeavours to partner with customers and provides a range of comprehensive services throughout the entire apparel supply chain from product design to logistic support. The Group has also established four co-location product development centers to cater for customer's needs. The management expects that the co-location product development centers will further enhance the cohesiveness and relationship with customers as well as enhance the Group's market competitiveness significantly and satisfy customer's demand for fashion, high quality, affordable prices, and speed-to-market.

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In viewing the immense business potential brought forth by the elimination of quota system in 2005, the Group plans for strategic business expansion to capture arising opportunities. Its expansion plan includes the strategic alliance with Yue Yuen Industrial (Holdings) Limited (stock code: 551), the world's largest branded footwear manufacturer, the completion of the second 30,000 sq. m. manufacturing facility in the Dongguan Supply Chain City in the fourth quarter of 2004, the establishment of Hong Kong and Macau Outward Processing Arrangement (OPA) operation in 2005, the robust development of its sleepwear business of GJM and the acquisition of Tomwell, a career-wear manufacturer.

Regarding the Group's future development strategies, Mr Tan concluded, "The successful turnaround of the sleepwear business, the flourishing casual wear business and the smooth operations of Yuen Thai, together with our management's copious experience, we are confident of future business growth and long-term profitability. Luen Thai will continue to seek after JV/ M&A opportunities to complement the Group's overall business strategy. By fully embracing our unique D2S business model, we are committed to enhancing shareholders' value and bringing fruitful returns to them."

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Company background:
Luen Thai is one of the key global apparel supply chain services providers. Through its "design-to-store" model, Luen Thai works in partnership with it customers to provide quality products in different fashion categories and value-added services throughout the supply chain including design, product development, manufacturing, logistics and information technology. Luen Thai attracts a reputable clientele such as Polo Ralph Lauren, Liz Claiborne, Limited, Express, Victoria's Secret, Fast Retailing and Dillard's. It has over 17,180 employees spanning across Hong Kong, China, USA, United Kingdom, the Philippines, Saipan and Cambodia.

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