LUEN THAI HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 311)

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2004

- During the six months ended 30 June 2004, the Company achieved a total turnover of approximately US$270,369,000 and a net profit of approximately US$13,120,000.

The board of directors (the "Board") of Luen Thai Holdings Limited (the "Company" or "LTH") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six month period ended 30 June 2004.

HIGHLIGHTS

Summary of the Statement of the unaudited results of the Group

(In thousands of US Dollars, except as otherwise stated)

	Six months ended 30 June	
	2004	2003
	(Unaudited)	(Unaudited)
Turnover	**270,369**	296,788
Operating profit	**17,881**	19,521
Net Profit	**13,120**	13,666
Profit margin (ratio of net profit to turnover)	**4.85%**	4.60%
Basic EPS (US cents)	**1.94**	2.02

UNAUDITED CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six month period ended 30 June 2004

		Six months ended 30 June	
		2004	2003
		US$'000	*US$'000*
	Note	**(Unaudited)**	(Unaudited)
Turnover	3	**270,369**	296,788
Cost of sales		**(209,132)**	(222,356)
Gross profit		**61,237**	74,432
Other revenues	3	**892**	767
Selling and distribution expenses		**(10,746)**	(10,530)
General and administrative expenses		**(36,103)**	(47,713)
Other income, net		**2,601**	2,565
Operating profit	5	**17,881**	19,521
Finance costs	6	**(428)**	(733)
Share of profits less losses of associated companies		**343**	377
Share of (losses)/profits of jointly controlled entities		**(271)**	86
Profit before taxation		**17,525**	19,251
Taxation	7	**(4,398)**	(5,548)
Profit after taxation		**13,127**	13,703
Minority interests		**(7)**	(37)
Profit attributable to shareholders		**13,120**	13,666
Earnings per share			
– Basic	9	**US1.94 cents**	US2.02 cents

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED ACCOUNTS

For the six month period ended 30 June 2004

1. GROUP REORGANISATION AND BASIS OF PRESENTATION

The Company was incorporated in the Cayman Islands on 15 March 2004 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

On 27 June 2004, pursuant to a group reorganisation (the "Reorganisation") in preparation for the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company acquired the entire issued share capital of Luen Thai Overseas Limited ("LTO") through a share exchange and became the holding company of LTO and its subsidiaries. Details of the Reorganisation are set out in the prospectus of the Company dated 30 June 2004 (the "Prospectus"). The Company's shares were listed on the Main Board of the Stock Exchange on 15 July 2004.

The Reorganisation is accounted for using the merger accounting as permitted by the Statement of Standard Accounting Practice ("SSAP") Number 27 "Accounting for group reconstructions" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The unaudited condensed consolidated interim accounts of the Group for the six months ended 30 June 2004, including the comparative figures, are prepared as if the Company had been the holding company of the Group from the beginning of the earliest period presented.

The unaudited condensed consolidated interim accounts have been prepared in accordance with SSAP Number 25 "Interim financial reporting", issued by the HKICPA. The accounting policies and methods of computation used in the preparation of these interim accounts are consistent with those used in the preparation of the Accountants' Report as set out in Appendix I of the Prospectus.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated accounts have been prepared under the historical cost convention.

The basis of preparation and the principal accounting polices adopted are consistent with those followed in the preparation of the Group's Accountants' Report as set out in Appendix I to the Prospectus.

3. TURNOVER

The Group is principally engaged in the manufacturing and trading of garment and textile products and the provision of freight forwarding and logistic service. Revenues recognised during the period are as follows:

	Six months ended 30 June	
	2004	2003
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Turnover –		
Sales of garment and textile products		
– third parties	**263,595**	280,980
– a jointly controlled entity	**626**	–
Provision for freight forwarding and logistic services		
– third parties	**5,724**	14,550
– related companies	**129**	1,080
Provision for system consultancy services	**295**	178
	270,369	296,788
Other revenues –		
Interest income on bank deposits	**64**	55
Management fee income from		
– an associated company	**72**	72
– a third party	**117**	171
Rental income from		
– related companies	**99**	55
– a third party	**4**	–
Commission income from		
– a related company and an associated company	**515**	376
– a third party	**21**	38
	892	767
Total revenues	**271,261**	297,555

4. SEGMENT INFORMATION

Primary reporting segment – business segment

	Six months ended 30 June 2004				
	Garment *US$'000* **(Unaudited)**	**Freight forwarding/ logistics services** *US$'000* **(Unaudited)**	**System consultancy** *US$'000* **(Unaudited)**	**Elimination** *US$'000* **(Unaudited)**	**Group total** *US$'000* **(Unaudited)**
Segment revenues					
External revenue	**264,221**	**5,853**	**295**	**–**	**270,369**
Inter segment revenue	**–**	**3,073**	**819**	**(3,892)**	**–**
	264,221	**8,926**	**1,114**	**(3,892)**	**270,369**
Segment results	**15,337**	**2,482**	**62**	**–**	**17,881**
Finance costs					**(428)**
Share of profits less losses of associated companies					**343**
Share of profits less losses of jointly controlled entities					**(271)**
Profit before taxation					**17,525**
Taxation					**(4,398)**
Profit after taxation					**13,127**
Minority interests					**(7)**
Profit attributable to shareholders					**13,120**

	Six months ended 30 June 2003				
	Garment *US$'000* (Unaudited)	Freight forwarding/ logistics services *US$'000* (Unaudited)	System consultancy *US$'000* (Unaudited)	Elimination *US$'000* (Unaudited)	Group total *US$'000* (Unaudited)
Segment revenues					
External revenue	280,980	15,630	178	–	296,788
Inter segment revenue	–	2,583	976	(3,559)	–
	280,980	18,213	1,154	(3,559)	296,788
Segment results	18,804	1,420	(703)	–	19,521
Finance costs					(733)
Share of profits less losses of associated companies					377
Share of profits less losses of jointly controlled entities					86
Profit before taxation					19,251
Taxation					(5,548)
Profit after taxation					13,703
Minority interests					(37)
Profit attributable to shareholders					13,666

Secondary reporting segment – geographical segment

The Group's revenue is mainly derived from customers located in the United States, Asia and Europe, while the Group's business activities are conducted predominantly in Hong Kong, the People's Republic of China (the "PRC"), Commonwealth of Northern Mariana Islands and the Philippines.

The following table provides an analysis of the Group's sales by geographical location of customers:

	Six months ended 30 June	
	2004	2003
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
The United States	**200,158**	226,619
Europe	**20,452**	10,183
Commonwealth of Northern Mariana Islands	**2,461**	11,943
Japan	**24,748**	14,446
Canada	**2,357**	1,628
Hong Kong	**1,963**	1,740
Korea	**2,274**	2,389
The Philippines	**855**	811
Australia	**888**	682
Mexico	**645**	354
Cambodia	**130**	145
Others	**13,438**	25,848
	270,369	296,788

Discontinuing operations

In May 2004, the Group disposed of its entire interest in certain subsidiaries engaged in garment manufacturing in Mexico (the "Mexican Operations") and system consultancy operations (the "System Consultancy Operations") to its then shareholders by way of a distribution in specie. In addition, as part of the Group's restructuring, the Group also transferred its entire interest in Aero Micronesia, Inc. (the "Aircargo Operations") to THC Communications Corporation, a related company, in December 2003 at a consideration of US$925,000, which resulted in a loss of approximately US$94,000. The results of these subsidiaries were presented as discontinuing operations. The turnover and results of the above discontinuing operations for the six months ended 30 June 2004 are as follows:

	Mexican Operations Six months ended 30 June		System Consultancy Operations Six months ended 30 June		Aircargo Operations Six months ended 30 June		Total Six months ended 30 June	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003
	US$'000	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
Turnover	**4,196**	13,911	**1,114**	1,154	**–**	10,961	**5,310**	26,026
Cost of sales	**(5,195)**	(12,050)	**(77)**	(38)	**–**	–	**(5,272)**	(12,088)
Gross profit	**(999)**	1,861	**1,037**	1,116	**–**	10,961	**38**	13,938
Selling and distribution expenses	**(11)**	(19)	**–**	–	**–**	–	**(11)**	(19)
General and administrative expenses	**(1,367)**	(967)	**(980)**	(1,745)	**–**	(10,428)	**(2,347)**	(13,140)
Other income/(expenses), net	**(23)**	1	**5**	(74)	**–**	83	**(18)**	10
Operating (loss)/profit	**(2,400)**	876	**62**	(703)	**–**	616	**(2,338)**	789
Finance costs	**(42)**	(89)	**–**	–	**–**	(186)	**(42)**	(275)
(Loss)/profit before taxation	**(2,442)**	787	**62**	(703)	**–**	430	**(2,380)**	514
Taxation	**–**	–	**–**	–	**–**	–	**–**	–
(Loss)/Profit after taxation	**(2,442)**	787	**62**	(703)	**–**	430	**(2,380)**	514

5. OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	Six months ended 30 June	
	2004	2003
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Crediting		
Exchange gains, net	**2,272**	1,738
Gain on disposal of fixed assets, net	**283**	–
Write-back of provision regarding a class action lawsuit	**–**	2,772
Charging		
Amortisation of goodwill	**203**	174
Depreciation of fixed assets	**4,337**	6,695
Loss on disposal of fixed assets, net	**–**	136
Provision for impairment in value of long-term investments	**18**	–
Staff costs	**55,998**	59,434

6. **FINANCE COSTS**

	Six months ended 30 June	
	2004	2003
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Interest expense on bank loans and overdrafts	**428**	733

7. **TAXATION**

Hong Kong profits tax has been provided at the rates of 17.5% on the estimated assessable profit for the six months ended 30 June 2004 (2003: 17.5%). Taxation on overseas profits has been calculated on the estimated assessable profit at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to the condensed consolidated profit and loss account represents:

	Six months ended 30 June	
	2004	2003
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Current taxation:		
– Hong Kong profits tax	**610**	92
– Overseas taxation	**3,784**	5,451
	4,394	5,543
Share of taxation attributable to jointly controlled entities	**4**	5
Taxation charge	**4,398**	5,548

8. **DIVIDENDS**

No dividend has been paid or declared by the Company since its incorporation.

During the six months ended 30 June 2004 and prior to the completion of the Reorganisation, certain wholly-owned subsidiaries of the Company declared dividends of approximately US$7.4 million to their then shareholders. As part of the Reorganisation such amounts were capitalised by the then shareholders.

9. **EARNING PER SHARES**

The basic earnings per share is calculated based on the Group's profit attributable to shareholders of approximately US$13,120,000 (2003: US$13,666,000) and weighted average number of 674,999,075 (2003: 674,999,000) ordinary shares deemed to be in issue during the period as if the share capital of the Company outstanding immediately after the share exchange in connection with the Reorganisation and the related subsequent capitalisation issue had been in existence throughout the period.

Diluted earnings per share is not presented as the Company has no dilutive potential ordinary shares as at 30 June 2004 and 2003.

MANAGEMENT DISCUSSION & ANALYSIS

Results of the operation & Overview

As part of the Reorganisation, 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. The turnover for the six-month period ended 30 June 2004 was US$270 million, representing a decrease of 9% over the same period in 2003. The corresponding net income for the periods under review also decreased from US$13.7 million in 2003 to US$13.1 million. This decrease in the Group's turnover & net income is mainly due to the discontinuing business operations. The aircargo business was disposed of in December 2003 and the Mexico business as well as the system consultancy business were disposed of in May 2004. In order to understand and appreciate the Group's performance relative to the prior period, the following discussion and analysis will focus on the Group's continuing businesses.

For the six months ended 30 June 2004, despite a slight decrease in turnover on the continuing businesses, the Group achieved an increase in net income. Turnover decreased from US$278 million for the six month period ended 30 June 2003 to US$267 million for the same period in 2004, representing a decrease of 4%. This slight decrease in turnover was mainly due to a reduction in the sales activities of an unprofitable outsourcing business in 2004. Excluding the impact of this unprofitable business, the turnover in dollar amount was comparable between the first half of 2004 and 2003. Due to the change in product mix and customer mix, there was a decrease in average selling price ("ASP") of garment. Despite the drop in the ASP, the net margin increased for the first half of 2004. The change in ASP is a result of the Group's strategy to increase the business in Europe, Japan and its sleepwear to mitigate the US quota risk towards the end of 2004. The details are as follows:

1. The Group strategically increased orders from Japan, which had a relatively lower selling price. However, because the Group has increased its production facilities in China, it was able to serve the need from Japanese customers with relatively lower cost due to the economies of scale.
2. There was an increase in orders from Europe, which also had a lower selling price when compared to USA orders. As the quota cost for orders from Europe was lower than that of the USA, the Group was able to maintain the net margin on the European orders.
3. There was an increase in discount store orders in sleepwear business, which also had a lower selling price. However, the profit margin on this business was reasonable.

The Group's overall gross profit from the continuing business for the first half of 2004 was approximately US$62 million as compared to US$61.4 million for the same period in 2003. The overall gross profit margin during the six months ended 30 June 2004 is 23.2% as compared to 22.1% for the same period in 2003. The management expects to be able to maintain the current gross margin in the second half of 2004. The Group's operating profit from continuing business for the six month period ended 30 June 2004 was approximately US$20.2 million, representing an increase of 7.9% over the same period of 2003.

Selling & distribution expenses are fairly stable in the periods under review. Administrative expenses for the first half of 2004 amounted to approximately US$34.6 million, representing a decrease of 2.7% over the comparable period in 2003. This decrease was mainly due to the Group's continuing effort to control expenses and the relocation of certain processes from Hong Kong and other high cost countries to China, thus reducing the overall administration cost.

Apparel Operations

There was a substantial growth of the sleepwear business in the first half of 2004. The turnover of sleepwear business amounted to approximately US$28.8 million representing a 45.5% growth from the same period of 2003. The management believes that the current growth of sleepwear business is in line with the Group's strategic direction. It is expected that this line of business will continue to grow in the second half of the 2004 and become a major contributor to the growth of the Group's business in the coming years.

With the elimination of quota starting from 2005, the management expects that market consolidation will gradually happen. The management does not perceive any major quota risk in 2004 due to the Group's global production facilities, particularly with substantial Saipan (an US quota free country) operations. Notwithstanding the fact that the Group has a relatively lower exposure to the quota risk, the Group has further mitigated the risk by not only focusing more on the sleepwear business but also strategically increasing the business in Japan. For the first half of 2004, the business with Japan increased to US$24.7 million, representing an increase of 71.3% over the same period in 2003. The management expects that this trend will continue in the second half of 2004. To further diversify the concentration risk geographically, the Group decreased some of the low margin US businesses and increased its business in Europe. As shown in the geographic segment disclosure, the turnover to Europe was approximately US$20.4 million in the first half of 2004, representing an increase of 100.8% when compared to the same period in 2003.

Freight Forwarding & Logistics

For the six months ended 30 June 2004, the freight forwarding & logistics services recorded a turnover amounted to US$5.8 million, representing a growth of 25.3% over the same period of last year. This is mainly due to the increase of new customers in Saipan and USA. It is expected that the freight forwarding business will continue to grow in the second half of 2004.

Directors' Interest and Substantial Shareholders

As at 30 June 2004, as the Company was not listed on the Stock Exchange, there was no directors' interest and substantial shareholders information applicable for disclosure as required by the Part XV of the Securities and Future Ordinance.

Liquidity and Financial Information

As at 30 June 2004, the total amount of cash & bank balances of the Group were approximately US$46.5 million, representing an increase of approximately US$15.5 million when compared to 31 December 2003. The total bank borrowings as at 30 June 2004 was US$106.3 million, representing a significant increase when compared to US$33.6 million at 31 December 2003. As at 30 June 2004, the maturity profile of the Group's bank borrowings spread over three years with US$38.5 million repayable within one year or on demand, US$66.6 million in the second year and US$1.2 million in the third year. This increase was mainly due to a new bank loan raised for repayment of certain existing debts before the listing. The current ratio of the Group as at 30 June 2004 was 1.56 times, which was improved from the 1.24 times at 31 December 2003. The gearing ratio (total bank borrowing plus related company balances over total assets) as at 30 June 2004 was 41.5%, which was comparable to 42.4% as at 31 December 2003.

All of the above calculations do not take into account the net IPO proceeds of approximately US$81.4 million which was received by the Group in July and August 2004.

The Group adopts a prudent policy to hedge the fluctuation of exchange rates. Most of the Group's operating activities are denominated in US dollars and Hong Kong dollars. For those activities denominated in other currencies, the Group may enter into forward contracts to hedge its receivable and payable denominated in foreign currencies against the exchange rate fluctuation. As at 30 June 2004, the Group had an outstanding foreign currency exchange commitment to sell £4 million.

As at 30 June 2004, the Group had no significant contingents liabilities.

Employment and Emolument Policies

As at 30 June 2004, the Group employed approximately 18,000 employees. Fair remuneration packages and fringe benefits are offered to competent staff. There has been no change in the Group's remuneration policies since listing.

Future Plans and Prospect

The market consolidation trend is unavoidable after the removal of quota by the end of 2004. With the strong customers relationship and experience in the industry together with the right business model, the Company shall become one of the major consolidators and beneficiaries in the industry after 2004.

The Company has adopted a customer centered business model called “design-to-store” or “D2S” which provides its customers a range of services throughout the entire apparel supply chain from product design and development, manufacturing, and logistic support. This competitive business model will ensure that the Company meets the strong customers demand for fashionable, high quality, affordable prices, and speed to market.

In order to support its business model, the Company has completed a design center, which has a fabric research center, and a graphic design, and CAD design capability. The Company also completed four product development centers to service its major customers for partnership, and shall continue to build more product development centers to work with large customers to generate additional growth through such model.

In order to expand its business, and prepares for the quota free era, the Company has the following plans:

1. The Group formed a strategic alliance with Yue Yuen in 2003, the world’s largest branded footwear manufacturer and a constituent stock on the Stock Exchange. The joint venture company, Yuen Thai, aims to address the growing demand for sports and active wear in the global market. The joint venture commenced production for a well-known, name brand customer in 2004. It is expected that this active wear business will start making positive contribution to the Group’s earnings in late 2005.
2. The second 30,000 square meter manufacturing facility shall complete in our Dongguan Supply Chain City in the last quarter of 2004. This shall enable the Company to substantially increase our Dongguan production capacity in 2005.
3. The Company plans to start an Outward Processing Arrangement in Hong Kong and Macau in 2005, so that the Company can hedge the risk of any possible anti-surge provision being applied to China by the United States.
4. The Company has successfully turned around its sleepwear business of GJM. In the first half of 2004, the GJM business is able to contribute a sales increase of 45.5%. Management expects that this line of business shall continue to expand quickly. In additional to assigning production space from its casual business production to manufacture sleepwear, the company is actively seeking for outsourcing and additional production space to cater for this expansion.
5. To further expand the product range, the Group acquired Tomwell, the ladies tailor business from Kasper, a subsidiary of the Jones Apparel Group. The operations have been running smoothly since acquisition. Management is now seeking for additional production space to grow this business with our existing customers.
6. The Company shall continue to utilise its supply chain D2S platform expanding into other product areas in order to service our customers after the elimination of quota.

The successful turn around of the sleepwear business, upstart of Yuen Thai and the smooth acquisition of Tomwell, provided the management with a lot of experience and confidence for future acquisitions and joint ventures. The Company shall continue to seek for acquisition / joint venture opportunities that will fit the overall Group strategy and enhance shareholders’ value.

The management believes that despite the general decrease in the ASP in 2005, this effect would be offset by the elimination of quota cost, the reduction of fabric price as a result of lower cotton prices, and a more efficient operation due to the uplift of quota related restriction.

Operationally, the Company continues to examine its operating procedures to reduce its cost of operation. Without quota constraint, the Company shall be able to assign production in country or production line where it is most economical to manufacture. The Company continues to seek improvements in operating efficiency by engineering the production floor and manufacturing method.

In order to reduce its general and administrative cost, the Company shall continue to look at its operating procedures in order to move relevant functions to lower cost countries and to eliminate any duplicated functions.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

As at 30 June 2004, as the Company was not listed on the Stock Exchange, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

CODE OF BEST PRACTICE

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company or any of its Directors is not or was not in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules for any part of the period ended 30 June 2004.

AUDIT COMMITTEE

In compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, the Company has established an Audit Committee in June 2004. The Committee comprises three independent non-executive Directors, namely, Mr. Chan Henry, Mr. Cheung Siu Kee & Mr. Fok Kwan Wing. Mr. Fok Kwan Wing is the Chairman of the Committee.

The Audit Committee has reviewed the accounting principles & practices adopted by the Group & discussed with management the auditing, internal control & financial reporting matters including the review of the unaudited interim financial statements.

DISCLOSURE OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

An interim results announcement of the Company for the six month period ended 30 June 2004 containing all the information required by paragraph 46(1) to 46(6) of Appendix 16 of the Listing Rules will be despatched to shareholders and published on the website of the Stock Exchange (http://www.hkex.com.hk) in due course.

By order of the Board

Tan Henry

Chief Executive Officer and President

Hong Kong, 20 September 2004

As at the date of this announcement, the executive Directors are Mr. Tan Siu Lin, Mr. Tan Henry, Mr. Tan Willie and Mr. Tan Cho Lung, Raymond and the independent non-executive Directors are Mr. Chan Henry, Mr. Cheung Siu Kee and Mr. Fok Kwan Wing.

Please also refer to the published version of this announcement in The Standard.