



LUEN THAI HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 311)

PROFIT WARNING

Profit Warning

The Board wishes to inform the shareholders of the Company and investors that due to the coupling effect of the rationalization of its garment manufacturing facilities in the Philippines and the cessation of its garment manufacturing operations in Saipan, the Group's results for the year ended 31 December 2006 are expected to be unfavourably affected.

Shareholders of the Company and investors should exercise caution when dealing in the shares of the Company.

Profit Warning

The board of Directors (the "**Board**") of Luen Thai Holdings Limited (the "**Company**") and together with its subsidiaries, the "**Group**") wishes to inform the shareholders of the Company and investors that the Group's results for the year ended 31 December 2006 are expected to be unfavourably affected due to the coupling effect of the rationalization of its garment manufacturing facilities in the Philippines during last quarter of 2006 and the cessation of its garment manufacturing operations in Saipan in December 2006.

The rationalization of the Group's garment manufacturing facilities in the Philippines involved the closure of one of its three garment production bases there after due consideration of operational efficiencies and costs. The decision to terminate the Group's garment manufacturing operations in Saipan was reached after careful consideration of various factors, including but not limited to the elimination of US import quotas and the relatively higher operational costs in Saipan as compared with other jurisdictions. The Board believes that by transferring such operations elsewhere within the Group's network, the Group will be able to improve its operational efficiency in the longer run.

As a result of such cessation of operations, the Group has incurred various costs and expenses, including but not limited to severance payments to workers and administration costs for relocation of purchase orders to other members of the Group. Although such costs and expenses were incurred on a one-time basis, the Group's net profit margins for the financial year ended 31 December 2006 have been unfavourably affected.

The Board considers that the overall operations of the Group as a whole remain sound and intact. However, as the Group's consolidated results for the year ended 31 December 2006 have not yet been finalized, the Board is not in a position to quantify the extent of the financial impact of such business cessation and increase in costs on the Group at this stage. Further details of the Group's performance will be disclosed when the annual results for the year ended 31 December 2006 will be announced.

Shareholders of the Company and investors should exercise caution when dealing in the shares of the Company.

By order of the Board
Chiu Chi Cheung
Company Secretary

Hong Kong, 22 January 2007

As at the date hereof, the Board comprises the following Directors:

Executive Directors:

Tan Siu Lin (*Chairman*)
Tan Henry
Tan Cho Lung, Raymond
Tan Sunny
Mok Siu Wan, Anne

Non-executive Director:

Tan Willie

Independent Non-executive Directors:

Chan Henry
Cheung Siu Kee
Seing Nea Yie

Website: www.luenthai.com

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