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LUEN THAI HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 311)

PROFIT WARNING

This announcement is made by Luen Thai Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board of directors (the “**Board**”) of the Company wishes to inform the shareholders and potential investors of the Company that, based on the preliminary assessment of the unaudited consolidated management accounts of the Group for the year ended 31 December 2024 and other information currently available to the Board, the loss attributable to owners of the Company for the year ended 31 December 2024 (“**FY2024**”) is expected to be range between US\$32.0 million and US\$34.0 million as compared to the loss attributable to owners of the Company of approximately US\$6.0 million for the year ended 31 December 2023 (“**FY2023**”).

As disclosed in the announcement of the Company dated 30 July 2024 and the interim report of the Company for the six months ended 30 June 2024, the business of the Group has been affected by various factors, including but not limited to: (i) missed shipment and shipment delays caused by freight unavailability and compliance with customs laws and regulations in the United States of America (“**USA**”); and (ii) inventory gluts for certain major customers of the Group which caused them to scale back their manufacturing orders. Due to the aforementioned factors (“**Factors**”), the Group already incurred a loss attributable to owners of the Company of approximately US\$9.7 million during the first half of FY2024.

In order to cope with the Factors and sustain the healthy growth and profitability of the Group in the long run, the management of the Group implemented a series of internal reorganization and consolidation measures in FY2024. However, such measures gave rise to additional non-recurring expenses, including but not limited to the following:

1. non-recurring general and administrative expenses incurred during first half of FY2024, which were primarily caused by severance payments paid by the Group to former employees who were laid-off for the purpose of reducing operating costs for the Group's manufacturing plants in the longer run in view of the reduction in orders, as well as legal costs and expenses incurred relating to compliance with customs laws and regulations in the USA;
2. additional non-recurring expenses deriving from (i) the cessation of production of a loss-making factory in the People's Republic of China ("PRC"), (ii) the temporary suspension of operations of a factory in Southeast Asia, and (iii) the closure of the personal protective equipment business, which was a non-core business of the Group under the Apparel segment;
3. additional provision for impairment of inventories and tax expense which was made for the sake of prudence; and
4. non-recurring expenses incurred for the disposal of the Group's equity interest of a non-profitable partially-owned subsidiary and the deregistration of a joint venture in an attempt to minimize unnecessary cash expenditure in the future.

In addition, with the abovementioned internal reorganization and consolidation measures and the persistent impact of the Factors, certain factories of the Group were not operating at their optimal efficiency, which inevitably caused deterioration in the gross profit margin and the overall profitability of the Group.

If the abovementioned non-recurring expenses totaling approximately US\$33.2 million were excluded, the loss attributable to owners of the Company for FY2024 would be reduced to not more than US\$0.8 million, as compared to the loss attributable to owners of the Company of approximately US\$6.0 million for FY2023.

Although the abovementioned internal reorganization and consolidation measures contributed to a significant one-off loss for the Group in the short term, the Board believes that the Group is now in a position to make more effective deployment of its resources and eliminate unnecessary cash expenditure in the long run. Coupled with the continuous efforts made by the management of the Group to streamline its business operations and strengthen the efficiency of its internal management, the Group is well-prepared to reap the benefits once the consumer sentiment rebound. In addition, with a stable cash flow and sufficient cash reserve, the Board is of the view that the loss incurred in FY2024 will not affect the Group's ability to continue as a going concern.

The information contained in this announcement is only a preliminary assessment by the Board based on information currently available to it, including the unaudited consolidated management accounts of the Group for FY2024, which have not been confirmed, reviewed, audited or verified by the auditors or the audit committee of the Company. As such, the Company shall not be held liable for the accuracy of the information which may be subject to adjustment or amendment subsequently and is for reference only. The shareholders and potential investors of the Company are advised to refer to the Company's announcement on the annual results for FY2024 to be published in or around late March 2025.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

By order of the Board
Luen Thai Holdings Limited
Tan Cho Lung, Raymond
Chief Executive Officer and Executive Director

Hong Kong, 28 January 2025

As at the date of this announcement, the Board comprises Mr. Wang Weimin, Dr. Tan Siu Lin, Mr. Tan Cho Lung, Raymond, Mr. Zhang Min and Mr. Jin Xin as executive Directors; Ms. Fok Yue San, Sandy as non-executive Director; Mr. Chan Henry, Dr. Wang Ching and Mr. Lee Cheuk Yin, Dannis as independent non-executive Directors.

Company website: www.luenthai.com