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GUANGDONG TANNERY LIMITED

粵海制革有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 01058)

**UNAUDITED FINANCIAL INFORMATION
FOR THE THREE MONTHS ENDED 31 MARCH 2020**

The board of directors (the “Board”) of Guangdong Tannery Limited (the “Company”) announces the unaudited financial information of the Company and its subsidiaries (the “Group”) for the three months ended 31 March 2020 together with comparative figures. This announcement is made by the Company on a voluntary basis in order to further enhance the level of corporate governance and transparency.

FINANCIAL HIGHLIGHTS

	Three months ended 31 March		Change
	2020	2019	
	(Unaudited)	(Unaudited)	
	HK\$'000	HK\$'000	%
Revenue	<u>14,689</u>	<u>63,675</u>	-76.9
Consolidated loss attributable to shareholders of the Company	<u>(6,417)</u>	<u>(10,090)</u>	+36.4
	At 31 March	At 31 December	
	2020	2019 <i>Note</i>	
	(Unaudited)	(Audited)	
	HK\$'000	HK\$'000	
Total Assets	<u>220,213</u>	<u>238,733</u>	
Shareholders' Equity	<u>5,966</u>	<u>15,743</u>	

Note:

The financial information relating to the year ended 31 December 2019 included in this announcement as comparative information does not constitute the statutory annual consolidated financial statements of the Company for that year but is derived from those consolidated financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Chapter 622) is as follows:

The Company will deliver the consolidated financial statements for the year ended 31 December 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Chapter 622) in due course. The auditor's report has been prepared on the consolidated financial statements for the year ended 31 December 2019. The independent auditor's report was unqualified; did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Chapter 622).

PERFORMANCE HIGHLIGHTS

For the three months ended 31 March 2020, due to the outbreak of the coronavirus (COVID-19) in early 2020, the Xuzhou City Government announced the suspension of operations in early February 2020 in order to prevent the spread of the virus. When the pandemic became moderate, the Group resumed its operations in the second half of February 2020. Since the rapid development of the coronavirus pandemic, the major domestic shoe manufacturers were affected resulting in a sharp reduction of production and sales in the tanning industry in the first quarter. The Group has closely monitored the relevant situation and arranged production and sales reasonably basing on the actual market situation so as to minimize the impact of the pandemic on our production to the greatest extent. During the period under review, with an increase in other income and a decrease in administrative expenses, the Group's operating loss was reduced as compared to the same period of last year.

For the three months ended 31 March 2020, the total production volume of cowhides was 1,414,000 sq. ft., representing a decrease of 2,110,000 sq. ft. or 59.9% as compared to 3,524,000 sq. ft. for the same period of last year. The production volume of grey hides was 1,076 tons, representing an increase of 632 tons or 142.3% as compared to 444 tons for the same period of last year. The total sales volume of cowhides was 689,000 sq. ft., representing a decrease of 3,135,000 sq. ft. or 82.0% as compared to 3,824,000 sq. ft. for the same period of last year. The sales volume of grey hides was 1,076 tons, representing an increase of 233 tons or 27.6% as compared to 843 tons for the same period of last year.

For the three months ended 31 March 2020, the consolidated turnover of the Group was HK\$14,689,000, representing a decrease of HK\$48,986,000 or 76.9% from HK\$63,675,000 for the same period of last year, of which the sales value of cowhides amounted to HK\$10,762,000 (three months ended 31 March 2019: HK\$59,455,000), representing a decrease of 81.9%, and that of grey hides and other products amounted to HK\$3,927,000 (three months ended 31 March 2019: HK\$4,220,000), representing a decrease of 6.9%. The decrease in turnover was mainly attributable to decrease in sales volume of footwear leather products as a result of the impact of the coronavirus pandemic. As the downstream customers were in key pandemic areas, their resumption of production were delayed, which resulted in insufficient orders and our inability to produce and sell normally.

The consolidated loss attributable to shareholders of the Company for the three months ended 31 March 2020 was HK\$6,417,000, representing a decrease of loss of HK\$3,673,000 or 36.4% as compared to HK\$10,090,000 for the same period of last year. Such decrease of the consolidated loss attributable to the shareholders was due to the following factors: (i) an increase of other income mainly attributable to the write back of other payables during the period and (ii) a decrease of administrative expenses mainly attributable to the relief of part of social insurance expense due to the coronavirus pandemic and a decrease in severance payment compared to the same period of last year.

CAUTION STATEMENT

Shareholders of the Company and potential investors should note that the above financial information is based on the Company's internal records and management accounts. The above financial information for the three months ended 31 March 2020 have not been reviewed or audited by the independent auditor of the Company. Accordingly, the information contained in this announcement shall in no way be regarded as to provide any indication of or assurance on the financial results of the Group for the three months ended 31 March 2020.

Shareholders of the Company and potential investors are urged to exercise caution in dealing in the securities of the Company and are recommended to consult their own professional advisers if they are in doubt as to their investment positions.

By Order of the Board
Kuang Hu
Chairman

Hong Kong, 24 April 2020

As at the date of this announcement, the Board comprises two Executive Directors, namely, Mr. Kuang Hu and Mr. Sun Jun; two Non-Executive Directors, namely, Mr. Ding Yatao and Mr. Qiao Jiankang; and three Independent Non-Executive Directors, namely, Mr. Fung Lak, Mr. Choi Kam Fai, Thomas and Mr. Chan Cheong Tat.