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GUANGDONG TANNERY LIMITED

粤海制革有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 01058)

UNAUDITED FINANCIAL INFORMATION FOR THE THREE MONTHS ENDED 31 MARCH 2022

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 2022 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.

	Three months ended 31 March		Change
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	
Revenue	<u>23,405</u>	<u>52,132</u>	-55
Consolidated loss attributable to shareholders of the Company	<u>(10,280)</u>	<u>(4,572)</u>	+125
	At 31 March 2022 (Unaudited) HK\$'000	At 31 December 2021 ^{Note} (Audited) HK\$'000	
Total Assets	<u>218,623</u>	<u>228,284</u>	
Shareholders' Equity	<u>163,360</u>	<u>174,536</u>	

Note:

The financial information relating to the year ended 31 December 2021 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 2021 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 2021. 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 2022, the footwear leather market still facing the problems of overcapacity, weak demand and narrowed profitability. During the period, the Group continued to strengthen the development and design of the products, as well as implement quality control throughout the whole production process. Through optimizing the production efficiency, the Group enhanced economies of scale of the production. During the period, under the circumstances of declining sales volume and the increase in unit cost of cowhides, gross losses have been incurred. The Group's operating results have been worse than expected compared to the same period of last year. In addition, due to epidemic prevention and control in Suining County, Xuzhou, Jiangsu Province, the factory of the Group had been suspended for weeks during the period, resulting in decline in production volumes.

For the three months ended 31 March 2022, the total production volume of cowhides was approximately 1,020,000 sq. ft., representing a decrease of approximately 2,040,000 sq. ft. or 66% as compared to approximately 3,060,000 sq. ft. for the same period of last year. The production volume of grey hides was approximately 78 tons, representing a decrease of approximately 728 tons or 90% as compared to approximately 806 tons for the same period of last year. The total sales volume of cowhides was approximately 1,280,000 sq. ft., representing a decrease of approximately 2,461,000 sq. ft. or 66% as compared to 3,741,000 sq. ft. for the same period of last year. The sales volume of grey hides was approximately 78 tons, representing a decrease of approximately 728 tons or 90% as compared to approximately 806 tons for the same period of last year.

For the three months ended 31 March 2022, the consolidated turnover of the Group was approximately HK\$23,405,000, representing a decrease of approximately HK\$28,727,000 or 55% from approximately HK\$52,132,000 for the same period of last year, of which the sales value of cowhides amounted to approximately HK\$23,405,000 (three months ended 31 March 2021: approximately HK\$49,156,000), representing a decrease of 52%, and that of grey hides and other products amounted to nil (three months ended 31 March 2021: approximately HK\$2,976,000), representing a decrease of 100%. The decrease in turnover was mainly attributable to the weak demand of cowhides products.

The consolidated loss attributable to shareholders of the Company for the three months ended 31 March 2021 was approximately HK\$10,280,000, representing an increase of loss of HK\$5,708,000 or 125% as compared to HK\$ HK\$4,572,000 for the same period of last year. Such increase in the consolidated loss attributable to shareholders was mainly attributable to the weakening market demand for cowhides products.

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 2022 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 2022.

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
Zhou Hao
Chairman

Hong Kong, 21 April 2022

As at the date of this announcement, the Board comprises two Executive Directors, namely, Mr. Zhou Hao and Mr. Sun Jun; two Non-Executive Directors, namely, Mr. Huang Junfeng and Mr. Kuang Hu; and three Independent Non-Executive Directors, namely, Mr. Yeung Man Lee, Mr. Leung Luen Cheong and Mr. Yang Ge.