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粵海制革有限公司

GUANGDONG TANNERY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 1058)

UNAUDITED FIRST QUARTER UPDATE FOR THE THREE MONTHS ENDED 31 MARCH 2014

This announcement is made by Guangdong Tannery Limited (“the Company”) on a voluntary basis in pursuit of a higher standard of corporate governance and in promoting the Company’s transparency.

FINANCIAL HIGHLIGHTS

	Three months ended 31 March		Change %
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	
Revenue	<u>151,192</u>	<u>160,650</u>	-5.9
Profit attributable to shareholders of the Company	<u>824</u>	<u>708</u>	+16.4
	At 31 March 2014 (Unaudited) HK\$'000	At 31 December 2013 (Audited) HK\$'000	
Total Assets	<u>596,475</u>	<u>637,324</u>	
Net Assets	<u>349,262</u>	<u>352,812</u>	

HIGHLIGHTS OF FIRST QUARTER PERFORMANCE

In the first quarter of 2014, the internal and external environment of the leather industry was still influenced by the unfavourable situation, where there is a chance of weakening sales in the international market, lagging sales in the domestic market and non-convergence between upstream and downstream sectors, the footwear leather industry remains bogged down. Both the production and sales volume of the Company and its subsidiaries (collectively referred to as the “Group”) were decreased as compared for the same period of last year. For the first quarter ended 31 March 2014, the production volume of cowhides was 5,135,000 sq. ft., representing a decrease of 2,654,000 sq. ft. or 34.1% as compared to 7,789,000 sq. ft. for the same period of last year. The production volume of grey hides was 1,236 tons, representing a decrease of 1,405 tons or 53.2% as compared to 2,641 tons for the same period of last year. The sales volume of cowhides was 6,193,000 sq. ft., representing a decrease of 709,000 sq. ft. or 10.3% as compared to 6,902,000 sq. ft. for same period of last year. The sales volume of grey hides was 1,236 tons, representing a decrease of 1,405 tons or 53.2% as compared to 2,641 tons for the same period of last year.

For the first quarter ended 31 March 2014, the consolidated turnover of the Group was HK\$151,192,000, representing a decrease of HK\$9,458,000 or 5.9% from HK\$160,650,000 for the same period of last year, of which the sales value of cowhides amounted to HK\$132,662,000 (three months ended 31 March 2013: HK\$142,193,000), representing a decrease of 6.7%, and that of grey hides and other products amounted to HK\$18,530,000 (three months ended 31 March 2013: HK\$18,457,000), representing an increase of 0.4%. The decline in turnover was mainly attributable to the combined effects of the decrease in the sales volume of cowhides setting off against the increase in the selling price. Profit attributable to shareholders of the Company for the first quarter was HK\$824,000, representing an increase of HK\$116,000 or 16.4% as compared to HK\$708,000 for the same period of last year.

CAUTION STATEMENT

The board of directors of the Company wishes to remind investors that the above financial data is based on the Company’s internal records and management accounts. The above financial data for the first quarter of 2014 have not been reviewed or audited by the auditors 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 2014.

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
Chen Hong
Chairman

Hong Kong, 28 April 2014

As at the date of this announcement, the board of the Company comprises two Executive Directors, namely Mr. Chen Hong and Mr. Sun Jun; three Non-Executive Directors, namely Mr. Liu Bing, Mrs. Ho Lam Lai Ping, Theresa and Mr. Qiao Jiankang; and three Independent Non-Executive Directors, namely Mr. Fung Lak, Mr. Choi Kam Fai, Thomas and Mr. Chan Cheong Tat.