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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)**

## PROFIT WARNING

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions under Part XIVA of the SFO.

The Board wishes to inform the shareholders of the Company and potential investors that the Group is expected to record a consolidated net loss of approximately HK\$38 million for the year ended 31 December 2015 as compared with a consolidated net profit of HK\$1.998 million in 2014.

The information contained in this announcement is only a preliminary assessment by the management of the Company based on the latest available information and is subject to possible adjustments following further internal review as well as end of year adjustments, if any, and is not based on any figure or information which has been reviewed by the Company's auditors or audit committee.

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

This announcement is made by Guangdong Tannery Limited (the "Company", together with its subsidiaries, referred to as 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 "SFO").

The board of directors (the “Board”) of the Company wishes to inform the shareholders of the Company and potential investors that based on the current estimate of the Company’s management, the Group is expected to record a consolidated net loss of approximately HK\$38 million for the year ended 31 December 2015 as compared with a consolidated net profit of HK\$1.998 million in 2014, a turnaround from profit to loss. Such significant decrease was mainly due to the following factors:

- (i) a significant drop in gross profit of the Group as compared to last year brought about by the decrease in turnover, which is mainly attributable to the significant decrease in unit selling price of grey hides, and the significant decrease in gross profit margin of grey hides;
- (ii) provision for inventories is made, while reversal of provision for inventories was made in last year;
- (iii) depreciation of Renminbi against United States dollars resulting in an increase in exchange loss generated from non-Renminbi denominated net borrowings in relation to import procurement business; and
- (iv) an impairment loss of property, plant and equipment is made.

However, as the Company is still in the process of finalising its consolidated results for the year ended 31 December 2015, the information contained in this announcement is only a preliminary assessment by the management of the Company based on the latest available information and is subject to possible adjustments following further internal review as well as end of year adjustments, if any, and is not based on any figure or information which has been reviewed by the Company’s auditors or audit committee. The audited annual results of the Group for the year ended 31 December 2015 are expected to be announced in March 2016.

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

By order of the Board  
**Chen Hong**  
*Chairman*

Hong Kong, 25 January 2016

*As at the date of this announcement, the Board comprises two Executive Directors, namely Mr. Chen Hong and Mr. Sun Jun; two Non-Executive Directors, namely Mr. Ran Bo and Mr. Qiao Jiankang; and three Independent Non-Executive Directors, namely Mr. Fung Lak, Mr. Choi Kam Fai, Thomas and Mr. Chan Cheong Tat.*