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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\$12 million for the three months ended 31 March 2016, representing a significant increase in consolidated net loss as compared with a consolidated net loss of HK\$3.768 million for the corresponding period in 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 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\$12 million for the three months ended 31 March 2016 (the “Period”), representing a significant increase in consolidated net loss as compared with a consolidated net loss of HK\$3.768 million for the corresponding period in 2015. Such significant increase in the consolidated net loss was mainly due to the following factors:

- (i) a decrease in turnover brought about by the significant decrease in sales volume as a result of the continually shrink in footwear leather market demand in general;
- (ii) a significant drop in gross profit mainly attributable to the decrease in selling price of products being greater than that in unit cost, resulting in the significant decrease in gross profit margin of the Group;
- (iii) no government subsidies was received for the Period, whereas government subsidies of HK\$1.54 million was received for the corresponding period of last year; and
- (iv) 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.

The Board considers that the financial position of the Group remains solid and the Group is capable of financing its operations by its own internal resources and available banking facilities.

However, as the Company is still in the process of finalising its unaudited results for the three months ended 31 March 2016, 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 and is not based on any figure or information which has been reviewed by the Company’s auditors or audit committee. The unaudited financial information of the Group for the three months ended 31 March 2016 is expected to be announced by the end of April 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
Sun Jun
Chairman and Managing Director

Hong Kong, 11 April 2016

As at the date of this announcement, the Board comprises one Executive Director, namely Mr. Sun Jun; three Non-Executive Directors, namely Mr. Xiao Zhaoyi, Mr. Kuang Hu and Mr. Ran Bo; and three Independent Non-Executive Directors, namely Mr. Fung Lak, Mr. Choi Kam Fai, Thomas and Mr. Chan Cheong Tat.