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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 FINANCIAL INFORMATION FOR THE THREE MONTHS ENDED 31 MARCH 2016

This announcement is made by Guangdong Tannery Limited (“the Company”) on a voluntary basis in order to further enhance the level of corporate governance and transparency.

<b>FINANCIAL HIGHLIGHTS</b>			
	<b>Three months ended 31 March</b>		<b>Change</b>
	<b>2016</b>	<b>2015</b>	
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>%</b>
<b>Revenue</b>	<u>98,940</u>	<u>162,755</u>	-39.2
<b>Loss attributable to shareholders of the Company</b>	<u>(12,322)</u>	<u>(3,768)</u>	-227.0
	<b>At 31 March</b>	<b>At 31 December</b>	
	<b>2016</b>	<b>2015</b> <sup>Note</sup>	
	<b>(Unaudited)</b>	<b>(Audited)</b>	
	<b>HK\$'000</b>	<b>HK\$'000</b>	
<b>Total Assets</b>	<u>557,757</u>	<u>607,018</u>	
<b>Shareholders' Equity</b>	<u>279,589</u>	<u>290,615</u>	

Note:

*The financial information relating to the year ended 31 December 2015 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 is as follows:*

*The Company will deliver the consolidated financial statements for the year ended 31 December 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance in due course. The Company's auditors have reported on the consolidated financial statements for the year ended 31 December 2015. The auditors' 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.*

## **HIGHLIGHTS OF PERFORMANCE FOR THE FIRST THREE MONTHS OF 2016**

In the first three months of 2016, footwear leather market remains stagnant. Under the circumstances of overcapacity and fierce competition in the industry, coupled with the increasingly stringent requirements imposed on tannery industry under the environmental protection policies of the People's Republic of China, the competition is further intensified. During the period, the Company and its subsidiaries (collectively referred to as the "Group") positively responded to the ever-changing market environment by adhering to its established prudent operating strategy. On one hand, the Group took active steps in analysing the market trends, managing scale of production, tightening the production costs. On the other hand, the Group continues to keep abreast of the market trend, proactively conduct product development, optimise its product mix and bring greater added value to its products. However, due to the decrease in both sales volume and price, the decrease in gross profit margin and the depreciation of Renminbi, the Group's recorded a significant downturn in its operating results.

For the three months ended 31 March 2016, the production volume of cowhides was 4,996,000 sq. ft., representing a decrease of 2,622,000 sq. ft. or 34.4% as compared to 7,618,000 sq. ft. for the same period of last year. The production volume of grey hides was 1,065 tons, representing a decrease of 1,332 tons or 55.6% as compared to 2,397 tons for the same period of last year. The sales volume of cowhides was 4,959,000 sq. ft., representing a decrease of 1,539,000 sq. ft. or 23.7% as compared to 6,498,000 sq. ft. for the same period of last year. The sales volume of grey hides was 1,084 tons, representing a decrease of 1,302 tons or 54.6% as compared to 2,386 tons for the same period of last year.

For the three months ended 31 March 2016, the consolidated turnover of the Group was HK\$98,940,000, representing a decrease of HK\$63,815,000 or 39.2% from HK\$162,755,000 for the same period of last year, of which the sales value of cowhides amounted to HK\$94,538,000 (three months ended 31 March 2015: HK\$144,221,000), representing a decrease of 34.4%, and that of grey hides and other products amounted to HK\$4,402,000 (three months ended 31 March 2015: HK\$18,534,000), representing a decrease of 76.2%. The decrease in turnover was mainly attributable to the decrease in sales volume as a result of the continually shrink in footwear leather market demand in general and the decrease in selling price.

The loss attributable to shareholders of the Company for the three months ended 31 March 2016 was HK\$12,322,000, representing an increase of loss of HK\$8,554,000 or 227.0% as compared to the loss attributable to shareholders of HK\$3,768,000 for the same period of last year. Such increase of loss was mainly attributable to the following factors: (i) 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; (ii) no government subsidies was received for the period, whereas government subsidies of HK\$1,542,000 was received for the corresponding period of last year; and (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.

## **CAUTION STATEMENT**

The board of directors of the Company wishes to remind shareholders of the Company and potential investors that the above financial data is based on the Company's internal records and management accounts. The above financial data for the three months ended 31 March 2016 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 2016.

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

**Sun Jun**

*Chairman and Managing Director*

Hong Kong, 25 April 2016

*As at the date of this announcement, the board of directors of the Company 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.*