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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 2017

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 2017 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
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	
<b>Revenue</b>	<u><u>87,503</u></u>	<u><u>98,940</u></u>	-11.6
<b>Consolidated loss attributable to shareholders of the Company</b>	<u><u>(8,657)</u></u>	<u><u>(12,322)</u></u>	+29.7
	<b>At 31 March 2017 (Unaudited) HK\$'000</b>	<b>At 31 December 2016 <sup>Note</sup> (Audited) HK\$'000</b>	
<b>Total Assets</b>	<u><u>479,711</u></u>	<u><u>555,623</u></u>	
<b>Shareholders' Equity</b>	<u><u>219,308</u></u>	<u><u>225,392</u></u>	

Note:

*The financial information relating to the year ended 31 December 2016 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 has delivered the consolidated financial statements for the year ended 31 December 2016 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). Auditor's report has been prepared on the consolidated financial statements for the year ended 31 December 2016. 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 (Chapter 622).*

## **HIGHLIGHTS OF PERFORMANCE FOR THE FIRST THREE MONTHS OF 2017**

In the first three months of 2017, the footwear leather market remains stagnant with the low demand from domestic and overseas markets, as well as the low consumer demand, coupled with the enforcement of stricter environmental policy by the government. During the period, the Group positively responded to the negative impacts from the sluggish market by adhering to its established prudent operating strategy. On one hand, the Group stabilized its sales market, managed the scale of production and tightened the production costs. On the other hand, the Group continued to develop stronger technical skills and innovative capability, optimise its product mix and bring greater added value to its products. During the period, due to the increase in gross profit and the reduction in exchange loss, the Group recorded a slightly rebound in its operating results.

For the three months ended 31 March 2017, the total production volume of cowhides was 5,365,000 sq. ft., representing an increase of 369,000 sq. ft. or 7.4% as compared to 4,996,000 sq. ft. for the same period of last year. The production volume of grey hides was 2,241 tons, representing an increase of 1,176 tons or 110.4% as compared to 1,065 tons for the same period of last year. The total sales volume of cowhides was 4,448,000 sq. ft., representing a decrease of 511,000 sq. ft. or 10.3% as compared to 4,959,000 sq. ft. for the same period of last year. The sales volume of grey hides was 2,255 tons, representing an increase of 1,171 tons or 108.0% as compared to 1,084 tons for the same period of last year.

For the three months ended 31 March 2017, the consolidated turnover of the Group was HK\$87,503,000, representing a decrease of HK\$11,437,000 or 11.6% from HK\$98,940,000 for the same period of last year, of which the sales value of cowhides amounted to HK\$78,962,000 (three months ended 31 March 2016: HK\$94,538,000), representing a decrease of 16.5%, and that of grey hides and other products amounted to HK\$8,541,000 (three months ended 31 March 2016: HK\$4,402,000), representing an increase of 94.0%. The decrease in turnover was mainly attributable to the decrease in both selling price and sales volume of cowhides.

The consolidated loss attributable to shareholders of the Company for the three months ended 31 March 2017 was HK\$8,657,000, representing a decrease of loss of HK\$3,665,000 or 29.7% as compared to the consolidated loss attributable to shareholders of HK\$12,322,000 for the same period of last year. Such decrease of the consolidated loss was mainly attributable to the following factors: (i) an increase of gross profit mainly attributable to the decrease in selling price of cowhides being smaller than that in unit cost, resulting in the increase in gross profit margin of the Group and (ii) less exchange fluctuation of Renminbi against United States dollars resulting in a decrease in exchange loss generated from non-Renminbi denominated net borrowings in relation to import procurement business.

## **CAUTION STATEMENT**

The Board wishes to remind shareholders of the Company and potential investors 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 2017 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 2017.

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, 27 April 2017

*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.*