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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 consolidated net loss of the Group for the year ended 31 December 2017 is expected to increase by over 140% as compared with the audited consolidated net loss of HK\$39.99 million in 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 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 consolidated net loss of the Group for the year ended 31 December 2017 is expected to increase by over 140% as compared with the audited consolidated net loss of HK\$39.99 million in 2016. Such increase in the consolidated net loss was mainly due to the following factors:

- (i) a decrease in turnover of the Group brought about by the decrease in sales volume and selling price of footwear leather products as a result of the continually shrink in footwear leather market demand in general; and according to the remediation request regarding coal-fired boilers issued by the PRC Government, the only boiler which was used in the processing of cowhides had been removed on 1 December 2017 and, accordingly, the Group had temporarily suspended production which resulted in further decrease in turnover of the Group in December 2017;
- (ii) a significant increase in gross loss mainly attributable to the decrease in selling price of products while increase in unit cost;
- (iii) a substantial provision for inventories is made, while reversal of provision for inventories was made in 2016; and
- (iv) an impairment loss of property, plant and equipment is further made.

However, as the Company is still in the process of finalising its consolidated results for the year ended 31 December 2017, 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 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 2017 is expected to be announced in March 2018.

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, 22 January 2018

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.