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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 2018

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 2018 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.

FINANCIAL HIGHLIGHTS			
	Three months ended 31 March		Change
	2018	2017	
	(Unaudited)	(Unaudited)	
	HK\$'000	HK\$'000	%
Revenue	<u>61,622</u>	<u>87,503</u>	-29.6
Consolidated loss attributable to shareholders of the Company	<u>(18,774)</u>	<u>(8,657)</u>	-116.9
	At 31 March	At 31 December	
	2018	2017 ^{Note}	
	(Unaudited)	(Audited)	
	HK\$'000	HK\$'000	
Total Assets	<u>406,290</u>	<u>420,915</u>	
Shareholders' Equity	<u>145,478</u>	<u>151,272</u>	

Note:

The financial information relating to the year ended 31 December 2017 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 will deliver the consolidated financial statements for the year ended 31 December 2017 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) in due course. The auditor's report has been prepared on the consolidated financial statements for the year ended 31 December 2017. The auditor's 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 2018

In the first three months of 2018, the footwear leather market remained stagnant with low demand from both the domestic and overseas markets, coupled with diversified consumer demand and the increasingly stringent enforcement of environmental policies by the government. During the period, the Group adhered to its prudent operating strategy and took active steps in response to the negative impacts from the sluggish market. On one hand, the Group steadied its sales market, vigorously shrunk inventory and strictly controlled the production costs. On the other hand, the Group stepped up its capability for technical skill innovations and optimized its product mix. During the period, under the circumstances of falling selling price, rising unit cost and increased gross loss, the Group recorded a further downturn in its operating results.

For the three months ended 31 March 2018, the total production volume of cowhides was 4,287,000 sq. ft., representing a decrease of 1,078,000 sq. ft. or 20.1% as compared to 5,365,000 sq. ft. for the same period of last year. The production volume of grey hides was 413 tons, representing a decrease of 1,828 tons or 81.6% as compared to 2,241 tons for the same period of last year. The total sales volume of cowhides was 3,325,000 sq. ft., representing a decrease of 1,123,000 sq. ft. or 25.2% as compared to 4,448,000 sq. ft. for the same period of last year. The sales volume of grey hides was 413 tons, representing a decrease of 1,842 tons or 81.7% as compared to 2,255 tons for the same period of last year.

For the three months ended 31 March 2018, the consolidated turnover of the Group was HK\$61,622,000 representing a decrease of HK\$25,881,000 or 29.6% from HK\$87,503,000 for the same period of last year, of which the sales value of cowhides amounted to HK\$60,239,000 (three months ended 31 March 2017: HK\$78,962,000), representing a decrease of 23.7%, and that of grey hides and other products amounted to HK\$1,383,000 (three months ended 31 March 2017: HK\$8,541,000), representing a decrease of 83.8%. The decrease in turnover was mainly attributable to the decrease in selling price and sales volume of products.

The consolidated loss attributable to shareholders of the Company for the three months ended 31 March 2018 was HK\$18,774,000, representing an increase of loss of HK\$10,117,000 or 116.9% as compared to the consolidated loss attributable to shareholders of HK\$8,657,000 for the same period of last year. Such increase of the consolidated loss was mainly attributable to the decrease in selling price of products while increase in unit cost, resulting in a turnaround from gross profit to gross loss of footwear leather products and a provision for inventories is made in the current period, while reversal of provision for inventories was made in the corresponding period, resulting in a significant increase in loss attributable to shareholders of the Group during the period.

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 2018 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 2018.

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 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. Ding Yatao; and three Independent Non-Executive Directors, namely Mr. Fung Lak, Mr. Choi Kam Fai, Thomas and Mr. Chan Cheong Tat.