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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 2019

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 2019 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 %
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	
Revenue	<u>63,675</u>	<u>61,622</u>	+3.3
Consolidated loss attributable to shareholders of the Company	<u>(10,090)</u>	<u>(18,774)</u>	+46.3
	At 31 March 2019 (Unaudited) HK\$'000	At 31 December 2018 ^{Note} (Audited) HK\$'000	
Total Assets	<u>273,436</u>	<u>284,736</u>	
Shareholders' Equity	<u>53,965</u>	<u>59,093</u>	

Note:

The financial information relating to the year ended 31 December 2018 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 2018 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 2018. 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 2019

In the first three months of 2019, economic downturn was expected to carry on in the industry. The overall demand of the footwear leather market was continuously shrinking. During the period, the Group steadfastly furthered its operating strategy on destocking, performed product research and development with reference to its inventories, so as to bring about further improvements in the inventories in terms of both structure and aggregate volume. Meanwhile, the Group continued to step up its efforts in market research and survey, enhanced the promotion of its products, and maintained the stability of its production and sales. During the period, under the circumstances of rising sales volume and decreased gross loss due to the decrease in unit cost of cowhides being greater than the decrease in unit selling price of cowhides, the Group's operating results improved compared to the same period last year.

For the three months ended 31 March 2019, the total production volume of cowhides was 3,524,000 sq. ft., representing a decrease of 763,000 sq. ft. or 17.8% as compared to 4,287,000 sq. ft. for the same period of last year. The production volume of grey hides was 444 tons, representing an increase of 31 tons or 7.5% as compared to 413 tons for the same period of last year. The total sales volume of cowhides was 3,824,000 sq. ft., representing an increase of 499,000 sq. ft. or 15.0% as compared to 3,325,000 sq. ft. for the same period of last year. The sales volume of grey hides was 843 tons, representing an increase of 430 tons or 104.1% as compared to 413 tons for the same period of last year.

For the three months ended 31 March 2019, the consolidated turnover of the Group was HK\$63,675,000 representing an increase of HK\$2,053,000 or 3.3% from HK\$61,622,000 for the same period of last year, of which the sales value of cowhides amounted to HK\$59,455,000 (three months ended 31 March 2018: HK\$60,239,000), representing a decrease of 1.3%, and that of grey hides and other products amounted to HK\$4,220,000 (three months ended 31 March 2018: HK\$1,383,000), representing an increase of 205.1%. The increase in turnover was mainly attributable to the increase in unit selling price and sales volume of grey hides products.

The consolidated loss attributable to shareholders of the Company for the three months ended 31 March 2019 was HK\$10,090,000, representing a decrease of loss of HK\$8,684,000 or 46.3% as compared to the consolidated loss attributable to shareholders of HK\$18,774,000 for the same period of last year. Such decrease in the consolidated loss attributable to shareholders was mainly due to significant decrease in gross loss mainly attributable to the decrease in unit cost of cowhides being greater than the decrease in unit selling price of cowhides, resulting in a significant decrease in gross loss margin of the Group.

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 2019 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 2019.

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, 29 April 2019

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.