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粵海制革有限公司

GUANGDONG TANNERY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 01058)

UNAUDITED FINANCIAL INFORMATION FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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 nine months ended 30 September 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.

FINANCIAL HIGHLIGHTS			
	Nine months ended 30 September		Change
	2019	2018	
	(Unaudited)	(Unaudited)	
	HK\$'000	HK\$'000	%
Revenue	<u>128,998</u>	<u>170,300</u>	-24.3
Consolidated loss attributable to shareholders of the Company	<u>(29,361)</u>	<u>(60,296)</u>	+51.3
	At 30 September	At 31 December	
	2019	2018	<i>Note</i>
	(Unaudited)	(Audited)	
	HK\$'000	HK\$'000	
Total Assets	<u>239,437</u>	<u>284,736</u>	
Shareholders' Equity	<u>23,614</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 has delivered 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). 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 auditor 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).

PERFORMANCE HIGHLIGHTS

For the nine months ended 30 September 2019, an overcapacity in the footwear leather market resulted in continuous shrinking demand of the industry. During the period, the Group endeavored to reduce its existing inventory level. Taking into account of the sales order, the Group conducted theme-based research with reference to its inventories. Meanwhile, the Group carried out market exploration proactively, strengthened its ability on market research and survey as well as enhanced the promotion and sales of leather inventory in an effort to realize the inventory. During the period, though sales recorded a decrease due to the downward movement of the industry, the decrease in unit cost of cowhides was greater than the decrease in unit selling price of cowhides, which resulted in a decrease in gross loss. Thus, the Group's operating results was improved as compared to the same period of last year.

For the nine months ended 30 September 2019, the total production volume of cowhides was 7,023,000 sq. ft., representing a decrease of 2,935,000 sq. ft. or 29.5% as compared to 9,958,000 sq. ft. for the same period of last year. The production volume of grey hides was 1,058 tons, representing a decrease of 785 tons or 42.6% as compared to 1,843 tons for the same period of last year. The total sales volume of cowhides was 7,974,000 sq. ft., representing a decrease of 1,732,000 sq. ft. or 17.8% as compared to 9,706,000 sq. ft. for the same period of last year. The sales volume of grey hides was 1,458 tons, representing a decrease of 385 tons or 20.9% as compared to 1,843 tons for the same period of last year.

For the nine months ended 30 September 2019, the consolidated turnover of the Group was HK\$128,998,000 representing a decrease of HK\$41,302,000 or 24.3% from HK\$170,300,000 for the same period of last year, of which the sales value of cowhides amounted to HK\$122,767,000 (nine months ended 30 September 2018: HK\$164,286,000), representing a decrease of 25.3%, and that of grey hides and other products amounted to HK\$6,231,000 (nine months ended 30 September 2018: HK\$6,014,000), representing an increase of 3.6%. The decrease in turnover was mainly attributable to decrease in sales volume and unit selling price of footwear leather products as a result of the continually shrink in footwear leather market demand in general.

The consolidated loss attributable to shareholders of the Company for the nine months ended 30 September 2019 was HK\$29,361,000, representing a decrease of loss of HK\$30,935,000 or 51.3% as compared to HK\$60,296,000 for the same period of last year. Such decrease in the consolidated loss attributable to shareholders was mainly due 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 and gross loss. And there was a substantial decrease in the impairment on items of plant and equipment during the period, as compared to the corresponding period of last year.

CAUTION STATEMENT

Shareholders of the Company and potential investors should note that the above financial information is based on the Company's internal records and management accounts. The above financial information for the nine months ended 30 September 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 nine months ended 30 September 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
Kuang Hu
Chairman

Hong Kong, 25 October 2019

As at the date of this announcement, the Board comprises two Executive Directors, namely, Mr. Kuang Hu and Mr. Sun Jun; two Non-Executive Directors, namely, Mr. Xiao Zhaoyi and Mr. Ding Yatao; and three Independent Non-Executive Directors, namely, Mr. Fung Lak, Mr. Choi Kam Fai, Thomas and Mr. Chan Cheong Tat.