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## GUANGDONG TANNERY LIMITED

### 粵海制革有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 01058)

## UNAUDITED FINANCIAL INFORMATION

### FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020

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 2020 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.

	For the nine months ended 30 September		Change
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	
Revenue	<u>118,798</u>	<u>128,998</u>	-7.9
Consolidated loss attributable to shareholders of the Company	<u>(13,094)</u>	<u>(29,361)</u>	+55.4
	At 30 September 2020 (Unaudited) HK\$'000	At 31 December 2019 <sup>Note</sup> (Audited) HK\$'000	
Total Assets	<u>227,580</u>	<u>238,733</u>	
Shareholders' Equity	<u>8,759</u>	<u>15,743</u>	

Note:

*The financial information relating to the year ended 31 December 2019 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 2019 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 2019. The independent 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 2020, although the COVID-19 pandemic (the "Pandemic") has slowed down, the footwear leather market was still facing a number of problems including overcapacity and weak demand, which led to a narrowed profitability in the tannery industry. The Group had paid close attention to the changes in the market, made reasonable arrangements on production and sales with regard to the actual market situation, and strengthened its control over various costs to minimize the impact of the Pandemic on our production to the greatest extent. During the period, with the narrowing down of gross loss, a decrease in administrative expenses and an increase in other operating income, the Group's operating loss was reduced as compared to the same period last year.

For the nine months ended 30 September 2020, the total production volume of cowhides was 8,182,000 sq. ft., representing an increase of 1,159,000 sq. ft. or 16.5% as compared to 7,023,000 sq. ft. for the same period last year. The production volume of grey hides was 5,031 tons, representing an increase of 3,973 tons or 375.5% as compared to 1,058 tons for the same period last year. The total sales volume of cowhides was 8,386,000 sq. ft., representing an increase of 412,000 sq. ft. or 5.2% as compared to 7,974,000 sq. ft. for the same period last year. The sales volume of grey hides was 5,031 tons, representing an increase of 3,573 tons or 245.1% as compared to 1,458 tons for the same period last year.

For the nine months ended 30 September 2020, the consolidated turnover of the Group was HK\$118,798,000, representing a decrease of HK\$10,200,000 or 7.9% from HK\$128,998,000 for the same period last year, of which the sales value of cowhides amounted to HK\$102,992,000 (nine months ended 30 September 2019: HK\$122,767,000), representing a decrease of 16.1%, and that of grey hides and other products amounted to HK\$15,806,000 (nine months ended 30 September 2019: HK\$6,231,000), representing an increase of 153.7%. The decrease in turnover was mainly attributable to the downward trend in the retailing price of leather end-products which led to a drop in the price of the Group's footwear leather products. Coupled with the impact of the Pandemic in the first half year, the sales revenue was thus decreased.

The consolidated loss attributable to shareholders of the Company for the nine months ended 30 September 2020 was HK\$13,094,000, representing a decrease of loss of HK\$16,267,000 or 55.4% as compared to HK\$29,361,000 for the same period last year. Such a decrease in loss was mainly due to a reduction in gross loss and a decrease in administrative expenses mainly attributable to the decrease in employee compensation compared to the same period last year, as well as an increase in other operating income mainly attributable to the reversal of impairment of receivables, other payables and accruals during the period.

## 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 2020 have not been reviewed or audited by the independent auditor 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 2020.

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, 23 October 2020

*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. Ding Yatao and Mr. Qiao Jiankang; and three Independent Non-Executive Directors, namely Mr. Yeung Man Lee, Mr. Leung Luen Cheong and Mr. Yang Ge.*