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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 2021

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 2021 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	For the nine months ended 30 September		Change %
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	
Revenue	<u>158,334</u>	<u>118,798</u>	+33.3
Consolidated loss attributable to shareholders of the Company	<u>(9,806)</u>	<u>(13,094)</u>	+25.1
	At 30 September 2021 (Unaudited) HK\$'000	At 31 December 2020 <sup>Note</sup> (Audited) HK\$'000	
Total Assets	<u>224,874</u>	<u>251,528</u>	
Shareholders' Equity	<u>180,719</u>	<u>27,944</u>	

Note:

*The financial information relating to the year ended 31 December 2020 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 2020 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 2020. 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 2021, the tannery industry has been facing pressure of rising raw material costs such as cowhides and chemicals. Coupled with the resurgence of the pandemic in some regions in mainland China, the production and operation of leather processing enterprises in China are severely affected. During the period, the Group actively strengthened its research and development in techniques and stepped up its efforts in developing high-end and high value-added products. In the meantime, the Group also strengthened its cost control, continued to expand its external processing business, enhanced economies of scale, reduced costs and increased efficiency. During the period, driven by the increase in sales volume and unit selling price, and the decrease in unit cost of cowhides products, gross profit had a turnaround from loss to profit. The Group's operating results have been improved as compared to the same period of last year.

For the nine months ended 30 September 2021, the total production volume of cowhides was 9,616,000 sq. ft., representing an increase of 1,434,000 sq. ft. or 17.5% as compared to 8,182,000 sq. ft. for the same period of last year. The production volume of grey hides was 4,720 tons, representing a decrease of 311 tons or 6.2% as compared to 5,031 tons for the same period of last year. The total sales volume of cowhides was 10,011,000 sq. ft., representing an increase of 1,625,000 sq. ft. or 19.4% as compared to 8,386,000 sq. ft. for the same period of last year. The sales volume of grey hides was 4,720 tons, representing a decrease of 311 tons or 6.2% as compared to 5,031 tons for the same period of last year.

For the nine months ended 30 September 2021, the consolidated turnover of the Group was HK\$158,334,000, representing an increase of HK\$39,536,000 or 33.3% from HK\$118,798,000 for the same period of last year, of which the sales value of cowhides amounted to HK\$138,981,000 (nine months ended 30 September 2020: HK\$102,992,000), representing an increase of 34.9%, and that of grey hides and other products amounted to HK\$19,353,000 (nine months ended 30 September 2020: HK\$15,806,000), representing an increase of 22.4%. The increase in turnover was mainly attributable to the increase in sales volume and unit selling price of cowhides products.

The consolidated loss attributable to shareholders of the Company for the nine months ended 30 September 2021 was HK\$9,806,000 representing a decrease of loss of HK\$3,288,000 or 25.1% as compared to HK\$13,094,000 for the same period of last year. Such decrease in the consolidated loss attributable to shareholders was mainly attributable to the decrease in unit cost of cowhides, coupled with the increase in sales volume and unit selling price of cowhides, resulting in a turnaround of gross loss to gross profit of the Group.

## 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 2021 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 2021.

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, 28 October 2021

*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.*