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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 NINE MONTHS ENDED 30 SEPTEMBER 2015

This announcement is made by Guangdong Tannery Limited (“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
	2015	2014	
	(Unaudited)	(Unaudited)	
	HK\$'000	HK\$'000	%
Revenue	<u>514,782</u>	<u>554,596</u>	-7.2
Profit/(loss) attributable to shareholders of the Company	<u>(24,341)</u>	<u>3,694</u>	N/A
	At 30 September	At 31 December	
	2015	2014	
	(Unaudited)	(Audited)	
	HK\$'000	HK\$'000	
Total Assets	<u>736,028</u>	<u>759,053</u>	
Shareholders' Equity	<u>310,028</u>	<u>352,553</u>	

HIGHLIGHTS OF PERFORMANCE FOR THE FIRST NINE MONTHS OF 2015

In the first nine months of 2015, the footwear leather market remains stagnant with overproduction and disorderly competition in the industry. Coupled with more stringent requirements of environmental protection policies as imposed by the State on tannery industry, the competition is further intensified. During the period, the Company and its subsidiaries (collectively referred to as the “Group”) proactively conduct research on the industry, market and products of tannery market, closely monitor the market trend and make adjustment on product mix in order to strengthen its competitiveness. However, due to the decrease in gross profit margin of grey hides and the depreciation of Renminbi, the Group’s operating results declined significantly.

For the nine months ended 30 September 2015, the production volume of cowhides was 22,000,000 sq. ft., representing an increase of 1,932,000 sq. ft. or 9.6% as compared to 20,068,000 sq. ft. for the same period of last year. The production volume of grey hides was 8,644 tons, representing an increase of 2,557 tons or 42.0% as compared to 6,087 tons for the same period of last year. The sales volume of cowhides was 21,400,000 sq. ft., representing a decrease of 281,000 sq. ft. or 1.3% as compared to 21,681,000 sq. ft. for the same period of last year. The sales volume of grey hides was 8,644 tons, representing an increase of 2,557 tons or 42.0% as compared to 6,087 tons for the same period of last year.

For the nine months ended 30 September 2015, the consolidated turnover of the Group was HK\$514,782,000, representing a decrease of HK\$39,814,000 or 7.2% from HK\$554,596,000 for the same period of last year, of which the sales value of cowhides amounted to HK\$467,914,000 (nine months ended 30 September 2014: HK\$480,575,000), representing a decrease of 2.6%, and that of grey hides and other products amounted to HK\$46,868,000 (nine months ended 30 September 2014: HK\$74,021,000), representing a decrease of 36.7%. The decrease in turnover was mainly attributable to the significant decrease in selling price of grey hides.

The loss attributable to shareholders of the Company for the nine months ended 30 September 2015 was HK\$24,341,000, representing a decrease of HK\$28,035,000 as compared to the profit attributable to shareholders of HK\$3,694,000 for the same period of last year. Such turnaround from profit to loss was mainly attributable to the following factors: (i) a significant drop in gross profit of the Group as compared to the corresponding period of last year brought about by the decrease in turnover, which was mainly attributable to the significant decrease in unit selling price of grey hides, and the significant decrease in gross profit margin of grey hides; and (ii) depreciation of Renminbi against United States dollars resulting in an increase in exchange loss generated from non-Renminbi denominated net borrowings in relation to import procurement business.

CAUTION STATEMENT

The board of directors of the Company wishes to remind shareholders of the Company and potential investors that the above financial data is based on the Company’s internal records and management accounts. The above financial data for the nine months ended 30 September 2015 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 2015.

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

Chen Hong
Chairman

Hong Kong, 26 October 2015

As at the date of this announcement, the board of directors of the Company comprises two Executive Directors, namely Mr. Chen Hong and Mr. Sun Jun; three Non-Executive Directors, namely Mr. Liu Bing, Mrs. Ho Lam Lai Ping, Theresa and Mr. Qiao Jiankang; and three Independent Non-Executive Directors, namely Mr. Fung Lak, Mr. Choi Kam Fai, Thomas and Mr. Chan Cheong Tat.