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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 2016

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 %
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	
Revenue	<u>332,386</u>	<u>514,782</u>	-35.4
Loss attributable to shareholders of the Company	<u>(31,596)</u>	<u>(24,341)</u>	-29.8
	At 30 September 2016 (Unaudited) HK\$'000	At 31 December 2015 <sup>Note</sup> (Audited) HK\$'000	
Total Assets	<u>543,924</u>	<u>607,018</u>	
Shareholders' Equity	<u>248,720</u>	<u>290,615</u>	

Note:

*The financial information relating to the year ended 31 December 2015 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 2015 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 Company's auditors have reported on the consolidated financial statements for the year ended 31 December 2015. The auditors' 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 NINE MONTHS OF 2016**

In the first nine months of 2016, the footwear leather industry faced with various problems, mainly in dim market trend, great pressure from labour and production costs and environmental protection, high import tariffs and product similarity, etc. Competition in the footwear leather market became very keen. During the period, the Company and its subsidiaries (collectively referred to as the "Group") actively collected market information and explored survival path to strive for stabilization of production and operation as well as breakthrough of products, so as to improve the quality of products. Meanwhile, the Group kept in step with fashion trend, strengthened research and development and made great efforts to reduce inventory. However, due to the effect of the decrease in both sales volume and price and a turnaround from gross profit to gross loss, the Group recorded a further downturn in its operating results.

For the nine months ended 30 September 2016, the production volume of cowhides was 15,641,000 sq. ft., representing a decrease of 6,359,000 sq. ft. or 28.9% as compared to 22,000,000 sq. ft. for the same period of last year. The production volume of grey hides was 4,438 tons, representing a decrease of 4,206 tons or 48.7% as compared to 8,644 tons for the same period of last year. The sales volume of cowhides was 16,794,000 sq. ft., representing a decrease of 4,606,000 sq. ft. or 21.5% as compared to 21,400,000 sq. ft. for the same period of last year. The sales volume of grey hides was 4,476 tons, representing a decrease of 4,168 tons or 48.2% as compared to 8,644 tons for the same period of last year.

For the nine months ended 30 September 2016, the consolidated turnover of the Group was HK\$332,386,000, representing a decrease of HK\$182,396,000 or 35.4% from HK\$514,782,000 for the same period of last year, of which the sales value of cowhides amounted to HK\$316,155,000 (nine months ended 30 September 2015: HK\$467,914,000), representing a decrease of 32.4%, and that of grey hides and other products amounted to HK\$16,231,000 (nine months ended 30 September 2015: HK\$46,868,000), representing a decrease of 65.4%. The decrease in turnover was mainly attributable to the decrease in sales volume as a result of the continually shrink in footwear leather market demand in general and the decrease in selling price of both cowhides and grey hides.

The loss attributable to shareholders of the Company for the nine months ended 30 September 2016 was HK\$31,596,000, representing an increase of loss of HK\$7,255,000 or 29.8% as compared to the loss attributable to shareholders of HK\$24,341,000 for the same period of last year. Such increase of loss was mainly attributable to the decrease in selling price of products being greater than that in unit cost, resulting in a turnaround from gross profit to gross loss of the Group during the period.

## CAUTION STATEMENT

The board of directors of the Company 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 nine months ended 30 September 2016 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 2016.

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, 28 October 2016

*As at the date of this announcement, the board of directors of the Company comprises one Executive Director, namely Mr. Sun Jun; three Non-Executive Directors, namely Mr. Xiao Zhaoyi, Mr. Kuang Hu and Mr. Ran Bo; and three Independent Non-Executive Directors, namely Mr. Fung Lak, Mr. Choi Kam Fai, Thomas and Mr. Chan Cheong Tat.*