

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



# 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 2017

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 2017 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.

	Nine months ended 30 September		Change %
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	
<b>Revenue</b>	<u>245,613</u>	<u>332,386</u>	-26.1
<b>Loss attributable to shareholders of the Company</b>	<u>(57,860)</u>	<u>(31,596)</u>	-83.1
	<b>At 30 September 2017 (Unaudited) HK\$'000</b>	<b>At 31 December 2016<sup>Note</sup> (Audited) HK\$'000</b>	
<b>Total Assets</b>	<u>496,443</u>	<u>555,623</u>	
<b>Shareholders' Equity</b>	<u>186,946</u>	<u>225,392</u>	

Note:

*The financial information relating to the year ended 31 December 2016 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 2016 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). Auditors' report has been prepared on the consolidated financial statements for the year ended 31 December 2016. 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 2017**

In the first nine months of 2017, the overall trend of the leather industry was still not optimistic. The shrinking in downstream demand, the prominent impact of new materials and the increased environmental pressures further squeezed the profit margins of leather manufacturers, resulting in keen competition in the footwear leather market. During the period, the Group accelerated the integration of production capacity to reduce various cost. The Group actively promoted the application of clean production technology, strengthened the concert of production and research and improved product quality in order to minimize various production and operation risks. However, under the circumstances of falling selling price, rising unit cost and increased gross loss, the Group recorded a further downturn in its operating results.

For the nine months ended 30 September 2017, the production volume of cowhides was 12,158,000 sq. ft., representing a decrease of 3,483,000 sq. ft. or 22.3% as compared to 15,641,000 sq. ft. for the same period of last year. The production volume of grey hides was 7,646 tons, representing an increase of 3,208 tons or 72.3% as compared to 4,438 tons for the same period of last year. The sales volume of cowhides was 12,326,000 sq. ft., representing a decrease of 4,468,000 sq. ft. or 26.6% as compared to 16,794,000 sq. ft. for the same period of last year. The sales volume of grey hides was 7,660 tons, representing an increase of 3,184 tons or 71.1% as compared to 4,476 tons for the same period of last year.

For the nine months ended 30 September 2017, the consolidated turnover of the Group was HK\$245,613,000, representing a decrease of HK\$86,773,000 or 26.1% from HK\$332,386,000 for the same period of last year, of which the sales value of cowhides amounted to HK\$220,481,000 (nine months ended 30 September 2016: HK\$316,155,000), representing a decrease of 30.3%, and that of grey hides and other products amounted to HK\$25,132,000 (nine months ended 30 September 2016: HK\$16,231,000), representing an increase of 54.8%. The decrease in turnover was mainly attributable to decrease in sales volume and selling price of footwear leather products as a result of the continually shrink in footwear leather market demand in general.

The loss attributable to shareholders of the Group for the nine months ended 30 September 2017 was HK\$57,860,000, representing an increase of loss of HK\$26,264,000 or 83.1% as compared to the loss attributable to shareholders of HK\$31,596,000 for the same period of last year. Such increase of loss was mainly attributable to the increase in gross loss arising from the decrease in selling price of products while increase in unit cost; and a substantial provision for inventories was made, while reversal of provision for inventories was made for the corresponding period of last year, resulting in a significant increase in loss attributable to shareholders of the Group during the period.

## CAUTION STATEMENT

The Board 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 2017 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 2017.

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, 27 October 2017

*As at the date of this announcement, the Board 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.*