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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 2018

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 2018 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
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	
Revenue	<u>170,300</u>	<u>245,613</u>	-30.7
Loss attributable to shareholders of the Company	<u>(60,296)</u>	<u>(57,860)</u>	-4.2
	At 30 September 2018 (Unaudited) HK\$'000	At 31 December 2017^{Note} (Audited) HK\$'000	
Total Assets	<u>312,626</u>	<u>420,915</u>	
Shareholders' Equity	<u>78,863</u>	<u>151,272</u>	

Note:

The financial information relating to the year ended 31 December 2017 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 2017 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 auditor's report has been prepared on the consolidated financial statements for the year ended 31 December 2017. The auditor's 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 2018

With the impact of slow recovery of the global economy and the slowing down of growth of China economy, the overall imbalance between supply and demand in the tannery industry still existed. The excess capacity in the leather industry and weak demand of downstream business further squeezed the profit margins of leather manufacturers, resulting in keen competition in the footwear leather market. During the period, the Group adjusted product portfolio and expanded markets to reinforce de-stocking. Meanwhile, risk control system was enhanced to minimize various risks arising from production and operating business.

For the nine months ended 30 September 2018, the production volume of cowhides was 9,958,000 sq. ft., representing a decrease of 2,200,000 sq. ft. or 18.1% as compared to 12,158,000 sq. ft. for the same period of last year. The production volume of grey hides was 1,843 tons, representing a decrease of 5,803 tons or 75.9% as compared to 7,646 tons for the same period of last year. The sales volume of cowhides was 9,706,000 sq. ft., representing a decrease of 2,620,000 sq. ft. or 21.3% as compared to 12,326,000 sq. ft. for the same period of last year. The sales volume of grey hides was 1,843 tons, representing a decrease of 5,817 tons or 75.9% as compared to 7,660 tons for the same period of last year.

For the nine months ended 30 September 2018, the consolidated turnover of the Group was HK\$170,300,000, representing a decrease of HK\$75,313,000 or 30.7% from HK\$245,613,000 for the same period of last year, of which the sales value of cowhides amounted to HK\$164,286,000 (nine months ended 30 September 2017: HK\$220,481,000), representing a decrease of 25.5%, and that of grey hides and other products amounted to HK\$6,014,000 (nine months ended 30 September 2017: HK\$25,132,000), representing a decrease of 76.1%. The decrease in turnover was mainly attributable to decrease in sales volume and unit 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 2018 was HK\$60,296,000, representing an increase of loss of HK\$2,436,000 or 4.2% as compared to the loss attributable to shareholders of HK\$57,860,000 for the same period of last year. Such increase of loss was mainly attributable to the comprehensive effect of the increase in impairment loss of property, plant and equipment, the increase in the exchange loss arising from the depreciation in Renminbi against United States dollars setting off against the decrease in gross loss.

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 2018 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 or assurance on the financial results of the Group for the nine months ended 30 September 2018.

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, 26 October 2018

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. Ding Yatao; and three Independent Non-Executive Directors, namely Mr. Fung Lak, Mr. Choi Kam Fai, Thomas and Mr. Chan Cheong Tat.