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粤海制革有限公司

GUANGDONG TANNERY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 1058)

DISCLOSEABLE TRANSACTIONS

CONSTRUCTION OF XUZHOU ADDITIONAL FACILITY

and

CONSTRUCTION OF JINSANQIAO FACTORY

A letter from the board of directors of the Company is set out on pages 4 to 13 of this circular.

23 November 2007

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DEFINITIONS

In this circular, unless the context requires otherwise, the following terms and expressions shall have the following meanings:

“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Company”	Guangdong Tannery Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the main board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“GDH”	GDH Limited, a company incorporated in Hong Kong with limited liability and a substantial shareholder of the Company
“GDI”	Guangdong Investment Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the main board of the Stock Exchange, and a subsidiary of GDH
“Group”	the Company and its subsidiaries
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the legal currency of Hong Kong
“Jinsanqiao Co”	粵海制革（徐州）有限公司（Guangdong Tannery (Xu Zhou) Limited), a wholly-owned subsidiary (in the form of a wholly-foreign owned enterprise) to be established by the Company in the PRC
“Jinsanqiao Factory”	the production facility to be established by Jinsanqiao Co in Xuzhou Economic Development Zone, Xuzhou City, Jiangsu Province, the PRC for the downstream processing of leather products, i.e. the processing of chromed hides to manufacture finished leather products
“Jinsanqiao Factory Agreement”	the agreement dated 5 November 2007 and entered into between the Company and the Xuzhou Economic Development Management Committee for the establishment of the Jinsanqiao Co to construct and operate the Jinsanqiao Factory
“Jinsanqiao Factory Project Contracts”	has the meaning ascribed thereto in the section headed “B. The Jinsanqiao Factory — 4. Implementation and capital expenditure” in this circular

DEFINITIONS

“Jinsanqiao Factory Site”	the land within the Xuzhou Economic Development Zone measuring approximately 260 mou to be purchased by Jinsanqiao Co
“Kingway”	Kingway Brewery Holdings Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the main board of the Stock Exchange, and a subsidiary of GDH
“Latest Practicable Date”	19 November 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“mou”	畝 (mou), a unit of measurement of area commonly used in the PRC and is equivalent to approximately 666.67 sq. m.
“PRC”	The People’s Republic of China
“RMB”	Reminbi, the legal currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the capital of the Company
“Shareholder(s)”	holder(s) of ordinary share(s) of the Company
“Share Option Scheme”	the share option scheme adopted by the Company on 31 May 2002
“sq. ft.”	square feet
“sq. m.”	square metres
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed thereto in the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“substantial shareholder”	has the meaning ascribed thereto in the Listing Rules
“Suining Government”	江蘇睢寧縣人民政府 (Jiangsu Suining County People’s Government)

DEFINITIONS

“US\$”	United States dollars, the legal currency of the United States
“Xuzhou Additional Facility”	the additional production facility to be established by Xuzhou Co in Suining County Economic Development Zone, Xuzhou City, Jiangsu Province, the PRC to engage in the upstream processing of leather products, i.e. the processing of raw materials (namely, hides) for the production of chromed hides
“Xuzhou Additional Facility Agreement”	the agreement dated 5 November 2007 and entered into between Xuzhou Co and the Suining Government for the establishment of the Xuzhou Additional Facility
“Xuzhou Additional Facility Site”	the land within the Suining County Economic Development Zone as specified in the Xuzhou Additional Facility Agreement and measuring approximately 200 mou to be purchased by Xuzhou Co
“Xuzhou Additional Facility Project Contracts”	has the meaning ascribed thereto in the section headed “A. The Xuzhou Additional Facility — 4. Implementation and capital expenditure” in this circular
“Xuzhou Co”	徐州南海皮廠有限公司 (Xuzhou Nanhai Leather Factory Co., Ltd.), a wholly-foreign owned enterprise established in the PRC. It is a wholly owned subsidiary of the Company
“Xuzhou Economic Development Management Committee”	徐州經濟開發區管理委員會, being the body in charge of the development of the Xuzhou Economic Development Zone in Xuzhou City, Jiangsu Province, the PRC. It is a third party independent of the Company and its connected persons (as defined in the Listing Rules)

In this circular, the exchange rate of RMB0.9683 : HK\$1.00 and US\$1.00 : HK\$7.8 have been used and applied for reference only. There is no assurance that any amount in this circular has been, can be or will be purchased or sold at any such rate.



粵海制革有限公司

GUANGDONG TANNERY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 1058)

Executive directors:

Mr. Zhang Chunting (*Chairman*)

Mr. Deng Rongjun (*Managing Director*)

Non-Executive directors:

Mr. Zhang Yaping

Mr. Xiong Guangyang

Mrs. Ho Lam Lai Ping, Theresa

Independent non-executive directors:

Mr. Fung Lak

Mr. Choi Kam Fai, Thomas

Mr. Chan Cheong Tat

Registered office:

29th Floor

Guangdong Investment Tower

148 Connaught Road Central

Hong Kong

23 November 2007

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE TRANSACTIONS

CONSTRUCTION OF XUZHOU ADDITIONAL FACILITY

and

CONSTRUCTION OF JINSANQIAO FACTORY

INTRODUCTION

Reference is made to the announcement of the Company dated 5 November 2007 in relation of the construction of Xuzhou Additional Facility and the Jinsanqiao Factory. The purpose of this circular is to provide you with further details in connection therewith.

LETTER FROM THE BOARD

A. THE XUZHOU ADDITIONAL FACILITY

1. Introduction

Xuzhou Co was established in the PRC in 1991 and is engaged in the business of the production of leather products, i.e. the upstream processing of raw materials (namely, hides) and the downstream manufacture of finished leather products. The purpose of entering into the Xuzhou Additional Facility Agreement is for Xuzhou Co to expand its production capacity by acquiring more land near its existing factory in Suining County Economic Development Zone and constructing an additional production facility (namely, the Xuzhou Additional Facility) thereon.

2. Xuzhou Additional Facility Agreement

Set out below is a summary of the principal terms of the Xuzhou Additional Facility Agreement:

- (i) Date: 5 November 2007
- (ii) Parties: (a) Xuzhou Co
(b) Suining Government
- (iii) Subject matter: The establishment of the Xuzhou Additional Facility by Xuzhou Co in Suining County Economic Development Zone, Xuzhou City, Jiangsu Province, the PRC
- (iv) Suining Government's obligations: (a) Suining Government shall, in accordance with the relevant legal procedures, supply approximately 200 mou (equivalent to approximately 133,333.33 sq. m.) of land (being the Xuzhou Additional Facility Site) in the Suining County Economic Development Zone to Xuzhou Co at RMB68,000 per mou (inclusive of State land tax (國家土地稅費), land acquisition costs and compensation fees, but exclusive of deed tax (契稅) and land transfer handling fee (土地出讓業務費))
- (b) Suining Government shall be responsible for:
- acquiring the land containing the Xuzhou Additional Facility Site from the occupants and paying them the related land acquisition compensation
 - clearing the Xuzhou Additional Facility Site

LETTER FROM THE BOARD

- arranging for the issue of the construction permit and obtaining the approval for the establishment of the Xuzhou Additional Facility and the land use right certificate
 - providing road access and connection of sewage system and utilities (such as water and electricity supply and telecommunication connection) to the boundary of the Xuzhou Additional Facility Site
- (v) Xuzhou Co's obligations:
- (a) Xuzhou Co shall inject equity in the amount of US\$8 million (equivalent to approximately HK\$62.4 million)
 - (b) Xuzhou Co shall purchase the Xuzhou Additional Facility Site
 - (c) Xuzhou Co shall ensure that the construction and emissions of the Xuzhou Additional Facility shall be in compliance with the applicable national and provincial standards
 - (d) Xuzhou Co shall not transfer the Xuzhou Additional Facility Site and shall ensure that such land shall only be for industrial use

The terms of the Xuzhou Additional Facility Agreement have been arrived at after arm's length negotiation conducted between the parties thereto. To the best of the knowledge, information and belief of the Directors and after having made all reasonable enquiries, the Suining Government is a third party independent of the Company and its connected persons (as defined in the Listing Rules). The Suining Government is a local government.

3. Details of the Xuzhou Additional Facility

The Xuzhou Additional Facility will be designed to handle the upstream processing of leather products, i.e. the processing of raw materials (namely, hides) to produce chromed hides. The Xuzhou Additional Facility is expected to cover an area of approximately 200 mou (equivalent to approximately 133,333.33 sq. m.) with a production capacity of 3,500,000 sq. ft. per month. The construction of the Xuzhou Additional Facility is expected to be completed within 12 months.

LETTER FROM THE BOARD

4. Implementation and capital expenditure

Although the contracts for the construction of the Xuzhou Additional Facility (the “Xuzhou Additional Facility Project Contracts”, which are expected to include, for example, but without limitation, those for the acquisition of the land use right of the Xuzhou Additional Facility Site, the purchase of production and related environmental protection equipment and computer systems, the construction of the factory premises and the installation of production line, and other ancillary contracts necessary for the purpose of constructing the Xuzhou Additional Facility and developing the business of the Xuzhou Additional Facility) will only be entered into with various third parties in stages, the Company currently anticipates that it will need to inject approximately HK\$80.33 million into Xuzhou Co for such purpose.

The Xuzhou Additional Facility Project Contracts can be categorised as follows:

	Land, buildings and ancillary facilities	Plant and machinery	Environmental protection equipment	Furniture, office equipment, motor vehicles and others	Total
<i>Contract sum (HK\$'000)</i>	33,229	34,895	10,658	1,549	80,331

The Xuzhou Additional Facility will be constructed by Xuzhou Co and the Company will finance this expansion plan by injecting further equity in the amount of US\$8 million and, as currently anticipated, a shareholder’s loan of not more than US\$2.3 million into Xuzhou Co. The Directors currently expect that the said aggregate amount of US\$10.3 million (equivalent to approximately HK\$80.33 million) will be funded by the Company’s internal resources and bank borrowings.

The construction of the Xuzhou Additional Facility is scheduled to start later this year and such facility is expected to become operational in the fourth quarter of 2008.

Xuzhou Co will go through a tender process for all the more substantial contracts (except for the acquisition of the land use right of the relevant land which was arrived at after negotiation between Xuzhou Co and the Suining Government) or a price comparison process for the less significant contracts before a contract is awarded to the individual party. Two committees will be formed to undertake the said tender process. A working committee will be established to be in charge of all documentation work and liaising with the tender participants, and an assessment committee will be set up to assess the tenders submitted. Multiple criteria will be used in the selection of suppliers and contractors, including, among others, their technical competence, track record and financial strength as well as the suitability of their services and/or products and pricing for the relevant task.

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With the above tendering and selection processes in place and after having made all reasonable enquiries prior to entering into a Xuzhou Additional Facility Project Contract, the Directors will be able to conclude, to the best of their knowledge, information and belief, (i) the counterparty to such Xuzhou Additional Facility Project Contract and (if applicable) its ultimate beneficial owner is a third party independent of the Company and its connected persons, and (ii) the principal business of such counterparty (except for the Suining Government which is a local government) is the provision of the materials and/or services under such Xuzhou Additional Facility Project Contract.

The consideration payable under the Xuzhou Additional Facility Project Contracts will be satisfied by way of cash and/or letters of credit, and on one-off or instalment basis. It is currently anticipated that after the conclusion of a Xuzhou Additional Facility Project Contract, a down payment equal to 10% to 30% of the contract sum may be paid to the suppliers and contractors. For agreements in relation to construction of buildings and plant, progress payments will be made according to the progress of construction and the balance of 5% to 10% will be paid one year after the completion of construction. For machinery and equipment related agreements, 60% to 80% of the contract sum will be made upon installation and the balance will be paid upon the satisfactory checking of such machinery and equipment. For the cost of land use rights, it will be paid by instalments.

5. Listing Rules implications

The capital expenditure of the said amount of approximately HK\$80.33 million in aggregate constitutes a discloseable transaction for the Company under the Listing Rules. However, as stated above, the capital expenditure of HK\$80.33 million for the Xuzhou Additional Facility represents the Company's current estimates. Should there be an over-run of the construction costs, and the asset ratio or the consideration ratio under Rule 14.07 of the Listing Rules in respect of the aggregate amount of the capital expended (which are of a capital nature) under the Xuzhou Additional Facility Project Contracts exceeds 25%, the Company will comply with the applicable requirements of Chapter 14 of the Listing Rules concerning major transaction (as defined therein).

6. Reasons for and benefits of constructing the Xuzhou Additional Facility

In order to reduce the outsourcing of chromed hides processing activities and thus lowering the subcontracting cost, the Company has decided to establish the Xuzhou Additional Facility to strengthen its upstream processing capability. The Directors believe that this will benefit the Company for the long-term.

LETTER FROM THE BOARD

7. Financial effect of the establishment of the Xuzhou Additional Facility

After the Xuzhou Additional Facility becomes operational, the Company will charge depreciation expense on the capital expenditure incurred and capitalized during the construction of the Xuzhou Additional Facility. As the Xuzhou Additional Facility will be owned by Xuzhou Co, which is a wholly owned subsidiary of the Company, the results of the Xuzhou Additional Facility will be consolidated into the Group's financial statements. The Directors consider that the establishment of Xuzhou Additional Facility will enlarge the earnings base of the Group, but the results of such impact will depend on the future performance of the Xuzhou Additional Facility. In the event that the Company decides to finance the relevant equity contribution and shareholder's loan to Xuzhou Co as mentioned above by bank borrowings, the liabilities, interest expense and total assets of the Group will increase.

B. THE JINSANQIAO FACTORY

1. Introduction

The Company has entered into the Jinsanqiao Factory Agreement to establish Jinsanqiao Co as a wholly owned subsidiary to construct and operate the Jinsanqiao Factory in Xuzhou Economic Development Zone for the downstream processing of leather products, i.e. the processing of chromed hides to manufacture finished leather products. The Jinsanqiao Factory Site is expected to have an area of approximately 260 mou (equivalent to approximately 173,333.33 sq. m.).

2. Jinsanqiao Factory Agreement

Set out below is a summary of the principal terms of the Jinsanqiao Factory Agreement:

- | | |
|--|--|
| (i) Date: | 5 November 2007 |
| (ii) Parties: | (a) The Company
(b) Xuzhou Economic Development Management Committee |
| (iii) Subject matter: | The establishment of the Jinsanqiao Factory by Jinsanqiao Co in Xuzhou Economic Development Zone, Xuzhou City, Jiangsu Province, the PRC |
| (iv) Xuzhou Economic Development Management Committee's obligations: | Xuzhou Economic Development Management Committee shall:
(a) complete the incorporation, business registration and environmental assessment procedures for Jinsanqiao Co |

LETTER FROM THE BOARD

- (b) provide the Jinsanqiao Factory Site according to the relevant legal procedures and arrange for the issue of the land use right certificate for the Jinsanqiao Factory Site
 - (c) supply the accurate site plan for the Jinsanqiao Factory Site and arrange for the issue of the construction permit
 - (d) obtain and/or facilitate the issue of the necessary approvals for the operation of the Jinsanqiao Factory
 - (e) be responsible for clearing the Jinsanqiao Factory Site and providing road access and connection of sewage system and utilities (such as water and electricity supply and telecommunication connection) to the boundary of the site
- (v) The Company's obligations:
- (a) The Company shall establish Jinsanqiao Co with a registered capital of US\$20 million and complete the incorporation and business and tax registration procedures for Jinsanqiao Co within Xuzhou Economic Development Zone. The first instalment of the equity capital in the sum of US\$8 million shall be paid within three months, with the balance payable within two years, of the date of the Jinsanqiao Factory Agreement
 - (b) The Company shall complete all administrative and project procedures for the construction of the Jinsanqiao Factory including, for example, environmental and production safety assessments, obtain planning and land pre-approval guidance, geological assessment and project feasibility study

The terms of the Jinsanqiao Factory Agreement have been arrived at after arm's length negotiation conducted between the parties thereto. To the best of the knowledge, information and belief of the Directors and after having made all reasonable enquiries, Xuzhou Economic Development Management Committee and its ultimate beneficial owner (if any) are third parties independent of the Company and its connected persons (as defined in the Listing Rules). Xuzhou Economic Development Management Committee is the body in charge of the development of the Xuzhou Economic Development Zone in Xuzhou City, Jiangsu Province, the PRC.

LETTER FROM THE BOARD

3. Details of the Jinsanqiao Factory

The Jinsanqiao Factory is designed for the downstream processing of leather products, i.e. the processing of chromed hides to manufacture finished leather products. The Jinsanqiao Factory Site is expected to have an area of approximately 260 mou (equivalent to approximately 173,333.33 sq. m.) with a production capacity of 1,500,000 sq. ft. per month. The construction of the Jinsanqiao Factory is expected to be completed within 24 months.

4. Implementation and capital expenditure

Although the contracts for the construction of the Jinsanqiao Factory (the “Jinsanqiao Factory Project Contracts”, which are expected to include, for example, but without limitation, those for the acquisition of the land use right of the Jinsanqiao Factory Site, the purchase of production and related environmental protection equipment and computer systems, the construction of the factory premises and the installation of production line, and other ancillary contracts necessary for the purpose of constructing the Jinsanqiao Factory and developing the business of the Jinsanqiao Factory) will only be entered into with various third parties in stages, the Company currently anticipates that it will need to inject approximately HK\$80.76 million into Jinsanqiao Co for such purposes.

The Jinsanqiao Factory Project Contracts can be categorised as follows:

	Land, buildings and ancillary facilities	Plant and machinery	Environmental protection equipment	Furniture, office equipment, motor vehicles and others	Total
<i>Contract sum</i> (HK\$'000)	47,504	29,639	2,065	1,549	80,757

Under the Jinsanqiao Factory Agreement, the Company will inject US\$20 million (equivalent to approximately HK\$156 million or RMB151 million) as equity into Jinsanqiao Co, and a part of this capital contribution in the amount of approximately US\$10.35 million (equivalent to approximately HK\$80.76 million or RMB78.20 million) will be used to satisfy the above capital expenditure requirements, and the balance thereof will be used as general working capital. The Directors currently expect that the said aggregate amount of US\$20 million will be funded by the Company’s internal resources and bank borrowings.

The construction of the Jinsanqiao Factory is scheduled to start in early 2008 and is separated into two phases. The first phase of the Jinsanqiao Factory will be completed by the end of 2008 with the second phase scheduled to be completed by the end of 2009.

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Jinsanqiao Co will go through a tender process for all the more substantial contracts (except for the acquisition of the land use right of the relevant land which will be arrived at after negotiation between the Company and Xuzhou Economic Development Management Committee) or a price comparison process for the less significant contracts before a contract is awarded to the individual party. Two committees will be formed to undertake the said tender process. A working committee will be established to be in charge of all documentation work and liaising with the tender participants, and an assessment committee will be set up to assess the tenders submitted. Multiple criteria will be used in the selection of suppliers and contractors, including, among others, their technical competence, track record and financial strength as well as the suitability of their services and/or products and pricing for the relevant task.

With the above tendering and selection processes in place and after having made all reasonable enquiries prior to entering into a Jinsanqiao Factory Project Contract, the Directors will be able to conclude, to the best of their knowledge, information and belief, (i) the counterparty to such Jinsanqiao Factory Project Contract and (if applicable) its ultimate beneficial owner is a third party independent of the Company and its connected persons, and (ii) the principal business of such counterparty (except for the Xuzhou Economic Development Management Committee which is responsible for provision of the Jinsanqiao Factory Site) is the provision of the materials and/or services under such Jinsanqiao Factory Project Contract.

The consideration payable under the Jinsanqiao Factory Project Contracts will be satisfied by way of cash and/or letters of credit, and on one-off or instalment basis. After the conclusion of a Jinsanqiao Factory Project Contract, a down payment equal to 10% to 30% of the contract sum may be paid to the suppliers and contractors. For agreements in relation to the construction of buildings and plant, progress payments will be made according to the progress of construction and the balance of 5% to 10% will be paid one year after the completion of construction. For machinery and equipment related agreements, 60% to 80% of the contract sum will be made upon installation and the balance will be paid upon the satisfactory checking of such machinery and equipment. For the cost of land use rights, it will be paid by instalments.

5. Listing Rules implications

The capital expenditure in the amount of HK\$80.76 million in aggregate constitutes a discloseable transaction for the Company under the Listing Rules. However, as stated above, the capital expenditure of Jinsanqiao Co in the aggregate amount of HK\$80.76 million represents the Company's current estimates. Should there be an over-run of the construction costs, and the asset ratio or the consideration ratio under Rule 14.07 of the Listing Rules in respect of the aggregate amount of the capital expended (which are of a capital nature) under the Jinsanqiao Factory Project Contracts exceeds 25%, the Company will comply with the applicable requirements of Chapter 14 of the Listing Rules concerning major transaction (as defined therein).

LETTER FROM THE BOARD

6. Reasons for and benefits of constructing the Jinsanqiao Factory

The establishment of Jinsanqiao Factory will provide a production capacity of 1,500,000 sq. ft. per month. As the location of Jinsanqiao Factory is close to Xuzhou city, the core business activities including production, procurement, distribution, management and research and development will therefore have easy access to the city centre. This convenient location of the Jinsanqiao Factory will provide a platform for the future expansion and diversification of business.

7. Financial effect of the establishment of Jinsanqiao Co and the Jinsanqiao Factory

After the Jinsanqiao Factory becomes operational, the Company will charge depreciation expense on the capital expenditure incurred and capitalized during the construction of the Jinsanqiao Factory. Upon the establishment of Jinsanqiao Co, Jinsanqiao Co will become a wholly owned subsidiary of the Company, and the results of the Jinsanqiao Co will be consolidated into the Group's financial statements. The Directors consider that the establishment of the Jinsanqiao Factory will enlarge the earnings base of the Group, but the results of such impact will depend on the future performance of Jinsanqiao Co. In the event that the Company decides to finance the relevant equity contribution and shareholder's loan to Jinsanqiao Co as mentioned above by bank borrowings, the liabilities, interest expense and total assets of the Group will increase.

C. GENERAL INFORMATION

The Directors are of the view that the construction of the Xuzhou Additional Facility and the Jinsanqiao Factory are important to the development of the Group's business and it is also in line with the expansion strategy of the Group. The Directors believe that the terms of the Xuzhou Additional Facility Agreement and the Jinsanqiao Factory Agreement are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Group is an integrated manufacturer of leather products, and it, through two wholly owned subsidiaries, namely Xuzhou Co and Xuzhou Gangwei Leather Co., Ltd. ("Gangwei Co"), currently operates two leather products manufacturing factories in Suining County Economic Development Zone, Xuzhou City, Jiangsu Province, the PRC.

Xuzhou Co was established in the PRC in 1991 and is engaged in the business of the production of leather products, i.e. the upstream processing of raw materials (namely, hides) and the downstream manufacture of finished leather products. Gangwei Co was established in the PRC in 1994 and its facilities are designed to handle the downstream production of leather products, i.e. the processing of chromed hides to manufacture finished leather products.

D. FURTHER INFORMATION

Your attention is drawn to the information set out in the appendix to this circular.

Yours faithfully,
By Order of the Board
Zhang Chunting
Chairman

1. RESPONSIBILITY STATEMENTS

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable inquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTEREST

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (b) entered into the register kept by the Company pursuant to section 352 of the SFO; or (c) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, were as follows:

2.1 Interests and short positions in the Company

As at the Latest Practicable Date, a Director had personal interests in the following Shares:

Name of Director	Capacity/ nature of interests	Number of Shares held	Long/short position	Approximate percentage of total shareholding
Fung Lak	Personal	600,000	Long position	0.11%
Choi Kam Fai, Thomas	Personal	30,000	Long position	0.01%

2.2 Interests and short positions in GDI, an associated corporation of the Company

As at the Latest Practicable Date, a Director had personal interests in the following ordinary shares of GDI:

Name of Director	Capacity/ nature of interests	Number of ordinary shares held	Long/short position	Approximate percentage of total shareholding
Ho Lam Lai Ping, Theresa	Personal	800,000	Long position	0.01%

Note: The number of ordinary shares of GDI in issue as at the Latest Practicable Date was 6,103,938,071.

2.3 Interests and short positions in Kingway, an associated corporation of the Company

As at the Latest Practicable Date, a Director had personal interests in the following ordinary shares of Kingway:

Name of Director	Capacity/ nature of interests	Number of ordinary shares held	Long/short position	Approximate percentage of total shareholding
Ho Lam Lai Ping, Theresa	Personal	98,000	Long position	0.01%

Note: The number of ordinary shares of Kingway in issue as at the Latest Practicable Date was 1,706,672,000.

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company had or was deemed to have any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO) which would be required to be (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (b) entered into the register kept by the Company pursuant to section 352 of the SFO; or (c) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as the Directors or the chief executive of the Company were aware, the following persons, not being a Director or the chief executive of the Company, had interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name of Shareholder	Capacity/ nature of interests	Number of ordinary shares held	Long/short position	Derivative interests (Number of shares to be issued upon conversion of the HK\$61,500,000 convertible note issued by the Company)	Approximate percentage of total shareholding (including derivative interests)
廣東粵港投資控股有限公司 (Guangdong Yue Gang Investment Holdings Company Limited) (Note)	Beneficial owner/interest of controlled corporation	375,100,000	Long position	32,368,421	75.81%
GDH Limited	Beneficial owner/interest of controlled corporation	375,100,000	Long position	32,368,421	75.81%

Note: The attributable interest which 廣東粵港投資控股有限公司 (Guangdong Yue Gang Investment Holdings Company Limited) has in the Company is held through its 100% direct interest in GDH Limited.

Save as disclosed in this circular and so far as the Directors or the chief executive of the Company were aware, as at the Latest Practicable Date, there were no other persons who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been, since 31 December 2006, being the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group. None of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group.

4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into or proposed to enter into a service contract with any member of the Group (excluding contracts expiring, or determinable by the Group within one year without payment of compensation other than statutory compensation).

5. COMPETING INTEREST

As at the Latest Practicable Date, so far as the Directors were aware, none of them or their respective associates had any interests in a business which competed or was likely to compete with the business of the Group.

6. MATERIAL LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or claim of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2006, being the date of the latest published audited accounts of the Company were made up.

8. GENERAL

- (a) The registered and head office of the Company is located at 29th Floor, Guangdong Investment Tower, 148 Connaught Road Central, Hong Kong.
- (b) The share registrar and share transfer office of the Company is Tricor Tengis Limited located at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong.
- (c) The secretary of the Company is Ms. Lee Wai Mei, who is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.
- (d) The qualified accountant of the Company is Ms. Wai Sze Ki, who is an associate member of the Hong Kong Institute of Certified Public Accountants.
- (e) The English text of this circular shall prevail over the Chinese text.