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If you have sold or transferred all your shares in Guangdong Tannery Limited, you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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 TRANSACTION

CONSTRUCTION OF JIAWANG FACTORY

A letter from the board of directors of the Company is set out on pages 4 to 10 of this circular.

8 April 2008

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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
“HK\$”	Hong Kong dollars, the legal currency of the Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Jiawang Co”	粵海制革(賈汪)有限公司 (Guangdong Tannery (Jia Wang) Limited), a wholly-owned subsidiary (in the form of a wholly-foreign owned enterprise) to be established by the Company in the PRC
“Jiawang Factory”	the production facility to be established by Jiawang Co in Jiawang Chemical Industrial Development Zone in Xuzhou City, Jiangsu Province, the PRC for the upstream processing of leather products, i.e. the processing of raw materials (namely, hides) to produce chromed hides
“Jiawang Factory Agreement”	the agreement dated 19 March 2008 and entered into between the Company and the Xuzhou Jiawang People’s Government for the establishment of the Jiawang Co to construct and operate the Jiawang Factory

DEFINITIONS

“Jiawang Factory Project Contracts”	has the meaning ascribed thereto in the section headed “B. The Jiawang Factory – 4. Implementation and capital expenditure” in this circular
“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”	2 April 2008, 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
“Project Site”	has the meaning ascribed thereto in the section headed “B. The Jiawang Factory – 3. Details of the Jiawang Factory” in this circular
“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
“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)

DEFINITIONS

“substantial shareholder”	has the meaning ascribed thereto in the Listing Rules
“US\$”	United States dollars, the legal currency of the United States
“Xuzhou Jiawang People’s Government”	徐州市賈汪區人民政府, being the local government in Jiawang, 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 RMB0.9135: HK\$1.00 and US\$1.00: HK\$7.80 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.

LETTER FROM THE BOARD



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. Ren Yingguo (*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

8 April 2008

To the Shareholders

Dear Sir or Madam,

**DISCLOSEABLE TRANSACTION
CONSTRUCTION OF JIAWANG FACTORY**

A. INTRODUCTION

Reference is made to the announcement of the Company dated 19 March 2008 in relation to the construction of the Jiawang Factory. The Purpose of this circular is to provide you with further details in connection therewith.

B. THE JIAWANG FACTORY

1. Introduction

The Company has entered into the Jiawang Factory Agreement to establish Jiawang Co as a wholly-owned subsidiary to construct and operate the Jiawang Factory in Jiawang Chemical Industrial Development Zone in Xuzhou City, Jiangsu Province, the PRC for the upstream processing of leather products, i.e. the processing of raw materials (namely, hides) to produce chromed hides. The Project Site is expected to have an area of approximately 200 mou (equivalent to approximately 133,333.33 sq. m.).

LETTER FROM THE BOARD

2. Jiawang Factory Agreement

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

- (i) Date: 19 March 2008
- (ii) Parties:
 - (a) The Company
 - (b) Xuzhou Jiawang People's Government
- (iii) Subject matter: The establishment of the Jiawang Factory by Jiawang Co in the Project Site in Jiawang Chemical Industrial Development Zone in Xuzhou City, Jiangsu Province, the PRC.
- (iv) Xuzhou Jiawang People's Government's obligations:
 - Xuzhou Jiawang People's Government shall, among others:
 - (a) be responsible and be liable for the procurement of the Project Site according to the relevant legal procedures including, without limitation, acquiring the Project Site from the occupants and paying them related compensation, clearing the Project Site, complying with the guidelines and procedures relating to industrial land and obtaining the land use right certificate for the Project Site;
 - (b) be responsible and be liable for all damages, dispute settlement and compliance issues arising from the procurement of the Project Site;
 - (c) facilitate the Company to obtain all the necessary approvals, consents, licences and permits for the construction, development and operation of Jiawang Factory. The Company shall provide all necessary documents and co-operation and shall bear the related costs and expenses;
 - (d) supply the accurate site plan and feasibility study for the Project Site to enable the Company to commence construction of the Jiawang Factory;

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- (e) arrange for the issue of the construction permit for the Company; and
 - (f) be responsible for providing road access and connection of sewage system and utilities (such as water and electricity supply and telecommunication connection) to the boundary of the Project Site.
- (v) The Company's obligations:
- The Company shall, among others:
- (a) establish Jiawang Co with a registered capital of US\$5 million;
 - (b) ensure that the construction and emissions of Jiawang Factory shall be in compliance with the applicable national, provincial or departmental requirements and quality standards;
 - (c) procure that the Project Site be used for industrial construction and development;
 - (d) ensure that all building plan shall comply with the Xuzhou Jiawang People's Government's overall plan; and that the geographical and structural layout plan of the Jiawang Factory shall be subject to the prior approval of Xuzhou Jiawang People's Government; and
 - (e) ensure environmental and production safety, comply with the relevant tax and assessment duties.

The terms of the Jiawang 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 Jiawang People's Government is a third party independent of the Company and its connected persons (as defined in the Listing Rules). Xuzhou Jiawang People's Government is the local government of Jiawang, Xuzhou City, Jiangsu Province, the PRC.

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3. Details of the Jiawang Factory

The Jiawang Factory 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 construction of the Jiawang Factory is expected to be implemented within 24 months from the date of the Jiawang Factory Agreement and is expected to have an upstream production capacity of 1,500,000 sq. ft. per month.

The Jiawang Factory will be constructed at 徐州市賈汪區化工基地起步區A-7地塊 (Chemical Base Commencement Area A-7, Jiawang, Xuzhou City) (“**Project Site**”) of which the Project Site is expected to cover an area of approximately 200 mou (equivalent to approximately 133,333.33 sq. m.) with a maximum production capacity of 5,000,000 sq. ft. per month of upstream leather products and 3,000,000 sq. ft. per month of downstream leather products. The Company may in the future consider other plans to exploit the full potential of the Project Site, which has surplus land, by adding upstream production capacity and/or a downstream business (i.e. the processing of chromed hides to manufacture finished leather products). However, the Company does not currently have any plan to do so.

4. Implementation and capital expenditure

Although the contracts for the construction of the Jiawang Factory (the “**Jiawang Factory Project Contracts**”, which are expected to include, without limitation, those for the acquisition of the land use right of the Project Site, the purchase of plant and machinery 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 Jiawang Factory and developing the business of the Jiawang Factory) will only be entered into with various third parties in stages, the Company currently anticipates that it will need to inject approximately HK\$60.32 million (equivalent to approximately RMB55.10 million) into Jiawang Co for the said construction.

The Jiawang 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)	40,799	13,104	5,068	1,347	60,318

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Under the Jiawang Factory Agreement, (i) the Company will inject US\$5 million (equivalent to approximately HK\$39 million or RMB35.63 million) as equity into Jiawang Co; and (ii) up to US\$15 million (equivalent to approximately HK\$117 million or RMB106.88 million) in the form of shareholder's loan and/or borrowings is also permitted to be raised by Jiawang Co. Accordingly, the Company is expected to inject US\$5 million (equivalent to approximately HK\$39 million or RMB35.63 million) as equity into Jiawang Co, whilst the balance of the expected capital commitment of Jiawang Co in the amount of approximately HK\$21.32 million (equivalent to approximately RMB19.47 million) will be funded by way of shareholder's loan to be advanced by the Company and/or by way of borrowings to be raised by Jiawang Co. The Directors currently expect that the said equity contribution of US\$5 million and any shareholder's loan that may be made by the Company to Jiawang Co will be funded by the Company's internal resources and/or borrowings.

The construction of the Jiawang Factory is scheduled to start in 2009 and is expected to become operational by 2010.

Jiawang Co will go through a tender process for all the more substantial contracts (except for the acquisition of the land use right of the Project Site which was arrived at after negotiation between the Company and the Xuzhou Jiawang People's 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.

With the above tendering and selection processes in place and after having made all reasonable enquiries prior to entering into a Jiawang Factory Project Contract, the Directors will be able to conclude, to the best of their knowledge, information and belief, (i) the counterparty to such Jiawang 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 Jiawang People's Government which is a local government) is the provision of the materials and/or services under such Jiawang Factory Project Contract.

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The consideration payable under the Jiawang Factory Project Contracts will be satisfied by way of cash and/or letters of credit, and on one-off or installment basis. It is currently anticipated that after the conclusion of a Jiawang 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 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 installments.

5. Listing Rules implications

The capital expenditure of the said amount of approximately HK\$60.32 million in aggregate constitutes a discloseable transaction for the Company under the Listing Rules. However, as stated above, the capital expenditure of HK\$60.32 million for the Jiawang Factory 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 Jiawang 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).

6. Reasons for and benefits of constructing the Jiawang Factory

In view of the stringent environmental protection policies, the state will gradually set a higher entrance standard for a newly built leather manufacturing factory. The production capability of upstream processing which involves the sewage drainage will be the most important resources for the development of tannery business. In order to seize this resource and to reduce the outsourcing of chromed hides processing activities and thus lowering the subcontracting cost, the Company has decided to establish the Jiawang Factory to strengthen its upstream processing capability. The Directors believe that this will benefit the Company for the long-term.

7. Financial effect of the establishment of the Jiawang Factory

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

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C. GENERAL INFORMATION

The Directors are of the view that the construction of the Jiawang Factory is 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 Jiawang Factory Agreement is 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.

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 INTERESTS

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, the Directors 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	60,000	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 6,138,388,071.

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 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)
廣東粵海控股有限公司 (Guangdong Holdings Limited) (formerly known as 廣東粵港投資控股有限公司 Guangdong Yue Gang Investment Holdings Company Limited) (Note)	Interests of controlled corporation	375,100,000	Long position	32,368,421	75.81%
GDH	Beneficial owner	375,100,000	Long position	32,368,421	75.81%

Note: The attributable interest which 廣東粵海控股有限公司 (Guangdong Holdings Limited) has in the Company is held through its 100% direct interest in GDH.

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 interests 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 INTERESTS

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.