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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, other licensed corporation, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or otherwise transferred all your shares in the Company, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer, licensed corporation, or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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粵海制革有限公司

GUANGDONG TANNERY LIMITED

(Incorporated in Hong Kong with limited liability under the Companies Ordinance)

(Stock Code: 1058)

**TERMINATION OF EXISTING SHARE OPTION SCHEME
ADOPTION OF NEW SHARE OPTION SCHEME
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

A notice convening the extraordinary general meeting of the Company to be held at The Boardroom, Basement II, The Wharney Guang Dong Hotel Hong Kong, No. 57-73, Lockhart Road, Wanchai, Hong Kong at 10:00 a.m. on Monday, 24 November 2008 is set out on pages 17 to 19 of this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's share registrar and transfer office, Tricor Tengis Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meeting should you so wish.

7 November 2008

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DEFINITIONS

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

“Adoption Date”	the date that the New Share Option Scheme is adopted by ordinary resolution passed by the Shareholders at the EGM;
“Articles of Association”	the articles of association of the Company, as originally adopted, or as from time to time altered in accordance with the Companies Ordinance;
“Associate”	has the meaning given in Chapter 1 of the Listing Rules;
“Auditors”	the auditors of the Company from time to time;
“Board”	the board of directors of the Company;
“Board Lot”	the board lot in which shares are traded on the Stock Exchange from time to time, being 2,000 shares at the Adoption Date;
“Companies Ordinance”	the Companies Ordinance, Chapter 32 of the Laws of Hong Kong;
“Company”	Guangdong Tannery Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange;
“Connected Person”	has the meaning given in the Listing Rules;
“Date of Grant”	the date on which an Option is granted;
“Director(s)”	the director(s) of the Company;
“EGM”	the extraordinary general meeting of the Company to be held at The Boardroom, Basement II, The Wharney Guang Dong Hotel Hong Kong, No. 57-73, Lockhart Road, Wanchai, Hong Kong at 10:00 a.m. on Monday, 24 November 2008, notice of which is set out on pages 17 to 19 of this circular or, where the context so admits, any adjournment thereof;
“EGM Notice”	the notice convening the EGM as set out on pages 17 to 19 of this circular;
“Eligible Persons”	an employee, officer or director of a member of the Group (in each case as the Company may determine from time to time);
“Exercise Price”	in respect of any Option, the price determined by the Board in accordance with the Listing Rules and notified to the Option-holder;

DEFINITIONS

“Existing Share Option Scheme”	the share option scheme adopted by the Company on 31 May 2002;
“Group”	(i) the Company; (ii) all subsidiaries (as defined in the Listing Rules) of the Company; (iii) all entities, 20% or more of whose respective issued share capital or 20% or more of voting rights at general meetings of whose respective share or other equity holders are held by one or more other members of the Group; and (iv) persons whom the Board may reasonably regard as affiliates of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China;
“Latest Practicable Date”	5 November 2008, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in it;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time;
“New Share Option Scheme”	the share option scheme proposed to be adopted by the Company at the EGM, the principal terms of which are summarized in Appendix I to this circular;
“Offer Date”	means the date on which an Option is offered;
“Option(s)”	right to subscribe for Shares pursuant to the terms of the New Share Option Scheme;
“Option-holder”	the holder of an Option or Options under the New Share Option Scheme;
“Option Period”	in relation to an Option, the period (which is notified to the Option-holder at the Offer Date and set out in the option certificate) during which the Option may be exercised, such period to end no later than the tenth anniversary of the Date of Grant of such Option;

DEFINITIONS

“Ordinary Resolution”	the proposed ordinary resolution in the EGM Notice to approve the termination of the Existing Share Option Scheme and the adoption of the New Share Option Scheme;
“PRC”	the People’s Republic of China excluding, for the purpose of this circular, Hong Kong, Macau Special Administrative Region and Taiwan;
“Rules”	the rules of the New Share Option Scheme as amended from time to time;
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company;
“Shareholder(s)”	registered holder(s) of the Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary” or “subsidiaries”	a company which is for the time being and from time to time a subsidiary (within the meaning of the Listing Rules) of the Company whether incorporated in Hong Kong or elsewhere; and
“%”	per cent.



粵海制革有限公司

GUANGDONG TANNERY LIMITED

(Incorporated in Hong Kong with limited liability under the Companies Ordinance)

(Stock Code: 1058)

DIRECTORS:

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:

29/F. Guangdong Investment Tower

148 Connaught Road Central

Hong Kong

7 November 2008

To the Shareholders

Dear Sir or Madam,

**TERMINATION OF EXISTING SHARE OPTION SCHEME
ADOPTION OF NEW SHARE OPTION SCHEME
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

1. INTRODUCTION

The purpose of this circular is to provide the Shareholders with information reasonably necessary to enable them to make an informed decision in respect of the resolution to be proposed at the EGM relating to the proposed adoption of the New Share Option Scheme and the termination of the Existing Share Option Scheme.

LETTER FROM THE BOARD

2. THE EXISTING SHARE OPTION SCHEME AND THE NEW SHARE OPTION SCHEME

a. The New Share Option Scheme

For reasons set out in the section headed “Reasons for adopting the New Share Option Scheme” below, the Board proposes that the New Share Option Scheme be adopted in place of the Existing Share Option Scheme. Under the provisions of the Existing Share Option Scheme, the Company may, by resolution in general meeting, terminate its operation. Accordingly, at the EGM, an ordinary resolution will be proposed for the Company to approve the adoption of the New Share Option Scheme and the termination of the Existing Share Option Scheme with effect from the date on which the New Share Option Scheme takes effect.

The purpose of the New Share Option Scheme is to provide incentives to selected employees, officers and directors to contribute to the Group and to provide the Company with a flexible means of retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to such employees, officers and directors or to serve such other purposes as the Board may approve from time to time.

A summary of the New Share Option Scheme is set out in the Appendix I to this circular. A copy of the rules of the New Share Option Scheme is available for inspection at 29/F, Guangdong Investment Tower, 148 Connaught Road Central, Hong Kong during normal business hours from 7 November 2008 until the date of the EGM.

The New Share Option Scheme is conditional upon:

- (i) the passing of the Ordinary Resolution at the EGM approving the adoption of the New Share Option Scheme and the termination of the Existing Share Option Scheme; and
- (ii) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, any new Shares which may fall to be allotted and issued upon the exercise of the Options that may be granted under the New Share Option Scheme.

Shares which may fall to be issued upon exercise of all Options to be granted under the New Share Option Scheme at any time may not exceed 10% of the Shares in issue at the date of adoption. No Option shall be granted under the New Share Option Scheme if this would result in the 10% limit being exceeded.

b. Mandate for the issue of Shares

The Existing Share Option Scheme was adopted by the Company on 31 May 2002, whereby the Board may at any time within 10 years commencing from 13 January 2003 grant options to the eligible participants under the Existing Share Option Scheme as the Board may at its absolute discretion determine.

LETTER FROM THE BOARD

As at the Latest Practicable Date, options to subscribe for a total of 19,350,000 Shares had been granted under the Existing Share Option Scheme, of which no options remained outstanding and options to subscribe for 6,000,000 shares have lapsed in accordance with the terms of the Existing Share Option Scheme.

Approving the New Share Option Scheme will have the effect of refreshing the limit on the total number of Shares which may be issued upon exercise of all Options to be granted to Eligible Persons under the New Share Option Scheme which must not exceed 10% of the Shares in issue as at the date of approval. Options previously granted under the Existing Share Option Scheme and any other scheme (including those outstanding, cancelled, lapsed or exercised in accordance with the Existing Share Option Scheme or such other scheme) shall not be counted for the purpose of calculating the limit as refreshed.

It is not intended that the Company will refresh the Limit under the New Share Option Scheme in the future.

The limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Share Option Scheme and other schemes must not exceed 30% of the Shares of the Company in issue from time to time. No options may be granted under any scheme of the Company if this will result in the limit being exceeded.

On the basis of 537,504,000 Shares in issue as at the Latest Practicable Date and assuming that no Shares are issued or repurchased by the Company prior to the EGM, the scheme limit will re-set to 53,750,400 Shares.

c. Termination of Existing Share Option Scheme

The Existing Share Option Scheme will be terminated on the date when the New Share Option Scheme comes into effect upon the fulfilment of the conditions set out above. Upon termination of the Existing Share Option Scheme, no further options will be granted thereunder but in all other respects, the provisions of the Existing Share Option Scheme shall remain in force and all existing options which have been granted prior to such termination shall continue to be valid and exercisable in accordance therewith. As at the Latest Practicable Date, no options under the Existing Share Option Scheme remain outstanding. At present and up to the date when the New Share Option Scheme comes into effect and the Existing Share Option Scheme terminates, the Company has no intention to grant further options under the Existing Share Option Scheme.

Except for the Existing Share Option Scheme, the Group has not adopted any scheme which will enable the directors of the Group to grant options for subscription of Shares in the Company.

LETTER FROM THE BOARD

d. Value of the Options

The Directors consider that it is not appropriate to state the value of all the Options that can be granted under the New Share Option Scheme as if they had been granted at the Latest Practicable Date prior to the approval of the New Share Option Scheme given that the variables which are crucial for the calculation of the value of such Option cannot be determined. The variables which are critical for the determination of the value of such Options include the subscription price payable for the Shares upon the exercise of the Options, whether or not Options will be granted under the New Share Option Scheme, and if so, the number of Options to be granted and the timing of the granting of such Options, the period during which the subscription rights may be exercised, the discretion of the Board to impose any performance target that has to be achieved before the subscription right attaching to the Options can be exercised and any other conditions that the Board may impose with respect to the Options and whether or not such Options if granted will be exercised by the Option-holders. Accordingly, the Directors are of the view that the value of the Options depends on a number of variables which are either difficult to ascertain or can only be ascertained subject to a number of theoretical and speculative assumptions. Accordingly, the Directors believe that any calculation of the value of the Options will not be meaningful and may be misleading to the Shareholders in the circumstances.

e. Application for Listing

Application will be made to the Listing Committee for approval of the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of any Option that may be granted under the New Share Option Scheme.

f. Reasons for adopting the New Share Option Scheme

The purpose of the New Share Option Scheme is to enable the Company to recruit and retain key employees, officers and directors of the Group and motivate performance as measured against key drivers of value to the Shareholders. With this in mind, the Board proposes that the Existing Share Option Scheme be replaced by the New Share Option Scheme so as (a) to refine the exact scope of Eligible Persons that the New Share Option Scheme is intended to benefit, and (b) to accord the Board flexibility in determining specific terms and parameters that may apply when Options are granted to different Eligible Persons. As mentioned, the scope of Eligible Persons under the New Share Option Scheme is narrower than that under the Existing Share Option Scheme so that it only encompasses employees, officers and directors of the Group. Suppliers, customers, consultants, advisers and shareholders of the Company and its subsidiaries are not included in the scope of Eligible Persons under the New Share Option Scheme. The New Share Option Scheme also expressly provides that, the Board may with respect to each grant of Options, determine the Exercise Price (being not less than the minimum price specified in the Listing Rules), the vesting scales (including any minimum holding period) and any performance targets and other conditions that apply to the Options. The Directors believe the New Share Option Scheme will provide the Board with flexibility in determining the vesting scales,

LETTER FROM THE BOARD

applicable performance targets and other conditions to which the specific grant of Options may be subject on a case-by-case basis, and thereby will place the Group in a better position to attract human resources that are valuable to the long-term growth and development of the Group. No trustees will be appointed under the New Share Option Scheme.

3. THE EGM

The EGM Notice is set out in Appendix II to this circular. Shareholders are advised to read the EGM Notice and to complete and return the enclosed form of proxy for use at the EGM in accordance with the instructions printed thereon and deposit the same with the Company's registrar and share transfer office, Tricor Tengis Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meeting should you so wish.

At any general meeting, a resolution put to the vote shall be decided on a show of hands unless, before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll, a poll is duly demanded. A poll may be demanded by:

- (a) the chairman of the meeting; or
- (b) at least three Shareholders present in person or by proxy and entitled to vote; or
- (c) any Shareholder(s) present in person or by proxy and representing in the aggregate not less than one-tenth of the total voting rights of all the Shareholders having the right to attend and vote at the meeting; or
- (d) any Shareholder(s) present in person or by proxy and holding Shares conferring a right to attend and vote at the meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sum paid up on all Shares conferring that right.

Unless a poll is so demanded and the demand is not withdrawn, a declaration by the chairman of the meeting that a resolution has, on a show of hands, been carried or carried unanimously or by a particular majority or not carried by a particular majority or lost shall be final and conclusive, and an entry of the declaration in the minutes of the meeting shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded for or against such resolution.

4. RECOMMENDATION

The Board considers that the adoption of the New Share Option Scheme and the termination of the Existing Share Option Scheme are in the best interests of the Company and the Shareholders. Accordingly, the Board (including the Independent Non-Executive Directors) recommends that you vote in favour of the resolution set out in the EGM Notice.

LETTER FROM THE BOARD

5. RESPONSIBILITY STATEMENT

This document 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 enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

Yours faithfully
For and on behalf of the Board of
Guangdong Tannery Limited
ZHANG Chunting
Chairman

The following is a summary of the principal terms of the New Share Option Scheme proposed to be adopted by the Company on 24 November 2008.

1. PURPOSE

The purpose of the New Share Option Scheme is to provide the Company with a flexible means of retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to Eligible Persons.

2. WHO MAY JOIN

The Board may offer to grant to any Eligible Person an Option to subscribe for such number of Shares at the Exercise Price as the Board may determine from time to time, subject always to any limits and restrictions specified in the Rules. Options may only be granted under the New Share Option Scheme in respect of Shares in Board Lots.

3. PAYMENT ON ACCEPTANCE OF OPTION OFFER

Option-holders are not required to pay for the grant of an Option.

4. TERMS OF OPTIONS

Options granted under the New Share Option Scheme are subject to such terms and conditions as may be determined by the Board and specified in the offer of the grant of an Option which may include:

- (i) vesting conditions which must be satisfied before an Option-holder's Option shall become vested and capable of exercise; and
- (ii) lapse and other conditions.

These provisions will give the Board flexibility to impose conditions suitable for fulfilling the various purposes of the New Share Option Scheme.

5. EXERCISE PRICE

The Exercise Price will be determined by the Board (subject to adjustment as set out in paragraph 12 below) and notified to an Option-holder and shall not be less than the highest of (i) the closing price of the Shares on the Stock Exchange as stated in the Stock Exchange's daily quotations sheet on the Date of Grant, which must be a business day; (ii) the average closing price of the Shares on the Stock Exchange as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the Date of Grant; and (iii) the nominal value of the Shares.

6. MAXIMUM NUMBER OF SHARES SUBJECT TO THE NEW SHARE OPTION SCHEME AND MAXIMUM ENTITLEMENT OF EACH PARTICIPANT

The total number of Shares which may be issued upon exercise of all Options to be granted under the New Share Option Scheme must not in aggregate exceed 10% of the Shares of the Company in issue as at the Adoption Date (the “**Limit**”). Options lapsed in accordance with the terms of the New Share Option Scheme will not be counted for the purpose of calculating the Limit.

The Board shall not grant any Options (the “**Relevant Options**”) to any Eligible Person which, if exercised, would result in such Eligible Person becoming entitled to subscribe for such number of Shares as, when aggregated with the total number of Shares already issued or to be issued to him under all Options (including exercised, cancelled and outstanding Options) granted to him in the 12 month period up to and including the Offer Date of the Relevant Options, exceed 1% of the Shares in issue at such date unless approval by the Shareholders in general meeting (with such Eligible Person and his or her Associates abstaining from voting has been obtained in accordance with the Listing Rules).

As at the Latest Practicable Date, the total number of issued Shares in the Company was 537,504,000 Shares. The total number of Shares which may be issued on the exercise of Options to be granted under the New Share Option Scheme which represents 10% of the number of total issued Shares as at the Latest Practicable Date is 53,750,400 Shares.

7. TIME OF ACCEPTANCE AND EXERCISE OF AN OPTION

Subject to the provisions in paragraphs 9 to 13 and 15 below:

- (i) An offer of grant of an Option may be accepted by an Eligible Person within the period of the time stipulated by the Board, but no later than 14 days from the date of such offer.
- (ii) All Options will be unvested Options upon grant and unvested Options will, subject to a grantee continuing to be an Eligible Person, vest with the grantee in accordance with the vesting schedules specified in the offer of grant of the relevant Option.
- (iii) Subject to the Rules of the New Share Option Scheme and the relevant offer of the grant of an Option, a vested Option may be exercised in accordance with the terms of the Rules at any time during the period to be determined and notified by the Directors to each grantee, which period may commence on the date which is 2 years from the Date of Grant of the Option but shall end in any event not later than 10 years from the Date of Grant of the Option.

8. NON-TRANSFERABILITY OF OPTIONS

Except for the transmission of an Option on the death of an Option-holder to his/her personal representatives, neither the Option nor any rights in respect of it may be transferred, assigned or otherwise disposed of by any Option-holder to any other person. If an Option-holder transfers, assigns or disposes of any such Option or rights, whether voluntarily or involuntarily, then the relevant Option will immediately lapse.

9. PERFORMANCE TARGETS

The exercise of Option may or may not be subject to the achievement of performance targets which may be determined by the Board at its absolute discretion on a case by case basis upon the grant of the relevant Option and stated in the offer of grant of such Option.

10. RIGHTS ON CEASING EMPLOYMENT OR OTHER ENGAGEMENT OR ON DEATH, DISABILITY OR RETIREMENT

- (i) Options will immediately lapse if the Option-holder leaves employment or if he is guilty of serious failure to perform his duties, abuse of his position, material breach of Hong Kong or PRC laws, bribery and certain other conduct which materially damages the interests, reputation or image of the Company.
- (ii) However, if the Option-holder leaves for one of the reasons listed below, his Option will vest (which can be before the date which is 2 years from the relevant Date of Grant) to the extent specified by the Board when the Option is offered. The Option will be exercisable, to the relevant extent, for 4 months from the date on which the Option-holder leaves employment, after which it will lapse. The reasons are:
 - death;
 - ill-health, injury or disability; and
 - retirement in accordance with his employment contract and/or the retirement policy of the Group or in the case of a Non-Executive Director, the expiry of his term of office (other than by reason of early termination) in circumstances in which his re-election is not to be proposed.

The Option will vest and lapse in the same way if the Option-holder leaves but

- (a) becomes an employee or director of the Company's ultimate holding company or any of its subsidiaries (other than a member of the Group) (the "**Wider Group**");
- (b) at the request or with the support of the Company or its holding companies, assumes a position outside the Wider Group; or
- (c) becomes incapacitated in certain circumstances.

If the Option-holder is not an employee, he is treated as leaving employment when he ceases to hold the office or appointment.

11. TRANSACTIONS AFFECTING THE COMPANY

If there is a change of control (e.g. as a result of a general offer) or privatisation (other than by way of a scheme of arrangement) of the Company, Options will vest in full and be exercisable for six months from the date on which the change of control or privatisation becomes or is declared wholly unconditional, or the date on which the change of control or privatisation is made or occurs (or, if earlier, for one month from the date that Shares can be compulsorily acquired).

On a scheme of arrangement with creditors for the reconstruction of the Company or with the Shareholders for a change of control or privatisation, Options will vest in full and are exercisable conditional upon the scheme of arrangement being approved and will lapse to the extent not so exercised on the date on which the scheme becomes effective.

If notice is given by the Company to its members to convene a general meeting for the purposes of considering and, if thought fit, approving a resolution to wind up the Company voluntarily, each Option will vest in full and may be exercised by notice which must be received by the Company not less than 7 business days before the date of the proposed meeting. Shares will be issued in satisfaction of a valid exercise no later than the business day immediately before the date of such proposed meeting. Options will lapse on the date of commencement of the winding up.

12. REORGANISATION OF CAPITAL STRUCTURE

In the event of any alteration in the capital structure of the Company, whether by way of capitalisation of profits or reserves, rights issues of Shares, consolidation or subdivision of Shares or reduction of the share capital of the Company in accordance with applicable laws and regulatory requirements (other than an issue of any share capital in satisfaction of a dividend in accordance with applicable laws or an issue of Shares as consideration in respect of a transaction to which the Company is a party), or in connection with any merger or de-merger involving the Company, corresponding adjustments (if any) shall be made to (i) the number of Shares, being the subject matter of the Option (insofar as it is unexercised); and/or (ii) the price at which the Options are exercisable.

Any such adjustment shall be made on the basis that (i) the proportion of the issued share capital of the Company to which an Option-holder is entitled after such adjustment shall remain the same as that to which he was entitled before such adjustment; and (ii) it will not enable any Share to be issued at less than its nominal value; and (iii) that the Auditors or independent financial adviser appointed by the Board (as appropriate) must confirm to the Board in writing that the adjustment satisfies the requirements of the Note to Rule 17.03 (13) of the Listing Rules, except where such adjustment is made on a capitalisation issue.

13. LAPSE OF OPTIONS

An Option will lapse on the earlier of:

- (i) the expiry of the Option Period; or
- (ii) expiry of any of the other periods referred to in paragraphs 9, 10 and 11; or
- (iii) following a breach of the Rules summarised in paragraph 8 above; or
- (iv) any date specified in a vesting scale established by the Board or any conditions established as described in paragraph 9.

14. RANKING OF SHARES

No dividends (including distributions made upon the liquidation of the Company) will be payable and no voting rights will be exercisable in relation to an Option that has not been exercised. Shares issued on the exercise of an Option will rank equally in all respects with the Shares in issue on the date of issue of such Shares. They will not rank for any rights attaching to Shares by reference to a record date preceding the date of issue of such Shares.

15. CANCELLATION OF OPTIONS

Any Options granted but not exercised may be cancelled by the Company if the Option-holder so agrees.

16. AMENDMENTS TO THE NEW SHARE OPTION SCHEME AND TERMS OF OPTIONS

- (i) The terms and conditions of the New Share Option Scheme relating to the matters set out in Rule 17.03 of the Listing Rules shall not be altered to the advantage of grantees of the Options except with the prior approval of the Shareholders in general meeting.
- (ii) Any alterations to the terms and conditions of the New Share Option Scheme which are of a material nature or any change to the terms of Options granted must be approved by the Shareholders, except where the alterations take effect automatically under the existing terms of the New Share Option Scheme.
- (iii) The amended terms of the New Share Option Scheme or the Options must still comply with the relevant requirements of Chapter 17 of the Listing Rules.
- (iv) Any change to the authority of the Directors or the scheme administrators in relation to any alteration to the terms of the New Share Option Scheme must be approved by the Shareholders in general meeting.

17. TERMINATION OF THE NEW SHARE OPTION SCHEME

The New Share Option Scheme will automatically terminate on expiry of the period of the New Share Option Scheme as set out in paragraph 18 below. The New Share Option Scheme may be terminated at any time with the approval of the Shareholders. Following the termination of the New Share Option Scheme, (i) no new offers to grant Options under the New Share Option Scheme will be made and (ii) Options which have been previously granted but not yet exercised and not yet lapsed or cancelled shall continue to be valid and exercisable in accordance with the Rules.

18. PERIOD OF THE NEW SHARE OPTION SCHEME

Subject to paragraph 17 above, the New Share Option Scheme shall be valid and effective for a period of 10 years commencing on the Adoption Date, after which period no further Options will be granted. Therefore, the New Share Option Scheme is expected to expire at midnight on 23 November 2018. The provisions of the New Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any Options granted prior to expiry of the 10 year period and which are at that time or become thereafter capable of exercise under the Rules, or otherwise to the extent as may be required in accordance with the provisions of the New Share Option Scheme.

19. CONDITIONS

The New Share Option Scheme is conditional on (i) the passing of the necessary resolution by the Shareholders at the EGM; and (ii) the Stock Exchange granting approval of the listing of, and permission to deal in, any Shares to be issued pursuant to the exercise of Options under the New Share Option Scheme.

20. RESTRICTIONS ON THE TIME OF GRANT OF OPTION

A grant of Options may not be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been published in accordance with the Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of (i) the date of the Board meeting for the approval of the Company's results for any year, half-year, quarterly or any other interim period whether or not required under the Listing Rules; and (ii) the deadline for the Company to publish an announcement of its results for any year, half-year, quarterly or any other interim period whether or not required under the Listing Rules, and ending on the date of the results announcement, no Options may be granted. The period during which no Options may be granted will cover any period of delay in the publication of a results announcement.

21. RESTRICTIONS ON GRANTS

Each grant of Options to an Eligible Person who is a Director or chief executive of the Company, or any of their respective Associates, under the New Share Option Scheme must be approved by the Independent Non-Executive Directors of the Company (excluding any Independent Non-Executive Director who is the proposed grantee of the Options).

Where any grant of Options to an Independent Non-Executive Director of the Company, or any of their respective Associates, would result in the Shares issued and to be issued upon exercise of all Options already granted or to be granted under the New Share Option Scheme (including Options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant (i) representing in aggregate over 0.1% of the Shares in issue; and (ii) (where the securities are listed on the Stock Exchange) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million, such grant of Options by the Board must be approved by the Shareholders in general meeting (the vote on such approval to be taken on a poll). Any Shareholder who is a Connected Person of the Company must abstain from voting in favour of the resolution to approve such grant of Options.

If an Eligible Person on the Date of Grant of an Option holds or is entitled to exercise or control the exercise of more than 5% of voting shares of the Company, he will not be granted an Option unless approval from the Independent Non-Executive Directors of the Company and the Shareholders has been obtained. Any Shareholder who is a Connected Person of the Company must abstain from voting in favour of the resolution to approve such grant of Option(s).

22. ADMINISTRATION

The Board or a duly constituted committee of the Board will have responsibility for administering the Scheme, and references to “Board” in this appendix shall be construed accordingly. In addition, the Board may appoint an administrator or administrators in relation to the Scheme (or certain aspects thereof) on such terms as the Board may determine. As at the Latest Practicable Date, there were no arrangements in place in this regard.



粵海制革有限公司

GUANGDONG TANNERY LIMITED

(Incorporated in Hong Kong with limited liability under the Companies Ordinance)

(Stock Code: 1058)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting of Guangdong Tannery Limited (the “Company”) will be held at The Boardroom, Basement II, The Wharney Guang Dong Hotel Hong Kong, No. 57–73, Lockhart Road, Wanchai, Hong Kong on Monday, 24 November 2008 at 10:00 a.m. for the following purposes:

To consider and, if thought fit, to pass the following as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT:**

- (a) subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) granting approval of the listing of, and permission to deal in ordinary shares of the Company (the “**Shares**”) which may fall to be issued pursuant to the exercise of options (“**Options**”) granted under the share option scheme (the “**New Share Option Scheme**”) of the Company, the terms of which are contained in the document marked “A” and produced to the meeting and for the purpose of identification signed by a Director of the Company and a summary of which is set out in a circular dated 7 November 2008 and despatched to the shareholders of the Company of which the notice convening this meeting forms part (the “**Condition**”), the New Share Option Scheme be and is hereby approved and the Board of Directors of the Company (the “**Board**”) be and is hereby authorized to grant Options and to allot and issue Shares pursuant to the exercise of any Option and to do all such acts and to enter into all such transactions and arrangements as may be necessary or desirable in order to give effect to the New Share Option Scheme and, to the extent permissible under the Articles of Association of the Company, the Rules governing the Listing of Securities on the Stock Exchange and the rules of the New Share Option Scheme, the Directors of the Company may vote in respect of any resolution(s) under or affecting the New Share Option Scheme (including, without limitation, approving any amendments to the rules of the New Share Option Scheme as may be acceptable or not objected to by the Stock Exchange, the granting of Options thereunder or approving the allotment and issue of Shares upon exercise of Options thereunder notwithstanding any interest(s) of any Director(s)). For the

avoidance of doubt, the total number of Shares which may be issued upon the exercise of the Options to be granted under the New Share Option Scheme shall not exceed 10 per cent of the Shares in issue as at the date of the passing of this resolution. For the purpose of calculating the 10 per cent limit, all options previously granted under the existing share option scheme (the “**Existing Share Option Scheme**”) of the Company which was adopted by the Company on 31 May 2002 or any other schemes of the Company (including those outstanding, cancelled, lapsed in accordance with the relevant scheme or exercised) will not be counted;

- (b) the Existing Share Option Scheme is hereby terminated on the same date as the New Share Option Scheme comes into effect upon approval of the New Share Option Scheme in accordance with (a) above and fulfillment of the Condition, provided that any options granted under the Existing Share Option Scheme prior to the passing of this resolution shall not, in any way, be affected or prejudiced and all such options shall continue to be valid and exercisable in accordance with the Existing Share Option Scheme.

By order of the Board
LO Sze Sze
Company Secretary

Hong Kong, 7 November 2008

Registered office:

29/F. Guangdong Investment Tower
148 Connaught Road Central
Hong Kong

Notes:

- (i) A shareholder entitled to attend and vote at the above meeting may appoint one or more proxies to attend and, on a poll, vote in his place and such proxy need not be a shareholder of the Company.
- (ii) A form of proxy is enclosed. To be valid, the form of proxy together with the power of attorney (if any) or other authority (if any) under which it is signed (or a notarially certified copy of such power or authority) must be delivered to the Company's share registrar and transfer office, Tricor Tengis Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong not less than 48 hours before the time fixed for holding the meeting or adjourned meeting. The appointment of a proxy will not prevent a shareholder from subsequently attending and voting at the meeting or any adjourned meeting if he so wishes. If a shareholder who has lodged a form of proxy attends the meeting, his form of proxy will be deemed to have been revoked.
- (iii) In the case of joint shareholders, the vote of the senior who tenders a vote, whether in person, or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority will be determined by the order in which the names stand in the Company's register of shareholders in respect of the joint holding.