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**粵海制革有限公司**

**GUANGDONG TANNERY LIMITED**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 1058)**

## **PROPOSED REDUCTION OF SHARE PREMIUM**

The Board intends to put forward for approval by the Shareholders at the EGM a proposal to reduce the credit standing to the share premium account of the Company to the extent of HK\$393,345,845, and to apply the credit arising from such reduction to eliminate the Accumulated Losses by the same amount.

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### **Effects of the Reduction of Share Premium**

As at 30 June 2010, the Company recorded unaudited accumulated losses of HK\$393,345,845. The unaudited balance of the share premium account of the Company was HK\$413,995,216 as at 30 June 2010. As a result of the Proposed Share Premium Reduction, the credit standing to the share premium account of the Company will be reduced by an amount of HK\$393,345,845, and the credit arising therefrom will be applied towards eliminating the Accumulated Losses by the same amount.

Other than the expenses incurred by the Company in relation to the Proposed Share Premium Reduction, the implementation of the Proposed Share Premium Reduction will not, of itself, alter the underlying assets, liabilities, business operations, management or financial position of the Company or affect the interests of the Shareholders.

## **Reasons for the Proposed Share Premium Reduction**

The Company has unaudited accumulated losses of HK\$393,345,845 as at 30 June 2010. The Board is of the view that the Proposed Share Premium Reduction will allow the Company to eliminate its accumulated losses arising from the Group's past operations, thus enabling a better appreciation of the financial position of the Group and its current businesses. The Proposed Share Premium Reduction will bring the Company to a position that might permit the payment of dividends if and when the Company's financial position allows and the Board considers appropriate in the future, although there is no guarantee that a dividend will be declared or paid upon the Proposed Share Premium Reduction becoming effective or at any time in the future.

The Board believes that the Proposed Share Premium Reduction is in the best interests of the Company and the Shareholders as a whole.

## **Conditions for the Proposed Share Premium Reduction**

The Proposed Share Premium Reduction is conditional upon :

1. the passing of a special resolution by the Shareholders to approve the Proposed Share Premium Reduction at the EGM; and
2. the confirmation of the Proposed Share Premium Reduction by the High Court and the registration by the Registrar of Companies in Hong Kong of an official copy of the order of the High Court required by Section 61 of the Companies Ordinance.

Upon fulfillment of the above conditions, the Proposed Share Premium Reduction will become effective immediately following the registration of the order of the High Court referred to in condition 2 above.

## **GENERAL**

A circular of the Company containing, inter alia, details of the Proposed Share Premium Reduction and a notice convening the EGM for the purpose of considering and, if thought fit, passing the special resolution to approve the Proposed Share Premium Reduction will be despatched to the Shareholders on or before 21 January 2011.

**Shareholders and potential investors should also be aware of and take note that the Proposed Share Premium Reduction is conditional upon satisfaction of the conditions precedent set out in this announcement. Therefore, the Proposed Share Premium Reduction may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares and other securities of the Company.**

## DEFINITIONS

“Accumulated Losses”	the entire balance in the accumulated losses account of the Company as at 30 June 2010 of HK\$393,345,845
“Board”	the board of directors of the Company
“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 and the shares of which are listed on the main board of the Stock Exchange
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, passing a special resolution regarding the Proposed Share Premium Reduction
“Group”	the Company and its subsidiaries
“High Court”	the High Court of Hong Kong
“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
“Shares”	ordinary shares of HK\$0.10 each in the share capital of the Company
“Shareholders”	the registered holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

By order of the Board  
**Chen Hong**  
Chairman

Hong Kong, 4 January 2011

*As at the date of this announcement, the Board comprises two Executive Directors, namely Mr. Chen Hong and Mr. Sun Jun; three Non-Executive Directors, namely Mr. Xiong Guangyang, Mrs. Ho Lam Lai Ping, Theresa and Mr Qiao Jiankang; and three Independent Non-Executive Directors, namely Mr. Fung Lak, Mr. Choi Kam Fai, Thomas and Mr. Chan Cheong Tat.*