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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you have sold or otherwise transferred** all your shares in Guangdong Tannery Limited, 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)*

**(Stock Code: 1058)**

**PROPOSED REDUCTION OF SHARE PREMIUM  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

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A notice convening the extraordinary general meeting of Guangdong Tannery Limited 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 Tuesday, 1 February 2011 is set out on pages 6 to 7 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, Tricor Tengis Limited, at 26th Floor, 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.

8 January 2011

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## DEFINITIONS

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*In this circular, the following expressions shall have the following meanings unless the context indicates otherwise:*

“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;
“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;
“Director(s)”	the director(s) of the Company;
“Extraordinary General Meeting”	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 Tuesday, 1 February 2011;
“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;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time;
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company;
“Share Premium Reduction”	the reduction of HK\$393,345,845 standing to the credit of the share premium account of the Company as at 30 June 2010;
“Shareholders”	the registered holders of the Shares; and
“Stock Exchange”	The Stock Exchange of Hong Kong Limited.



# 粵海制革有限公司

## GUANGDONG TANNERY LIMITED

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 1058)**

*Board of Directors:*

Mr. CHEN Hong (*Chairman*)  
Mr. SUN Jun (*Managing Director*)  
Mr. XIONG Guangyang<sup>#</sup>  
Mrs. HO LAM Lai Ping, Theresa<sup>#</sup>  
Mr. QIAO Jiankang<sup>#</sup>  
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

<sup>#</sup> *Non-Executive Director*

\* *Independent Non-Executive Director*

8 January 2011

*To the Shareholders*

Dear Sir or Madam,

### **PROPOSED REDUCTION OF SHARE PREMIUM AND NOTICE OF EXTRAORDINARY GENERAL MEETING**

#### **1. INTRODUCTION**

On 4 January 2011, the Board announced that it intended to put forward a proposed Share Premium Reduction for approval by the Shareholders at the Extraordinary General Meeting. The purpose of this circular is to provide you with information relating to, amongst other things, details of the proposed Share Premium Reduction and a notice of the Extraordinary General Meeting.

#### **2. PROPOSED REDUCTION OF SHARE PREMIUM**

The Board intends to put forward for approval by the Shareholders at the Extraordinary General Meeting 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.

## **2. PROPOSED REDUCTION OF SHARE PREMIUM (Continued)**

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

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.

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

The Company has an 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.

**Shareholders and potential investors should also be aware of and take note that there can be no assurance that a dividend will be declared or paid in the future even if the proposed Share Premium Reduction has become effective.**

### **2.3 Conditions for the 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 Extraordinary General Meeting; 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.

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## LETTER FROM THE BOARD

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### 2. PROPOSED REDUCTION OF SHARE PREMIUM (Continued)

#### 2.3 Conditions for the Share Premium Reduction (Continued)

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.

An application will be made to the High Court in respect of the proposed Share Premium Reduction as soon as practicable after the passing of the special resolution at the Extraordinary General Meeting referred to in condition 1 above. Further announcement(s) will be made informing the Shareholders of the process and results of the petition to the High Court.

**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 above. 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.**

### 3. EXTRAORDINARY GENERAL MEETING

The notice convening the Extraordinary General Meeting, at which a special resolution will be proposed to approve the Share Premium Reduction, is set out on pages 6 to 7 of this circular. A form of proxy for use at the Extraordinary General Meeting is enclosed.

Shareholders are advised to complete the enclosed form of proxy in accordance with the instructions printed thereon and deposit the same with the share registrar of the Company, Tricor Tengis Limited, at 26th Floor, 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 holding the Extraordinary General 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 Extraordinary General Meeting or any adjourned meeting should you so wish.

Pursuant to Rule 13.39(4) of the Listing Rules, the special resolution set out in the notice of the Extraordinary General Meeting will be decided by poll. An announcement of the poll results will be made after the Extraordinary General Meeting in the manner prescribed under Rule 13.39(5) of the Listing Rules.

### 4. RECOMMENDATION

The Directors believe that the proposed Share Premium Reduction is in the best interests of the Company and the Shareholders taken as a whole. Accordingly, the Directors recommend all Shareholders to vote in favour of the special resolution to be proposed at the Extraordinary General Meeting.

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## LETTER FROM THE BOARD

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### 5. RESPONSIBILITY STATEMENT

This circular contains 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 contained herein misleading.

Yours faithfully,  
For and on behalf of the Board of  
**Guangdong Tannery Limited**  
**CHEN Hong**  
*Chairman*



# 粵海制革有限公司

## GUANGDONG TANNERY LIMITED

*(Incorporated in Hong Kong with limited liability)*

(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 Tuesday, 1 February 2011 at 10:00 a.m. to consider and, if thought fit, pass with or without modifications, the following resolution as a special resolution of the Company:

#### SPECIAL RESOLUTION

“**THAT:**

- (a) subject to confirmation of the High Court of Hong Kong, the share premium account of the Company which amounted to HK\$413,995,216 as at 30 June 2010 be hereby reduced by the amount of HK\$393,345,845 (the “**Share Premium Reduction**”) and the entire amount of the credit arising from the Share Premium Reduction be applied towards the elimination of the accumulated losses standing in the balance sheet of the Company subject to any conditions that may be imposed by the High Court of Hong Kong; and
- (b) the Directors be and are hereby authorised generally to do all acts and things, and to approve, sign and execute any documents, which in their opinion may be necessary, desirable or expedient to implement or to give effect to the foregoing including, without limitation, to seek confirmation from the High Court of Hong Kong, and authorised Counsel on behalf of the Company to provide any undertaking as is necessary to the High Court of Hong Kong in respect of the Share Premium Reduction.”

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

Hong Kong, 8 January 2011



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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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*Registered office:*

29th Floor  
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 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, Tricor Tengis Limited, at 26th Floor, 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.
- (iv) The register of members of the Company will be closed on Monday, 31 January 2011 and Tuesday, 1 February 2011, both days inclusive, during such period no transfer of shares will be registered.
- (v) In order to determine the identity of the members of the Company who are entitled to attend and vote at the above meeting, all transfer documents accompanied by the relevant share certificates must be lodged at the office of the Company's share registrar, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 28 January 2011.