



Independent Auditors' Review Report

To the Board of Directors
Guangdong Tannery Limited

Introduction

We have been instructed by the Company to review the interim financial report set out on pages 5 to 19.

Directors' responsibilities

The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with SSAP 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

Review work performed

We conducted our review in accordance with SAS 700 "Engagements to review interim financial reports" issued by the Hong Kong Society of Accountants. A review consists principally of making enquiries of management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 June 2001.

Without modifying our review conclusion above, we draw attention to the fact that:

- (i) the comparative condensed consolidated profit and loss account and condensed consolidated statement of recognised gains and losses for the six months ended 30 June 2000 have not been reviewed in accordance with SAS 700; and
- (ii) as disclosed in note 1 to the interim financial report, a comparative condensed consolidated cash flow statement in respect of the six months ended 30 June 2000 has not been prepared.

Ernst & Young
Certified Public Accountants

Hong Kong
21 September 2001