

INDEPENDENT AUDITORS' REVIEW REPORT



**To the Board of Directors
Guangdong Tannery Limited**

(Incorporated in Hong Kong with limited liability)

We have been instructed by the Company to review the interim financial report set out on pages 5 to 31.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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 Hong Kong Accounting Standard 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors. It is our responsibility to form an independent conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

REVIEW WORK PERFORMED

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the HKICPA. A review consists principally of making enquiries of Group's 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.

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FUNDAMENTAL UNCERTAINTY — CONTINGENT LIABILITIES

In arriving at our review conclusion, we have considered the adequacy of the disclosures made in note 19 to the condensed consolidated interim financial statements concerning the irregularities involving certain former executives of a former subsidiary of the Company in a previous year and the related provision of RMB73,978,000 (equivalent to approximately HK\$69,600,000) for the tax claim and tax penalty made by the Group as detailed in note 15(a) to the condensed consolidated interim financial statements. As more fully explained in note 19 to the condensed consolidated interim financial statements, although judgment for the proceeding in the Guangzhou Intermediate People's Court (the "Judgment") has been rendered on 2 September 2005, the impacts of the Judgment or the ruling in any appeal against the Judgment, including the other possible consequential actions that may be taken by the PRC authorities for the apparent breaches of certain PRC laws and regulations, and the existence or otherwise of any other penalties and claims so arising as a result of the aforesaid irregularities, remain uncertain. As of the date of this report, no further provision other than that disclosed in notes 15(a) and 19 to the condensed consolidated interim financial statements has been made in the interim financial report for such contingencies. We consider that appropriate disclosures and estimates have been made in the interim financial report and our review conclusion is therefore not modified in this respect.

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 2005.

Ernst & Young

Certified Public Accountants

Hong Kong

9 September 2005