

VII. REPORT OF THE PRC AUDITORS

As this is the first interim results announcement of the Company after the asset exchange, the Company has appointed PricewaterhouseCoopers Zhong Tian Certified Public Accountants Co., Ltd. to audit the interim accounts of the Company for the six months ended 30th June 2001 so that the Company's shareholders and investors can have more reliable information about the Company and make appropriate investment decisions. PricewaterhouseCoopers Zhong Tian Certified Public Accountants Co., Ltd. issued an unqualified audit report on the Company's accounts for the six months ended 30th June 2001.



**PricewaterhouseCoopers Zhong Tian
Certified Public Accountants Co., Ltd.**

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PWC Shen Zi (2001) No.1118

**TO THE SHAREHOLDERS OF TIANJIN CAPITAL ENVIRONMENTAL PROTECTION COMPANY LIMITED
(Formerly known as Tianjin Bohai Chemical Industry (Group) Company Limited)**

We have accepted the appointment by the shareholders of the Company and audited the Company's balance sheet as at 30th June 2001, the profit and loss account, the profit appropriation statement and the cash flow statement of the Company for the six months period from 1st January 2001 to 30th June 2001. The Company is responsible for these accounts. Our responsibility is to express an audit opinion on the accounts. Our audit was conducted in accordance with the Independent Auditing Standards of Certified Public Accountants in China and consequently included such auditing procedures as were considered necessary and appropriate to the Company's circumstances, including examination, on a test basis, of the Company's transactions and accounting records.

In our opinion, the accounts of the Company set out on pages 20 to 36 present fairly, in all material respects, the financial position of the Company at 30th June 2001 and of its results and cash flows for the six months period from 1st January 2001 to 30th June 2001 in accordance with the Accounting Standards for Business Enterprises and the Accounting Regulations for Business Enterprises of the People's Republic of China. The accounting policies used in the preparation of the accounts for the period are consistent with those in the preceding year.

**PricewaterhouseCoopers Zhong Tian
Certified Public Accountants Co., Ltd.**

Zhou Zhong Hui
Certified Public Accountant

Wang Xiao
Certified Public Accountant

Shanghai, the PRC
31st July 2001