

Report of the PRC Auditors



PwC Shen Zi (2002) No.380

TO THE SHAREHOLDERS OF TIANJIN CAPITAL ENVIRONMENTAL PROTECTION COMPANY LIMITED

We have accepted the appointment by the shareholders of the Company and audited the Company's and the Group's balance sheets as at 31st December 2001, the profit and loss accounts, the profit appropriation statements and the cash flow statements of the Company and the Group for the year then ended. 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 and the Group's circumstances, including examination, on a test basis, of the Company's and the Group's transactions and accounting records.

In our opinion, the accounts of the Company and the Group as set out on pages 51 to 87 present fairly, in all material respects, the financial position of the Company and the Group at 31st December 2001 and of their results and cash flows for the year then ended in accordance with the Accounting Standards 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 year are consistent with those used in the preceding year.

PricewaterhouseCoopers Zhong Tian
Certified Public
Accountants Co., Ltd.

Zhou Zhong Hui
Certified Public
Accountant

Wang Xiao
Certified Public
Accountant

Shanghai, China
28th February 2002