

Report of the PRC Auditors



PwC Zhong Tian Shen Zi (2004) No.698

TO THE SHAREHOLDERS OF TIANJIN CAPITAL ENVIRONMENTAL PROTECTION COMPANY LIMITED

We have audited the balance sheet of Tianjin Capital Environmental Protection Company Limited (“the Company”) and the balance sheet of the Company and its consolidated subsidiaries (collectively “the Group”) as at 31st December 2003 and the related profit and loss accounts, profit appropriation statements and cash flow statements for the year then ended. These accounts set out on pages 58 to 99 are the responsibility of the Company’s management. Our responsibility is to express an opinion on these accounts based on our audit.

We conducted our audit in accordance with China’s Independent Auditing Standards for Certified Public Accountants. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting policies used and significant accounting estimates made by management, as well as evaluating the overall presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounts of the Company and the Group referred to above conform with the Accounting Standards for Business Enterprises and the “Accounting System for Business Enterprises” promulgated by the Central Government of the People’s Republic of China and present fairly, in all material respects, the financial position of the Company and the Group as at 31st December 2003 and their results of operations and cash flows for the year then ended.

PricewaterhouseCoopers Zhong Tian
Certified Public Accountants Co., Ltd.

Tu Yi
Certified Public Accountant

Wang Xiao
Certified Public Accountant

Shanghai, China
12th February 2004