(Translation of No.1596)
Dear members of Executive Board,

We Pingle Guijiang Power Co., Ltd., the project owner of Bajiangkou Power Station project, entrust Coway International TechTrans Co., Ltd to apply for CDM project as our consulting company and meanwhile through Coway, we employ JCI of Japan as DOE for this project.

The PDD of the project was completed on March 2007 and was proposed to DNA of China (National Development and Reform Committee) in the same month. On April 26th 2007, the PDD was accredited by DNA.

June 12th 2007 Bajiangkou project passed the validation.
July 20th 2007 LoA was issued by National Development and Reform Committee. The buyer is Marubeni Japan.
DOE made an on-site investigation by in August 2007 and was submitted it to EB for registration in Feb 2008.

We received JCI's notification to response to the review request. The followings are our answers:

Brief introduction of the construction of Bajiangkou Power Station as well as CDM consideration during the course:

July 2003	The preliminary design of Bajiangkou Power Station project was approved. The construction started on Sep 17th 2003.
Early 2005	The bank suspended the loan and capital problem occurred for the construction.
March 7th 2005	The construction was forced to stop
March 14 th 2005	The board made the resolution to seek CDM support.
May 2005	The project owner negotiated with the consultation company in order to enter into cooperation on CDM application.
June 2005	The design institute completed the adjustment budget report of the project.

The we began to negotiate with the bank for re-opening the loan.

Aug 10th 2005	The project acquired the loan again and the construction was recovered.

Detailed explanations are made as below on the serious capital difficulties encountered by us which result in the suspension of the construction in early 2005, the reason of this unfortunate event is the loan was paused by bank.

The construction of the project started in September 2003 but the cost of construction material and labor was typically increased since 2004. By March 2005, the total investment of the main body of the project achieved 128.4488 million Yuan, which was 24% of the total investment of main body listed in preliminary design. But, at that time we encountered a very serious funding shortfall.
Due to the financing factors, we didn't pass the validation of the bank when they negotiated with us in 2005. The bank concluded that the real investment of the project during the implementation exceeded the budget because of the immigrant compensation and power transmission project and this brings risk to the project and give rise to insufficient repayment capacity.

The deadly two factors are as follows:

1. The compensation for land occupation and submergence increased unbelievable.
We have paid 88.22 million Yuan by the end of Mar.2005.

Due to the adjusted national land policy, the rectifying of the land was made within the whole country. Pingle government issued "Notification concerns adjusting the criterion of immigrant compensation of Bajiangkou Power Station and the encouragement policy of House Removal". According to this documentation, the compensation for immigrants aroused by Bajinagkou Power Station was greatly raised.
The total budget of this item in the preliminary design is 98.7845 million Yuan.
As planned in the preliminary design, 44.39 million Yuan will be paid in the first and second year of the construction.
Furthermore, we have spent 175,117 million Yuan on the item by Mar. 2007.

2. Additional expenses on power Transmission Lines is 25.9 million Yuan

According to the regulations in the budget, the power output investment shouldn't be included in the total investment of the construction of the power station. Generally, the grid company should take the responsibility on the grid construction due to the following reasons: 1. the power grid of Bajiakou Power Station is Guidong Power Company so the project should belong to Guilin City according to administrative division, but the Guidong Grid would like not to set up the grid beyond areas. 2. At present the high pressure grid doesn't cover Bajiangkou Power Station. Our project is much nearer to the high pressure grid and it means the expenses on newly set-up grid will be much lower.

To ensure all the power generated by Bajinagkou Power Station can be output after the project is put into use, our company would like to take on the expenses on the power transmission to fulfill the construction requirement. We estimated at that time the construction of the project would be 25.9 million Yuan. Before suspension of the construction, we have paid 14.02 million Yuan on this work by March 2005.

In conclusion, the expense on the construction typically exceeded the estimated investment listed in preliminary design (80 million Yuan was estimated to be increased at that time), which made IRR lower than expected and gives rise to the worsened financial situation. If the problem cannot be settled as soon as possible, it must affect the normal progress of the construction and even result in the stop of the construction.

Based the adjustment of the bank, they decided to suspend the loan to the project and demand the project owner to propose the new adjusted budget report, re-assess the project and make out the new scheme. We couldn't collect money via other channels at that time so the construction was forced to be stopped on March 7th 2005 under the condition that the bank disagreed to continue the loan to us through several negotiation.
Facing the serious fund shortage aroused by the dramatically rising expenses, the company was seeking supports everywhere. As far as we knew, in accordance with "Kyoto Protocol" which had been taken effective since Feb 17th 2005 and Clean Development mechanism (CDM) regulated in the protocol, provided Bajiangkou Power Station could be registered successfully as CDM project, very preferable additional benefit would be acquired which should greatly improve the investment revenue. The company made a board meeting immediately to discuss the feasibility. On Mar 14th 2005, the board approved the proposal and hurried up concerned department to transact CDM issue. It is demanded by the board demanded that CDM procedure

and policy further known and CDM development should start as soon as possible.

In May 2005, we decided to collaborate with Coway International TechTrans Co., Ltd for a CDM application after we make investigation on this area and knew little basic knowledge of CDM. Meanwhile, we invited the design institute to make an adjustment to the project investment budget aiming at the greatly increased cost and let them composed adjustment report, after accurately calculating the cost we have paid, analyzing the budget increase direction caused by all factor above, optimizing the construction design of the project, the institute finished the report on June,2005. The total static investment increase RMB 61.39 million Yuan compare with the original the preliminary design, this number is much lower than we estimated before, but even that the IRR is still lower than the standard benchmark.

We discussed the loan issue with the bank again and put in our proposal of CDM as well as the adjusted budget of the project to the bank. According to this proposal, with the financing support from CDM, the IRR will has big improvement from 6.51% to 9.34% as we described in the part B.5 of PDD, this number is persuasion for us to convince the bank. After studying the basic requirements issued by National Coordination Committee on Climate Change and analyzing cases like Xiaohushan project as well as the cooperation documentation with Coway International Tech Trans Co., Ltd and us, the bank concluded that plan to apply a CDM was feasible so they finally recovered the loan to us.

The construction was recovered on Aug 10th 2005.

The expenses on the two problems greatly exceeded the budget. By March 2005, the construction had been implemented for one year and seven months and its schedule was generally according to the preliminary design.

We have invested on by that time:

1, Cost for the main building of the project including dam, power plant, ship lock, road,

2, breaker for the power pant, prepay part of electricity generator and transformer substation of plant.

3, temporary construction

4, compensation for immigrant and inundated

5, construction for environment protection

6, construction for solid and water protection

7, interest for loan and others

6, new added project
Here is the additional power transmission which is not included in the preliminary design

All the self-prepared 0.2 billion of money had been put into construction and the project were fully depending on the bank loan. Provided the loan hadn't been continued, the construction would have to be stopped. If we cannot get the capital support from CDM, bank cannot continue the credit to us and it is also impossible to recover the construction any more.