

Letter of Intent

Emission Reductions arising from Renewable Energy Projects in the PRC

This Lol ("Letter of Intent") confirms the principal terms of understanding among:

RWE Power AG ("RWE")
Huyssenallee 2
45128 Essen
Germany

and

Wuyishan City Xiangrun hydropower Investment Co., Ltd. ("Project Entity")
Xiji Village, Yangzhuang Town, Wuyishan City
Fujian Province
People's Republic of China

Note:

Company Chinese Name: 武夷山市祥润水电投资开发有限公司

Chinese Address: 中国福建省武夷山市洋庄乡西际村

following referred to individually as a "Party" and collectively as the "Parties".

WHEREAS

a) The Project Entity is developing a CDM project dealing with the production of electric energy by the exploitation of renewable energy (the "Fujian Wuyishan Wenlin River 2nd and 3rd level Hydropower Station Project" –or the "Project");

b) RWE is active in electricity generation in Germany and abroad and is interested in the possible purchase of certified emissions reductions (CERs).

NOW, THEREFORE, in consideration of the recitals above,

1. Possible Transaction and Purchase of CERs

RWE intends to evaluate the possibility to purchase the CERs, free of all third party interests, generated from the Project and in the time period from 2008 to 2012, (approximately 19,610 tons of CO₂ equivalent per year – "Annual Volume"). Following such evaluation the Parties may enter into an Emission Reduction Purchase Agreement ("ERPA") provided that the Project satisfies the following criteria:

- a) The Project obtains and maintains all relevant clearances required to pursue the Project which are required by the Government of the Peoples Republic of China;
- b) The Project generates benefits required by the Government of the People's Republic of China to constitute a "Sustainable Development Facility" ("SDF");
- c) The Project baseline, monitoring plan, project design document, and validation are completed to the satisfaction of all relevant domestic rules and all international rules and "due diligence" is completed to the satisfaction of RWE;

- d) All necessary approvals of the Chinese government are obtained;
- e) All procedures for verification and certification are followed and applied to the satisfaction of all relevant domestic rules and all international rules;
- f) The Project will start generating CERs no later than December 31st 2008,
- g) Approval of RWE and Project Entity's Board of Directors of the final text of the relevant ERPA;
- h) All the other criteria which the Parties will agree upon in the relevant ERPA.

An important criteria of RWE's evaluation is the performance and the outcome of RWE's due diligence exercise on the Project.

The price and volume for the possible CER transaction and purchase will be as follows:

1. [REDACTED]
2. [REDACTED]

In case the Parties will sign the ERPA, Project Entity will grant RWE an option to purchase the CERs generated by the Project in the following Commitment Periods starting from 2013. Price and volumes will be negotiated on a five-year basis starting from the year 2013. RWE may evaluate the possibility to purchase CERs generated by the Project after the year 2012 only if:

- both the Kyoto Protocol and the European Emission Trading Scheme will be still in place;
- RWE will have an obligation to reduce Green House Gases (GHG) also after the end of the First Commitment Period (2008-2012).

2. Exclusivity Period

For a period of six (6) months from the date of this Lol, ("Exclusivity Period"), the Parties shall use all reasonable endeavors to negotiate and execute in good faith with each other the ERPA governing the purchase and sale of the CERs generated by the Project and Project Entity undertakes to:

- a) Not start any discussions or negotiations, nor continue further discussions or negotiations which may have already commenced with any person regarding the sale of the CERs (to be) generated by the Project, except with the prior written consent of RWE;
- b) Not enter into any agreement with any other person regarding the dealing in or sale of the CERs (to be) generated by the Project, except with the prior written consent of RWE;

3. Confidentiality

All information disclosed by the Parties under this Lol, all subsequent commercial negotiations and any agreement entered into between the Parties shall be kept confidential and not disclosed unless the disclosing party has been given prior written consent to that disclosure or the information is required to be disclosed:

- a) Pursuant to the Parties disclosure policies;
- b) By any requirements of the United Nations Framework Convention on Climate Change and its Kyoto Protocol for Validation, Registration, host country approval or otherwise; or ^{WS}
- c) Under any applicable law.

4. Termination

Unless otherwise agreed among the Parties within 6 months from the signature of this Lol, this Lol and the understandings it contains will terminate upon the occurring of one of the following event, which one occurs first:

- a) execution of the ERPA governing the purchase and sale of Certified Emission Reductions from the Project between RWE and Project Entity, or
- b) Expiry of the period of six months from the signature of this Agreement.

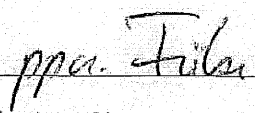
5. Effects of this Lol

This Lol is not intended to and shall not create binding obligations on the Parties in respect of the proposed arrangement, save for what set out in paragraphs 2 (exclusivity period); 3 (confidentiality) and the CER price as indicated in paragraph 1(1). This Lol is intended to be an outline of the basic principle of the co-operation between the Parties and to provide guidelines for the conduct of negotiations between the parties as to the foregoing matters.

Therefore, neither Party shall be liable for any loss, damage, cost and expenses arising from or connected with this Lol unless in the event of gross negligence and/or willful misconduct.


IN WITNESS WHEREOF, the undersigned, being duly authorized thereto, have signed the present Agreement in two copies in English.

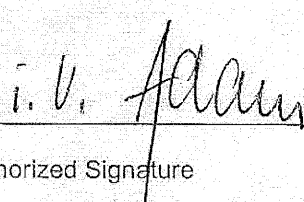
On behalf of RWE Power AG


Authorized Signature

Title: Vice President

Date: 18.07.2007


RWE
RWE Power AG
Climate Protection - PNC
Rellinghauser Str. 37
D 45128 Essen


Authorized Signature

Title: Senior Manager

Date: 18.07.2007

On behalf of Wuyishan City Xiangrun hydropower Investment Co., Ltd.


Authorized Signature

Title:

Date:

