

To:

Dr. Peter Bosshard
Policy Director
International Rivers

Grace Mang
China Program Director
International Rivers

January 22, 2013

Subject: Reply to *Briefing on the Risks Associated with the Pak Lay BOT Hydropower Project in Lao PDR* sent by International Rivers on December 17, 2012

Dear Dr. Bosshard and Ms. Mang,

Thanks for your concern of our company. We would now like to reply to your letter concerning the Pak Lay BOT Hydropower Project in Lao PDR in which we are engaged. We sincerely hope to have further exchanges and discussions with you in this regard.

Background of the Mekong Hydropower Development in Laos

As one of the Least Developed Countries (LDC), Laos has been on the UNDP lists of the Least Developed Countries (LDCs) and Landlocked Developing Countries (LLDCs) for many years. According to the latest data published on the UNDP website, 27.6% of Laotians are still living below the minimum standard of living. With economic globalization in recent years, the Lao government has taken full advantage of its rich hydropower resources with the help of international capital, and has formulated the National Growth and Poverty Eradication Strategy (NGPES). Through full utilization of the country's resources, Laos aims to be removed from the UNDP's LDCs list by 2020. Accordingly, the Lao government also set as one of its strategic resources objectives for the year 2020, the goal that electricity will cover 90% of families, while the rest power will be transmitted to the neighboring countries. The government plans to transmit 8,000MW to Thailand, Myanmar, Vietnam and Cambodia, which will increase foreign exchanges and hence rapidly increase the country's financial revenues and elevate people's living standards.

As an independent sovereign country, it is reasonable for Laos to pursue economic development and improve people's living conditions by rationally utilizing its natural

resources with the help from international capital in the framework of the UN and other international organizations,. It is against this background that the Mekong hydropower development projects in Laos were launched.

As everyone knows, human beings have started to utilize natural hydropower resources for thousands of years. Moreover, almost all scientists around the world share a common understanding about the development and utilization of hydropower resources, which holds that, on the precondition that hydropower resources are utilized in a scientific and efficient way and the ecologic environment is well protected, hydropower is one of the best cleanest, environmental-friendly and renewable energy sources. Therefore, it is against this background that our company is engaged in the hydropower development project in Laos.

Sinohydro's Role

As the earliest hydropower development and construction company in China, Sinohydro boasts a track record of nearly 60 years. We are one of the most experienced and competitive hydropower project contractors in the world; in addition in recent years we have also become a developer and investor in hydropower construction and development. Currently, we are involved in the strategic development of hydropower resources and other infrastructure development projects outside China. Therefore when Sinohydro is engaged in the international market competition and investing in other counties, we first need to implement Sinohydro' Sustainable Development Framework meticulously, and abide by all laws and regulations of the host countries, such as Laos. In the meanwhile, we also need to adhere to the code of conduct for transnational corporations stipulated by the UN and other international organizations. We will not violate the host country's choice to attain its economic and social development, not infringe on host country's right to exercise economic activities over its natural resources within its territory, and refrain from any activities undermining the economic development objectives or the legal, social and economic systems in the country.

Therefore, we hope you can understand that, as a transnational investor, we are clearly aware of our role in the whole development process of the project. We are not entitled to decide on the development goal of any project, nor will we join the discussion or debate between the Lao government and its neighboring countries. Other than that, we have the responsibility and obligation to conduct feasibility study of the project and research on its social and environmental impact, thereby providing suggestions for the

Lao government to make the final decision on whether or not the project will be implemented.

Current Progress of the Project

In accordance with the Memorandum of Understanding (MOU) that we signed with the Lao government regarding Pak Lay BOT Project, we are obliged to carry out a scientific and rigorous feasibility study and conduct an environmental and social impact assessment of the project. Only after the assessment report is reviewed and approved by the Lao government, can we move forward in a tangible way. When working on the report, we will communicate with the Mekong River Commission and other NGOs according to the requirements of the Lao government, considering and accepting reasonable suggestions and advice from all parties.

Currently, we are still carefully working on the report, so we are very sorry to inform you that we cannot yet provide a scientific and complete response to the social and environmental issues raised in your letter. However, after the research work is finished and approved by the Lao government, we will ensure to give you a sufficient response regarding your questions and suggestions.

Last but not least, we would like to express appreciation for your suggestions and advice. While we are making careful assessment of the project, we would always welcome suggestions and discussions regarding Pak Lay BOT Project in Laos from you or any other party concerned.

Thanks again for your attention to our project.

Sincerely yours,

Sinohydro Group Ltd.