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Page: 2

LEC 3 - Financial Cooperation with the PR China Nangong Waste Incineration Plant

Reply to your Open Letter dated August 8th, 2012

Dear Sirs,

We thank you for the above mentioned letter expressing your concerns regarding the Nangong Waste Incineration Project in Beijing. We appreciate the seriousness of your concerns and the competent content of the letter. We would like to invite you to have a meeting with our office in Beijing for a further discussion. However, please find some comments to the letter in the following.

Currently the planning for the Nangong Waste Incineration Plant is ongoing. The project has not yet been tendered. It is our intention and in line with the mission of our institution as a financing partner to ensure the construction of a plant that conforms with the best Chinese and European standards. As you are aware in Germany the huge majority of waste is incinerated, also in densely populated areas. Close to our headquarters in the city of Frankfurt such a plant is located. There is a proven technology available to reduce environmental impacts to an acceptable minimum. We share the view with the Chinese project partners to realize such a solution in order to demonstrate in China how such plants can be designed and operated properly and without unacceptable environmental consequences.

With our bank we have significant technical and managerial expertise available to make sure that only a solution will be realized that is in line with this approach.

- 2 -

As a financing partner we request the right to confirm all significant steps before and during implementing of such a project. Numerous safeguards will be imposed. We also follow up the operation of any project financed for approximately three years.

Secondly you refer to the existing composting plant also in Nangong and describe some operational problems. The compost plant is one component of a large waste disposal project which you describe in your letter as overall successful. The facilities are already in operation for more than ten years. We thank you for the information and will follow up.

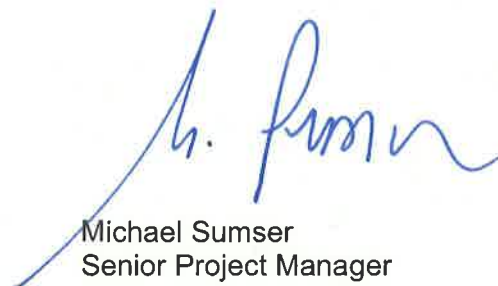
As mentioned in your letter KfW is guided by high social and ecological principles. We seriously apply such principals in Germany, Europe and also with projects financed in Developing Countries. These principles will also guide all our decisions regarding our participation as a financing partner for the Waste Incineration Plant in Nangong.

With kind Regards

KfW



Dr. Christine Heimbürger
Director



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Senior Project Manager