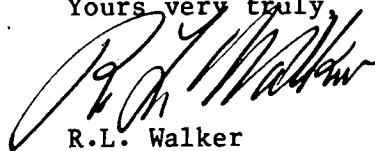


The rationale for China's consideration of allowing for equity participation in power sector development hinges upon the demonstration effect of applying modern utility management to the development and operation of selected projects, rather than upon the level of financial resources which might be provided in this way. To allow for project financing the creditworthiness of a joint venture enterprise will be judged in significant part on the basis of the experience of the enterprise sponsors. A joint venture enterprise in China established to develop a particular hydro power facility would undoubtedly benefit from the presence in the foreign partnership sponsor of an internationally recognized Canadian utility such as Hydro Quebec.

This review has been carried out by R.L. Walker & Partners in association with NIAGARA Consulting Services (1981) Ltd. We wish to acknowledge the cooperation extended to us by External Affairs and the several departments of government which reviewed a draft of our report. We also wish to acknowledge the useful suggestions offered by Hydro Quebec International and members of the Canadian financial community.

Yours very truly,

A handwritten signature in dark ink, appearing to read 'R.L. Walker', is written over the typed name below it.

R.L. Walker