

CONFORMED COPY

LOAN NUMBER 3286 CHA

(Medium-sized Cities Development Project)

between

PEOPLE'S REPUBLIC OF CHINA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated January 30, 1991

LOAN NUMBER 3286 CHA

LOAN AGREEMENT

AGREEMENT, dated January 30, 1991, between PEOPLE'S REPUBLIC OF CHINA (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS: (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to the Development Credit Agreement between the Borrower and the International Development Association (the Association) of even date herewith (the Development Credit Agreement), has requested the Bank to assist in the financing of the Project;

(B) the Borrower has also requested the Association to provide additional financial assistance toward the financing of the Project and by the Development Credit Agreement the Association is agreeing to provide such assistance in an aggregate principal amount equivalent to sixty-two million two hundred thousand Special Drawing

Rights (SDR 62,200,000) (the Credit);

(C) the Borrower and the Bank intend, to the extent practicable, that the proceeds of the Credit be disbursed on account of expenditures in respect of the Project before disbursements of the proceeds of the Loan provided for in this Agreement are made; and

(D) the Project will be carried out by Changzhou Municipality, Luoyang Municipality and Shashi Municipality (the Project Cities) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to the Project Cities the proceeds of the Loan as provided in this Agreement and the proceeds of the Credit as provided in the Development Credit Agreement; and

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the Loan to the Borrower upon the terms and conditions set forth in this Agreement and in the Project Agreement of even date herewith among the Association, the Bank and the Project Cities;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements" of the Bank, dated January 1, 1985, with the last sentence in Section 3.02 deleted (the General Conditions) constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Development Credit Agreement have the respective meanings therein set forth and the term "Development Credit Agreement" means the agreement of even date herewith between the Borrower and the Association for the Project, as such agreement may be amended from time to time, and such term includes the "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, as applied to such agreement, and all schedules and agreements supplemental to the Development Credit Agreement.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement, various currencies that shall have an aggregate value equivalent to the amount of seventy-nine million four hundred thousand dollars (\$79,400,000), being the sum of withdrawals of the proceeds of the Loan, with each withdrawal valued by the Bank as of the date of such withdrawal.

Section 2.02. The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to the Development Credit Agreement for: (i) amounts paid (or if the Bank shall so agree, to be paid) by the Project Cities on account of withdrawals made by an Investment Enterprise under a Sub-loan to meet the reasonable cost of goods and services required for the Investment Project in respect of which the withdrawal from the Loan Account is requested; and (ii) expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for Parts A and B.1, B.2, B.3, B.4 and B.5 of the Project described in Schedule 2 to the Development Credit Agreement and to be financed out of the proceeds of the Loan.

Section 2.03. The Closing Date shall be June 30, 1997, or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one percent ($\frac{3}{4}$ of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.05. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Interest Period equal to the Cost of Qualified Borrowings determined in respect of the preceding Semester, plus one-half of one percent (1/2 of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rate applicable during such Interest Period.

(b) As soon as practicable after the end of each Semester, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Semester.

(c) For the purposes of this Section:

(i) "Interest Period" means a six-month period ending on the date immediately preceding each date specified in Section 2.06 of this Agreement, beginning with the Interest Period in which this Agreement is signed.

(ii) "Cost of Qualified Borrowings" means the cost, as reasonably determined by the Bank and expressed as a percentage per annum, of the outstanding borrowings of the Bank drawn down after June 30, 1982, excluding such borrowings or portions thereof as the Bank has allocated to fund: (A) the Bank's investments; and (B) loans which may be made by the Bank after July 1, 1989 bearing interest rates determined otherwise than as provided in paragraph (a) of this Section.

(iii) "Semester" means the first six months or the second six months of the calendar year.

(d) On such date as the Bank may specify by no less than six months' notice to the Borrower, paragraphs (a), (b) and (c) (iii) of this Section shall be amended to read as follows:

"(a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate of each Quarter equal to the Cost of Qualified Borrowings determined in respect of the preceding Quarter, plus one-half of one percent (1/2 of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rates applicable during such Interest Period."

"(b) As soon as practicable after the end of each Quarter, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Quarter."

"(c) (iii) 'Quarter' means a three-month period commencing on January 1, April 1, July 1 or October 1 in a calendar year."

Section 2.06. Interest and other charges shall be payable semiannually on June 15 and December 15 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in the Schedule to this Agreement.

ARTICLE III

Execution of the Project

Section 3.01. (a) Subject to paragraph (b) of this Section, Sections 2.02 (b), 3.01, 3.02 and 4.01 of the Development Credit Agreement and Schedules 1, 2 and 3 thereto are incorporated in the Loan Agreement, with the following modifications in said Sections (except for Section 3.01 (b)) and Schedule 2 unless the context otherwise requires:

(i) the term "Association" shall be read as "Bank";

(ii) the term "Credit" and "Credit Account" shall be read as "Loan" and "Loan Account"; and

(iii) the term "this Agreement" shall be read as "the Development Credit Agreement".

(b) So long as any part of the Credit provided for under the Development Credit Agreement shall remain outstanding and unless the Borrower has been notified otherwise by the Bank:

(i) all actions taken, including approvals given, by the Association pursuant to any of the Sections of, and Schedules to, the Development Credit Agreement enumerated in paragraph (a) of this Section, as well as pursuant to Section 2.02 (a) of the Development Credit Agreement, shall be deemed to be taken or given in the name and on behalf of both the Association and the Bank; and

(ii) all information or documentation furnished by the Borrower to the Association pursuant to the provisions of any of such Sections of the Development Credit Agreement or Schedules thereto shall be deemed to be furnished to both the Association and the Bank.

Section 3.02. The Bank and the Borrower hereby agree that the obligations set forth in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the respective portion of the Project shall be carried out by each of the Project Cities pursuant to Section 2.04 of the Project Agreement.

ARTICLE IV

Remedies of the Bank

Section 4.01. Pursuant to Section 6.02 (k) of the General Conditions, the following additional events are specified, namely, the events set out in Section 5.01 of the Development Credit Agreement, provided, however, that the term "Association" wherever it appears in such Section shall be read as "Bank".

Section 4.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional event is specified, namely, that the event set out in Section 5.02 of the Development Credit Agreement, provided, however, that the term "Association" wherever it appears in such Section shall be read as "Bank".

ARTICLE V

Effective Date; Termination

Section 5.01. The following events are specified as additional conditions to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions:

(a) the Borrower's State Council has approved the Loan Agreement; and

(b) all conditions precedent to the effectiveness of the Development Credit Agreement shall have been fulfilled, other than those related to the effectiveness of this Agreement.

Section 5.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

Section 5.03. If the Development Credit Agreement terminates prior to the termination of this Agreement, the provisions of the Development Credit Agreement referred to in this Agreement shall continue in full force and effect between the Borrower and the Bank.

ARTICLE VI

Representative of the Borrower; Addresses

Section 6.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Finance
Sanlihe
Beijing 100820
People's Republic of China

Cable address:

FINANMIN
Beijing

Telex:

22486 MFPRC CN

For the Bank:

International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:

INTBAFRAD
Washington, D.C.

Telex:

197688 (TRT)
248423 (RCA)
64145 (WUI) or
82987 (FTCC)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

PEOPLE'S REPUBLIC OF CHINA

By /s/ Zhao Xixin

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Shinji Asanuma

Acting Regional Vice President
Asia

SCHEDULE

Amortization Schedule

| Date Payment Due | Payment of Principal (expressed in dollars)* |
|-------------------|---|
| June 15, 1996 | 1,450,000 |
| December 15, 1996 | 1,505,000 |
| June 15, 1997 | 1,565,000 |
| December 15, 1997 | 1,625,000 |
| June 15, 1998 | 1,685,000 |
| December 15, 1998 | 1,750,000 |
| June 15, 1999 | 1,820,000 |
| December 15, 1999 | 1,890,000 |
| June 15, 2000 | 1,960,000 |
| December 15, 2000 | 2,040,000 |
| June 15, 2001 | 2,115,000 |
| December 15, 2001 | 2,200,000 |
| June 15, 2002 | 2,285,000 |
| December 15, 2002 | 2,370,000 |
| June 15, 2003 | 2,465,000 |
| December 15, 2003 | 2,560,000 |
| June 15, 2004 | 2,655,000 |
| December 15, 2004 | 2,760,000 |
| June 15, 2005 | 2,865,000 |
| December 15, 2005 | 2,975,000 |
| June 15, 2006 | 3,090,000 |
| December 15, 2006 | 3,210,000 |
| June 15, 2007 | 3,335,000 |
| December 15, 2007 | 3,465,000 |
| June 15, 2008 | 3,595,000 |
| December 15, 2008 | 3,735,000 |
| June 15, 2009 | 3,880,000 |
| December 15, 2009 | 4,030,000 |
| June 15, 2010 | 4,185,000 |
| December 15, 2010 | 4,335,000 |

* The figures in this column represent dollar equivalents determined as of the respective dates of withdrawal. See General Conditions, Sections 3.04 and 4.03.

Premiums on Prepayment

Pursuant to Section 3.04 (b) of the General Conditions, the premium payable on the principal amount of any maturity of the Loan to be prepaid shall be the percentage specified for the applicable time of prepayment below:

| Time of Prepayment | Premium |
|---|---|
| annum) applicable to the Loan on the day of prepayment | The interest rate (expressed as a percentage per multiplied by: |
| Not more than three years before maturity | 0.15 |
| More than three years but not more than six years before maturity | 0.30 |
| More than six years but not more than 11 years before maturity | 0.55 |
| More than 11 years but not more than 16 years before maturity | 0.80 |

| | |
|---|------|
| More than 16 years but not more than 18 years before maturity | 0.90 |
|---|------|

| | |
|---------------------------------------|------|
| More than 18 years before maturity | 1.00 |
|---------------------------------------|------|

