

CONFORMED COPY

LOAN NUMBER 4838-CHA

Loan Agreement

(Sichuan Urban Development Project)

between

PEOPLE'S REPUBLIC OF CHINA

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated October 27, 2006

LOAN NUMBER 4838-CHA

LOAN AGREEMENT

AGREEMENT, dated October 27, 2006, 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 this Agreement (the Project), has requested the Bank to assist in the financing of the Project;

(B) the Project will be carried out by Sichuan (as defined in Section 1.02) with the Borrower's assistance and, as part of such assistance, the Borrower will make the proceeds of the loan provided for in Article II of this Agreement (the Loan) available to Sichuan, as set forth in this 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 between the Bank and Sichuan (the Project Agreement);

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 for Single Currency Loans" of the Bank, dated May 30, 1995 (as amended through May 1, 2004) with the following modifications (the General Conditions), constitute an integral part of this Agreement:

- (a) Section 5.08 of the General Conditions is amended to read as follows:

"Section 5.08. Treatment of Taxes

Except as otherwise provided in the Loan Agreement, the proceeds of the Loan may be withdrawn to pay for taxes levied by, or in the territory of, the Borrower or the Guarantor on the goods or services to be financed under the Loan, or on their importation, manufacture, procurement or supply. Financing of such taxes is subject to the Bank's policy of requiring economy and efficiency in the use of the proceeds of its loans.

To that end, if the Bank shall at any time determine that the amount of any taxes levied on or in respect of any item to be financed out of the proceeds of the Loan is excessive or otherwise unreasonable, the Bank may, by notice to the Borrower, adjust the percentage for withdrawal set forth or referred to in respect of such item in the Loan Agreement as required to be consistent with such policy of the Bank.”

(b) Section 6.03(c) of the General Conditions is amended by replacing the words “corrupt or fraudulent” with the words “corrupt, fraudulent, collusive or coercive”.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) “Category” means a category of items set forth in the table in paragraph 1 of Schedule 1 to this Agreement.

(b) “Displaced Persons” means persons who, on account of the execution of the Project and the Related Activities, have experienced or would experience direct economic and social impacts caused by: (i) the involuntary taking of land and land use rights, resulting in: (A) relocation or loss of shelter; (B) loss of assets or access to assets; or (C) loss of income sources or means of livelihood, whether or not such persons must move to another location; or (ii) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such persons; and a “Displaced Person” means any of such Displaced Persons.

(c) “Environment Management Plans” means, collectively, the Mianyang EMP, Panzhihua EMP, Suining EMP, Yibin EMP, and the environment management plans prepared by the Project Municipalities and agreed by the Bank pursuant to the provisions of paragraph 3(b) of Schedule 2 to the Project Agreement, as such plans may be revised from time to time with the prior agreement of the Bank; and “Environment Management Plan” means, individually, any such plan.

(d) “Housing Compensation Contract” means the Agreement on Demolition of Rural Houses and Buildings of Project Affected Peoples and Provision of Compensation set forth in the Annex to the Mianyang RAP and the Suining RAP, which agreement is to be signed between the agency and/or entity representing Mianyang or Suining, as the case may be, and the representative of the household whose house and/or structures are to be acquired; said agreement provides, inter alia, for provision of apartment and/or housing site and temporary rental allowance for said household.

(e) “Livelihood Restoration Contract” means the Agreement on Land Acquisition and Compensation, including Life Allowances and Resettlement Assistance to Project Affected Persons, set forth in the Annex to the Mianyang RAP and the Suining

RAP, which agreement is to be signed between the agency and/or entity representing Mianyang or Suining, as the case may be, and a collective whose land is to be acquired; said agreement provides, inter alia, for: (i) acquisition of land from said collective; (ii) payment of compensation and resettlement assistance directly to the Displaced Person listed in the agreement concerned and provision of rehabilitation measures to said Displaced Person; (iii) the right of legal recourse by said Displaced Person against said agency and/or entity under specified circumstances; and (iv) in the event that the legal form of said collective is changed, survival of the obligations of said agency and/or entity and the survival of the rights of said Displaced Person.

(f) “Mianyang” means Mianyang Municipality within Sichuan Province, and any successor thereto.

(g) “Mianyang EMP” means the Mianyang Environmental Management Plan dated October 2005, prepared on behalf of Mianyang, which sets out the environmental protection measures in respect of Part A.1 of the Project, as well as administrative and monitoring arrangements to ensure the implementation of said plan, as said plan may be revised from time to time with the prior agreement of the Bank.

(h) “Mianyang RAP” means the Mianyang Urban Development Project, Resettlement Action Plan dated July 26, 2006, and adopted by Mianyang Municipality; said plan sets out, with respect to the implementation of Part A.1 of the Project, procedures and obligations governing land acquisition, resettlement, compensation and rehabilitation measures for Displaced Persons, as well as monitoring and reporting arrangements to ensure compliance with said plan, as the same may be revised from time to time with the prior agreement of the Bank; and such term includes the Livelihood Restoration Contract and the Housing Compensation Contract set forth in annexes to said plan.

(i) “Mianyang RPF” means the Resettlement Policy Framework set forth in Annex 3 of the Mianyang RAP; said framework sets out the policies and procedures for land acquisition, resettlement, compensation and rehabilitation of Displaced Persons, and for the preparation of resettlement action plans whenever required during the development of Zone 2 Area of Pioneer Park, Zone 2 Area of Southern Economic Development Zone and the Municipal Section of the Second Ring Road, as each is herein defined, all located in Mianyang Municipality.

(j) “MSCIC” means Mianyang Sanjiang Construction and Investment Co. Ltd., a state-owned limited liability company, established and operating pursuant to its Charter dated December 30, 2001, and its current Business License No. 5107001895018 dated April 18, 2005, issued by Mianyang Municipal Industrial and Commercial Administration Bureau, and any successor thereto.

(k) “MSEPIC” means Mianyang Science and Education Pioneer Investment Co. Ltd., a state-owned limited liability company, established and operating pursuant to

its Charter dated July 7, 2001, and its current Business License No. 5107001895016 dated March 17, 2006, issued by Mianyang Municipal Industrial and Commercial Administration Bureau, and any successor thereto.

(l) “Municipal Section of the Second Ring Road” means the section of the Second Ring Road financed by Mianyang and to be constructed between the boundary of Pioneer Park and Southwest University of Science and Technology located in Qingyi Town in Mianyang Municipality.

(m) “Panzhuhua” means Panzhuhua Municipality within Sichuan Province, and any successor thereto.

(n) “Panzhuhua EMP” means the Panzhuhua Development Management Plan dated October 2005, prepared on behalf of Panzhuhua, which sets out the environmental protection measures in respect of Part A.4 of the Project, as well as administrative and monitoring arrangements to ensure the implementation of said plan, as said plan may be revised from time to time with the prior agreement of the Bank.

(o) “Panzhuhua RAP” means the Panzhuhua Urban Environment Project Resettlement Action Plan, dated February 2006 and adopted by Panzhuhua Municipality; said plan sets out the procedures governing land acquisition, resettlement and compensation for Displaced Persons on account of the execution of Part A.4 of the Project, as well as monitoring and reporting arrangements to ensure compliance with said plan, as the same may be revised from time to time with the prior agreement of the Bank.

(p) “Procurement Plan” means the Borrower’s procurement plan, dated July 18, 2006, covering the initial eighteen (18) month period (or longer) of Project implementation, as the same shall be updated from time to time in accordance with the provisions of Section 3.02 to this Agreement, to cover succeeding eighteen (18) month periods (or longer) of Project implementation.

(q) “Project Agreement” means the agreement between the Bank and Sichuan of even date herewith, as the same may be amended from time to time; and such term includes all schedules and agreements supplemental to the Project Agreement.

(r) “Project Company” means, individually, each of MSCIC, MSEPIC, PUCIMC, and YUCIC, and any successor thereto; and “Project Companies” means, collectively, all such companies.

(s) “Project Municipalities” means, collectively, Mianyang, Panzhuhua, Suining and Yibin; and a “Project Municipality” means, individually, any of said Project Municipalities.

(t) “Project Section of the Second Ring Road” means the section of the Second Ring Road under Part A.1 of the Project to be constructed from the interchange with Yingbin Avenue to the boundary of Pioneer Park in Mianyang Municipality.

(u) “PUCIMC” means Panzhihua Urban Construction Investment Management Co. Ltd., a state-owned limited liability company, established and operating pursuant to its Charter dated December 26, 2004, the Panzhihua Municipal Document No. 11 (2003) and its current Business License No. 5101001803166 dated January 12, 2005, issued by Panzhihua Municipal Industrial and Commercial Administration Bureau, and any successor thereto.

(v) “PWAC” means Panzhihua Water Affairs (Group) Company, a state-owned limited liability company, established and operating pursuant to its Charter dated March 26, 2004, and its current Business License No. 5104001800827 dated January 6, 2001, issued by Panzhihua Municipal Industrial and Commercial Administration Bureau. PWAC will be responsible for the construction of Qingxiangping Wastewater Treatment Plant in Panzhihua.

(w) “Qingxiangping RAP” means the abbreviated Resettlement Action Plan for the Qingxiangping Sewage Treatment Plant set forth in the Annex to the Panzhihua RAP and adopted by Panzhihua Municipality; said plan sets out the procedures governing land acquisition, resettlement and compensation for Displaced Persons for the construction of said plant, as the same may be revised from time to time with the prior agreement of the Bank.

(x) “Related Activities” means, collectively:

- (i) development in Zone 2 Area of Pioneer Park and in Zone 2 Area of Southern Economic Development Zone, both in Mianyang Municipality;
- (ii) development of Xining District Area in Suining Municipality;
- (iii) construction of the Municipal Section of the Second Ring Road; and
- (iv) construction of the Qingxiangping Wastewater Treatment Plant in Panzhihua Municipality,

and “Related Activity” means, individually, any such activity.

(y) “Resettlement Action Plans” means, collectively, the Mianyang RAP, Panzhihua RAP, Suining RAP, Yibin RAP, Qingxiangping RAP and the resettlement action plans prepared by the Project Municipalities and agreed by the Bank pursuant to the provisions of paragraph 2(b)(ii) of Schedule 2 to the Project Agreement, as such plans

may be revised from time to time with the prior agreement of the Bank; and “Resettlement Action Plan” means, individually, any such plan.

(z) “Resettlement Policy Frameworks” means, collectively, the Mianyang RPF and Suining RPF; and “Resettlement Policy Framework” means, individually, any such framework.

(aa) “Respective Environment Management Plan” means in respect of:

- (i) Mianyang, MSCIC and MSEPIC: Mianyang EMP;
- (ii) Panzhihua and PUCIMC: Panzhihua EMP;
- (iii) Suining: Suining EMP; and
- (iv) Yibin and YUCIC: Suining EMP.

(bb) “Respective Parts of the Project” means in respect of:

- (i) MSCIC: Parts A.1(a) , A.1(b), B and C of the Project;
- (ii) MSEPIC: Parts A.1(c), B and C of the Project;
- (iii) PUCIMC: Parts A.4, B and C of the Project;
- (iv) YUCIC: Parts A.3, B and C of the Project; and
- (v) Suining: Part A.2, B and C of the Project.

(cc) “Respective Project Company” means in respect of:

- (i) Mianyang: MSCIC and MSEPIC;
- (ii) Panzhihua: PUCIMC; and
- (iii) Yibin: YUCIC.

(dd) “Respective Resettlement Action Plan” means in respect of:

- (i) Mianyang, MSCIC and MSEPIC: Mianyang RAP;
- (ii) Panzhihua, PUCIMC and PWAC: Panzhihua RAP and Qingxiangping RAP;
- (iii) Suining: Suining RAP; and

- (iv) Yibin and YUCIC: Suining RAP.
- (ee) “Respective Resettlement Policy Framework” means in respect of:
 - (i) Mianyang, MSCIC and MSEPIC: Mianyang RPF; and
 - (ii) Suining: Suining RPF.
- (ff) “Sichuan” means the Borrower’s Province of Sichuan, and any successor thereto.
- (gg) “Special Account” means the account referred to in Section 2.02(b) of this Agreement.
- (hh) “Subsidiary Agreements” means, collectively, the agreements to be entered into between each Project Municipality and its Project Company pursuant to paragraphs 9 and 10(a) of Schedule 2 to the Project Agreement, as the same may be amended from time to time with the prior agreement of the Bank, and such term includes all schedules and supplements to said agreements; and a “Subsidiary Agreement” means, individually, any of said Subsidiary Agreements.
 - (ii) “Suining” means Suining Municipality within Sichuan Province, and any successor thereto.
- (jj) “Suining EMP” means the Suining Environmental Management Plan dated October 2005 prepared on behalf of Suining, which sets out the environmental protection measures in respect of Part A.2 of the Project, as well as administrative and monitoring arrangements to ensure the implementation of said plan, as said plan may be revised from time to time with the agreement of the Bank.
- (kk) “Suining RAP” means the Resettlement Action Plan of Suining Components dated July 26, 2006 and adopted by Suining Municipality; said plan sets out, with respect to the implementation of Part A.2 of the Project, procedures and obligations governing land acquisition, resettlement, compensation and rehabilitation measures for Displaced Persons, as well as monitoring and reporting arrangements to ensure compliance with said plan, as the same may be revised from time to time with the prior agreement of the Bank; and such term includes the Livelihood Restoration Contract and the Housing Compensation Contract set forth in annexes to said plan.
- (ll) “Suining RPF” means the Resettlement Policy Framework set forth in Annex 3 of the Mianyang RAP; said framework sets out the policies and procedures for land acquisition, resettlement, compensation and rehabilitation of Displaced Persons, and for the preparation of resettlement action plans whenever required during the development of Xining District Area in Suining Municipality.

(mm) “Three Economic Development Zones” means, collectively, Zone 2 Area of Pioneer Park, Zone 2 Area of Southern Economic Development Zone and Xining District Area, as each is herein defined.

(nn) “Xining District Area in Suining Municipality” means the area delineated on the map in Annex C to Schedule 2 to this Agreement.

(oo) “Yibin” means Yibin Municipality within Sichuan Province, and any successor thereto.

(pp) “Yibin EMP” means the Yibin Environmental Management Plan dated October 2005, prepared on behalf of Yibin, which sets out the environmental protection measures in respect of Part A.3 of the Project, as well as administrative and monitoring arrangements to ensure the implementation of said plan, as said plan may be revised from time to time with the prior agreement of the Bank.

(qq) “Yibin RAP” means the Yibin Urban Riverside Loop Line Road Project Resettlement Action Plan, dated February 2006 and adopted by Yibin Municipality; said plan sets out the procedures governing land acquisition, resettlement and compensation for Displaced Persons on account of the execution of Part A.3 of the Project, as well as monitoring and reporting arrangements to ensure compliance with said plan, as the same may be revised from time to time with the prior agreement of the Bank.

(rr) “YUCIC” means Yibin Urban Construction Investment Co. Ltd., a state-owned limited liability company, established and operating pursuant to its Charter dated September 23, 2003, and its current Business License No. 5115001808835 dated March 6, 2004, issued by Yibin Municipal Industrial and Commercial Administration Bureau, and any successor thereto.

(ss) “Zone 2 Area of Pioneer Park” means the area of Pioneer Park delineated on the map in Annex A to Schedule 2 to this Agreement.

(tt) “Zone 2 Area of Southern Economic Development Zone” means the area of Pioneer Park delineated on the map in Annex B to Schedule 2 to this Agreement.

Section 1.03. Each reference in the General Conditions to the Project implementation entity shall be deemed as a reference to Sichuan, each of the Project Municipalities, and each of the Project Companies.

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 this Agreement, an amount equal to one hundred eighty million Dollars (\$180,000,000).

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement: (i) for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Loan; and (ii) in respect of the front-end fee referred to in Section 2.04 of this Agreement.

(b) The Borrower may, for the purposes of the Project, open and maintain in Dollars a special deposit account in a commercial bank on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure and attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 4 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 2013, 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 front-end fee in an amount equal to one percent (1%) of the amount of the Loan, subject to any waiver of a portion of such fee as may be determined by the Bank from time to time. On or promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount of such fee.

Section 2.05. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.06. (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 LIBOR Base Rate plus LIBOR Total Spread.

(b) For the purposes of this Section:

(i) "Interest Period" means the initial period from and including the date of this Agreement to, but excluding, the first Interest Payment Date occurring thereafter, and after the initial period, each period from and including an Interest Payment Date to, but excluding the next following Interest Payment Date.

- (ii) “Interest Payment Date” means any date specified in Section 2.07 of this Agreement.
- (iii) “LIBOR Base Rate” means, for each Interest Period, the London interbank offered rate for six (6) month deposits in Dollars for value the first day of such Interest Period (or, in the case of the initial Interest Period, for value the Interest Payment Date occurring on or next preceding the first day of such Interest Period), as reasonably determined by the Bank and expressed as a percentage per annum.
- (iv) “LIBOR Total Spread” means, for each Interest Period: (A) three-fourths of one percent (3/4 of 1%); (B) minus (or plus) the weighted average margin, for such Interest Period, below (or above) the London interbank offered rates, or other reference rates, for six (6) month deposits, in respect of the Bank’s outstanding borrowings or portions thereof allocated by the Bank to fund single currency loans or portions thereof made by it that include the Loan; as reasonably determined by the Bank and expressed as a percentage per annum.

(c) The Bank shall notify the Borrower of LIBOR Base Rate and LIBOR Total Spread for each Interest Period, promptly upon the determination thereof.

(d) Whenever, in light of changes in market practice affecting the determination of the interest rates referred to in this Section 2.06, the Bank determines that it is in the interest of its borrowers as a whole and of the Bank to apply a basis for determining the interest rates applicable to the Loan other than as provided in said Section, the Bank may modify the basis for determining the interest rates applicable to the Loan upon not less than six (6) months’ notice to the Borrower of the new basis. The new basis shall become effective on the expiry of the notice period unless the Borrower notifies the Bank during said period of its objection thereto, in which case said modification shall not apply to the Loan.

Section 2.07. Interest and other charges shall be payable semiannually in arrears on May 15 and November 15 in each year.

Section 2.08. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project, and, to this end, without any limitation or restriction upon any of its other obligations under the Loan Agreement, shall cause Sichuan to perform in accordance with the provisions of the Project Agreement all the obligations of Sichuan therein set forth, shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable Sichuan to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) The Borrower shall make the proceeds of the Loan available to Sichuan on the following principal terms:

- (i) The principal amount shall be made available in Dollars (determined on the date, or respective dates, of withdrawal from the Loan Account or of payment out of the Special Account) of the value of the currency or currencies so withdrawn or paid out.
- (ii) The following shall be recovered over a period of twenty (20) years, inclusive of a grace period of five (5) years: (A) the principal amount so made available; and (B) an amount equal to the fee paid pursuant to Section 2.04 of this Agreement.
- (iii) Interest shall be charged on such principal amount withdrawn and outstanding from time to time at a rate equal to the rate of interest applicable from time to time to the Loan pursuant to the provisions of Section 2.06 of this Agreement.
- (iv) A commitment fee shall be charged on such principal amount of the Loan so made available and not withdrawn from time to time at a rate equal to three fourths of one percent (3/4 of 1%) per annum.

Section 3.02. (a) Except as the Bank shall otherwise agree procurement of goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 1 to the Project Agreement, as said provisions may be further elaborated in the Procurement Plan.

(b) The Borrower shall update the Procurement Plan in accordance with guidelines acceptable to the Bank, and furnish such update to the Bank not later than twelve (12) months after the date of the preceding Procurement Plan, for the Bank's approval.

Section 3.03. 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) shall be carried out by Sichuan pursuant to Section 2.03 of the Project Agreement.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall cause Sichuan to maintain a financial management system, including records and accounts, and prepare financial statements, all in accordance with consistently applied accounting standards acceptable to the Bank, adequate to reflect the operations, resources and expenditures related to the Project.

- (b) The Borrower shall cause Sichuan to:
 - (i) have the records, accounts and financial statements referred to in paragraph (a) of this Section for each fiscal year (or other period agreed to by the Bank), audited, in accordance with consistently applied auditing standards acceptable to the Bank, by independent auditors acceptable to the Bank;
 - (ii) furnish to the Bank as soon as available, but in any case not later than six (6) months after the end of each such year (or such other period agreed to by the Bank): (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year (or such other period agreed to by the Bank), as so audited; and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Bank; and
 - (iii) furnish to the Bank such other information concerning such records, accounts and the audit of such financial statements, and concerning said auditors, as the Bank may from time to time reasonably request.
- (c) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of statements of expenditure, the Borrower shall:
 - (i) ensure that all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures are retained until at least one (1) year after the Bank has received the audit report for, or covering, the fiscal year in which the last withdrawal from the Loan Account was made;

- (ii) enable the Bank's representatives to examine such records; and
- (iii) ensure that such statements of expenditure are included in any audit that the Bank may have requested pursuant to paragraph (b) of this Section.

ARTICLE V

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02(p) of the General Conditions, the following additional events are specified:

- (a) Sichuan shall have failed to perform any of its obligations under the Project Agreement.
- (b) As a result of events which have occurred after the date of the Loan Agreement, an extraordinary situation shall have arisen which shall make it improbable that Sichuan will be able to perform its obligations under the Project Agreement.
- (c) Any of the parties to any of the Subsidiary Agreements shall have failed to perform any of its respective obligations thereunder.

Section 5.02. Pursuant to Section 7.01(k) of the General Conditions, the following additional event is specified, namely, that any of the events specified in paragraph (a) or (c) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty (60) days after notice thereof shall have been given by the Bank to the Borrower.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following event is specified as additional matters, within the meaning of Section 12.02(b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank, namely, that the Project Agreement has been duly authorized or ratified by Sichuan and is legally binding upon Sichuan in accordance with its terms.

Section 6.02. 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.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. 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 7.02. 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

Facsimile:

(86-10) 68551125

For the Bank:

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

Cable address:

Telex:

Facsimile:

INTBAFRAD
Washington, D.C.

248423 (MCI) or
64145 (MCI)

(1-202) 477-6391

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Beijing, People's Republic of China, as of the day and year first above written.

PEOPLE'S REPUBLIC OF CHINA

By: /s/ Mr. Zhu Guangyao

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By: /s/ Mr. David Dollar

Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Loan, the allocation of the amounts of the Loan to each Category and the percentage of expenditures for items so to be financed in each Category:

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Dollars)</u>	<u>% of Expenditures to be Financed</u>
(1) Civil works:		70%
(a) under Part A.1 of the Project	47,910,000	
(b) under Part A.2 of the Project	28,800,000	
(c) under Part A.3 of the Project	28,300,000	
(d) under Part A.4 of the Project	67,990,000	
(2) Goods	1,000,000	100%
(3) Consultants' services	<u>6,000,000</u>	100%
TOTAL	<u>180,000,000</u>	

2. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made:

(a) in respect of payments made for expenditures under the Project prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding \$18,000,000 for expenditures by the Project Companies may be made in respect of Category (1) on account of payments made for expenditures before that date but after December 5, 2005; and

(b) under Category 1(a) of the table in paragraph 1 of this Schedule until the Subsidiary Agreement between Mianyang and MSCIC and the Subsidiary Agreement between Mianyang and MSEPIC, both satisfactory to the Bank, shall have been executed in accordance with the provisions of paragraph 9 of Schedule 2 to the Project Agreement; under Category 1(c) of the table in paragraph 1 of this Schedule until the Subsidiary Agreement between Yibin and YUCIC, satisfactory to the Bank, shall have been executed in accordance with the provisions of paragraph 10 of Schedule 2 to the Project Agreement; and under Category 1(d) of the table in paragraph 1 of this Schedule until the Subsidiary Agreement between Panzihua and PUCIMC, satisfactory to the Bank, shall have been executed in accordance with the provisions of paragraph 10 of Schedule 2 to the Project Agreement.

3. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures for: (a) works under contracts costing less than \$5,000,000 equivalent each; (b) goods under contracts costing less than \$300,000 equivalent each; and (c) consultants' services under contracts with firms or individuals, each costing less than \$100,000 equivalent or \$50,000 equivalent, respectively, all under such terms and conditions as the Bank shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objective of the Project is to assist the Borrower's Sichuan Province in facilitating rational urban development by removing identified infrastructure problems that impede land development, efficient transport movement and environmental protection.

The Project consists of the following parts, subject to such modification thereof as the Borrower and the Bank may agree upon from time to time to achieve such objective:

Part A: Urban Investments

Carry out the following priority infrastructure investments to facilitate rational urban development in the Project Municipalities:

1. Mianyang

Provision of basic infrastructure and improving access to facilitate the expansion of two major urban development areas adjacent to the city center in Mianyang Municipality, including: (a) construction of local access roads and associated bridges, sewers, drainage and landscaping in Pioneer Park; (b) construction of the section of the Second Ring Road from the interchange with Yingbin Avenue to the boundary of Pioneer Park; and (c) construction of local access roads and associated drainage infrastructure and landscaping in the Southern Economic Development Zone.

2. Suining

Provision of basic infrastructure for and access to new urban areas, including: (a) construction of access and distributor roads, bridges, river embankment, sewers and landscaping for the development of the Xining District Area; and (b) construction of Xining Road to provide access from Xining District Area to the existing Chengbei Railway Station.

3. Yibin

Improve access within the city and improve the degraded riverbank environment in Yibin Municipality, including: (a) construction of a distributor road following the banks of the Minjiang River and Chang Jiang River, to connect the old city area and existing urban areas with Tianyuan District and a proposed new industrial development zone; and (b) extension of an existing riverbank wall and a local road from the center of Nan An District.

4. Panzhihua

Improve access, traffic movement and natural environment in Panzhihua Municipality including: (a) construction of Bing-Ren Road to link the existing central business district and the residential district of Renhe and construction of the upper section of Bin Jiang Road, 2.7 kilometers, downstream from Dukou Bridge and underlying trunk sewer network; (b) construction of wastewater collection systems in Bingcaogang, Geliping and Qingxiangping catchments, which will be connected to the existing Bingcaogang Wastewater Treatment Plant and a new Qingxiangping Wastewater Treatment Plant to be constructed; and (c) cleaning up, landscaping and constructing embankments along selected sections of the Jinsha River.

Part B: Institutional Development and Capacity Building

1. Provide support for the implementation of Project activities, by developing the institutional capacity of agencies and entities implementing the Project, including provision of technical assistance for design review, procurement, and monitoring the implementation of the Environmental Management Plans and Resettlement Action Plans and training and study tours during Project implementation.

2. Build the institutional capacity of selected municipalities in urban planning and management systems, including spatial planning, land management, transport planning, and utility and asset management, through use of a management information system and geographical information system.

Part C: Resettlement

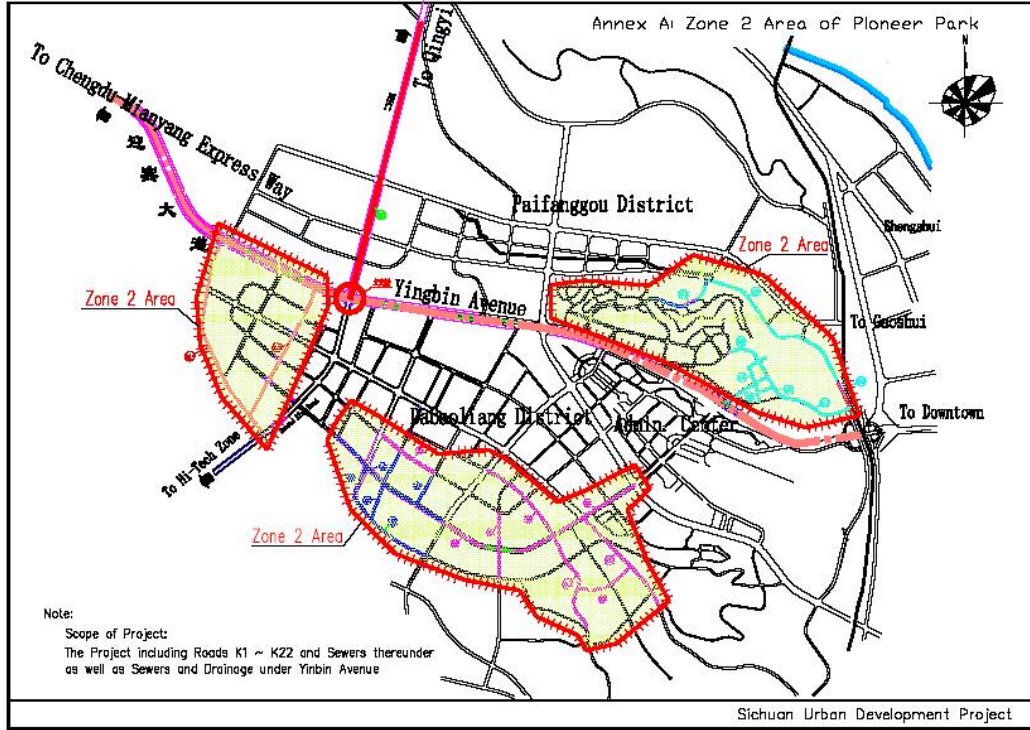
Carry out resettlement and rehabilitation of Displaced Persons in connection with the implementation of Part A of the Project and the implementation of Related Activities.

* * *

The Project is expected to be completed by June 30, 2013.

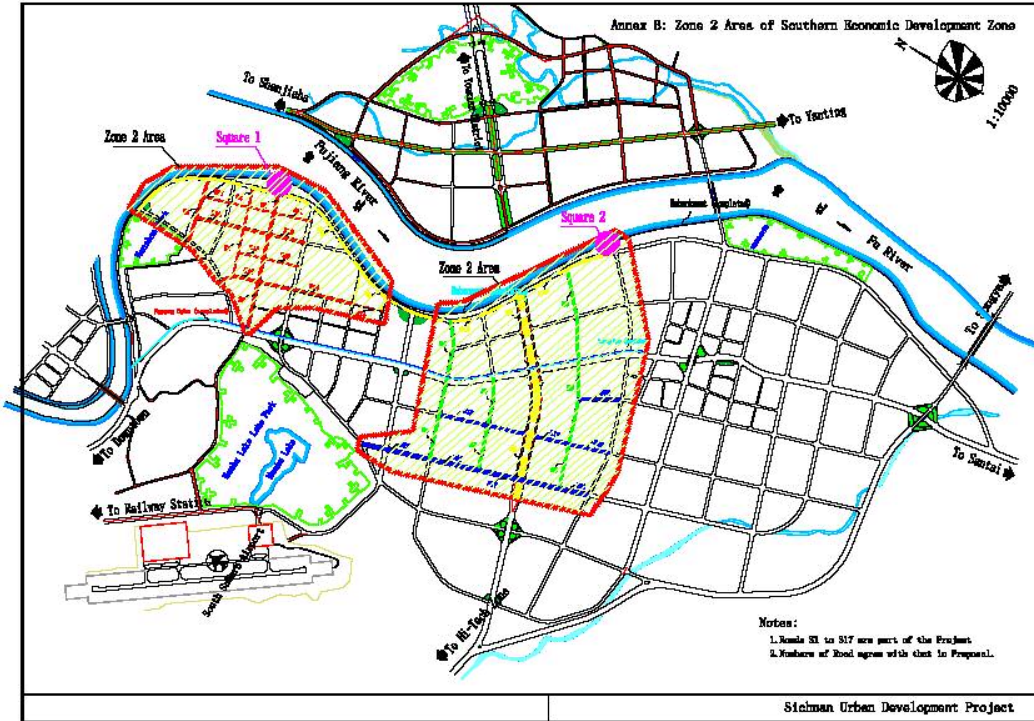
Annex A to Schedule 2

Zone 2 Area of Pioneer Park, Mianyang Municipality



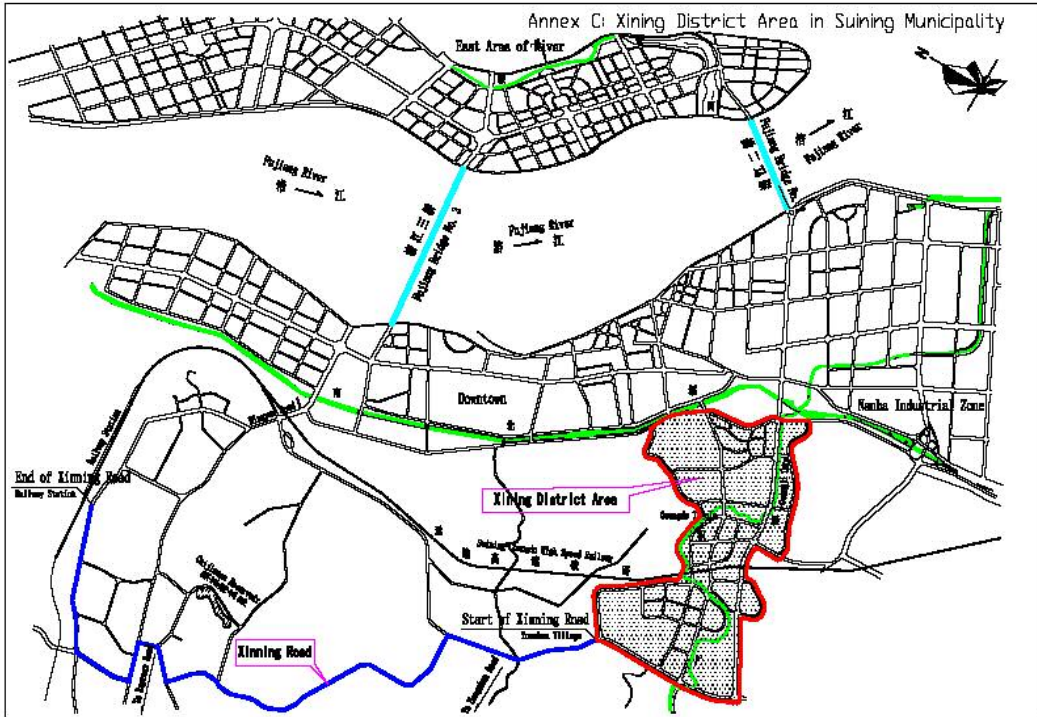
Annex B to Schedule 2

Zone 2 Area of Southern Economic Development Zone, Mianyang Municipality



Annex C to Schedule 2

Xining District Area, Suining Municipality



SCHEDULE 3

Amortization Schedule

<u>Date of Payment Due</u>	<u>Payment of Principal (expressed in Dollars)*</u>
May 15, 2012	3,960,000
November 15, 2012	4,065,000
May 15, 2013	4,175,000
November 15, 2013	4,290,000
May 15, 2014	4,405,000
November 15, 2014	4,525,000
May 15, 2015	4,650,000
November 15, 2015	4,775,000
May 15, 2016	4,905,000
November 15, 2016	5,040,000
May 15, 2017	5,175,000
November 15, 2017	5,315,000
May 15, 2018	5,460,000
November 15, 2018	5,610,000
May 15, 2019	5,765,000
November 15, 2019	5,920,000
May 15, 2020	6,080,000
November 15, 2020	6,245,000
May 15, 2021	6,415,000
November 15, 2021	6,590,000
May 15, 2022	6,770,000
November 15, 2022	6,955,000
May 15, 2023	7,145,000
November 15, 2023	7,340,000
May 15, 2024	7,535,000
November 15, 2024	7,740,000
May 15, 2025	7,955,000
November 15, 2025	8,170,000
May 15, 2026	8,390,000
November 15, 2026	8,635,000

*The figures in this column represent the amount in dollars to be repaid, except as provided in Section 4.04(d) of the General Conditions.

SCHEDULE 4

Special Accounts

1. For the purposes of this Schedule:

(a) the term “eligible Categories” means Categories (1) through (3) set forth in the table in paragraph 1 of Schedule 1 this Agreement;

(b) the term “eligible expenditures” means expenditures in respect of the reasonable cost of goods, works and consultants’ services required for the Project and to be financed out of the proceeds of the Loan or the Loan allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term “Authorized Allocation” means an amount equivalent to \$12,000,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 3(a) of this Schedule.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Bank has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Bank a request or requests for deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Bank requests for deposits into the Special Account at such intervals as the Bank shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Bank the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and

other evidence to have been paid out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Bank from the Loan Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Bank shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Bank shall have determined that all further withdrawals should be made by the Borrower directly from the Loan Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

(b) if the Borrower shall have failed to furnish to the Bank, within the period of time specified in Section 4.01(b)(ii) of this Agreement, any of the audit reports required to be furnished to the Bank pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Bank shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Loan Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Loan allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan allocated to the eligible Categories shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Bank shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may request; or (B) deposit into the respective Special

Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Bank shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

(c) The Borrower may, upon notice to the Bank, refund to the Bank all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Bank made pursuant to paragraphs 6(a), 6(b) and 6(c) of this Schedule shall be credited to the Loan Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.