

CONFORMED COPY

LOAN NUMBER 4438 CHA

Loan Agreement

(Yangtze Flood Emergency Rehabilitation Project)

between

PEOPLE'S REPUBLIC OF CHINA

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Dated March 11, 1999

LOAN NUMBER 4438 CHA

LOAN AGREEMENT

AGREEMENT, dated March 11, 1999, 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 twenty eight million nine hundred thousand Special Drawing Rights (SDR 28,900,000) (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 the Borrower's Provinces of Hubei, Hunan and Jiangxi (said provinces collectively referred to as the Project Provinces) with the Borrower's assistance and, as part of such assistance, the Borrower will make

available to the Project Provinces 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 Provinces;

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 December 2, 1997) (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 amended through December 2, 1997), 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, an amount equal to forty million Dollars (\$40,000,000).

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 expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for 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, 2002 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 fee in an amount equal to one percent (1%) of the amount of the Loan. 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 said 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-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-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 on April 15 and October 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 the Schedule to this Agreement.

### ARTICLE III

#### Execution of the Project

Section 3.01. Subject to Section 3.03 of this Agreement, Sections 2.02(b), 3.01(a), 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 and Schedule 2, unless the context otherwise requires:

- (a) the term "Association" shall be read as "Bank";
- (b) the term "Credit" and "Credit Account" shall be read as "Loan" and "Loan Account"; and
- (c) the term "this Agreement" shall be read as "the Development Credit Agreement".

Section 3.02. For the purpose of carrying out each Project Province's Respective Part of the Project, the Borrower shall make available to said Project Province part of the proceeds of the Loan on the following principal terms:

- (a) the principal amount so made available to each said Project Province shall be the equivalent in terms of Dollars (determined as of the date, or respective dates, of withdrawal from the Loan Account) of the value of the currency or currencies so withdrawn or paid out on account of the cost of items required for its Respective

Part of the Project and to be financed out of the proceeds of the Loan and shall be recovered by the Borrower in Dollars (the Loan Amount);

(b) the Borrower shall recover the Loan Amount from each said Project Province in semi-annual installments over a period of 20 years, inclusive of a grace period of 5 years;

(c) the Borrower shall charge interest on the Loan Amount withdrawn and outstanding from time to time, at a rate which shall not exceed the rate payable by the Borrower from time to time pursuant to Section 2.06 of this Agreement; and

(d) the Borrower shall charge a commitment fee on the principal amount of the Loan so made available and not withdrawn from time to time at a rate which shall not exceed three-fourths of one percent (3/4 of 1%) per annum.

Section 3.03. 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:

(a) 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 Section 3.01 of this Agreement, 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

(b) 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 Bank.

Section 3.04. 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 Parts A, B and C of the Project shall be carried out by Hubei, Hunan and Jiangxi, respectively, pursuant to Section 2.03 of the Project Agreement.

#### ARTICLE IV

##### Remedies of the Bank

Section 4.01. Pursuant to Section 6.02(p) of the General Conditions, the following additional events are specified, namely, the events set out in Section 5.01 of the Development Credit Agreement.

Section 4.02. Pursuant to Section 7.01 (k) of the General Conditions, the following additional events are specified, namely, the events 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 event is specified as an additional condition to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions, namely, that all conditions precedent to the effectiveness of the Development Credit Agreement, except only the effectiveness of the Loan Agreement, shall have been fulfilled.

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:

248423 (MCI) or  
64145 (MCI)

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/ Li Zhaoxing

Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Jean-Michel Severino

Authorized Representative

SCHEDULE

Amortization Schedule

Date Payment Due	Payment of Principal (Expressed in Dollars) *
October 15, 2004	850,000
April 15, 2005	875,000
October 15, 2005	900,000

April 15, 2006	925,000
October 15, 2006	955,000
April 15, 2007	980,000
October 15, 2007	1,010,000
April 15, 2008	1,040,000
October 15, 2008	1,070,000
April 15, 2009	1,100,000
October 15, 2009	1,135,000
April 15, 2010	1,165,000
October 15, 2010	1,200,000
April 15, 2011	1,235,000
October 15, 2011	1,275,000
April 15, 2012	1,310,000
October 15, 2012	1,350,000
April 15, 2013	1,390,000
October 15, 2013	1,430,000
April 15, 2014	1,470,000
October 15, 2014	1,515,000
April 15, 2015	1,560,000
October 15, 2015	1,605,000
April 15, 2016	1,655,000
October 15, 2016	1,700,000
April 15, 2017	1,755,000
October 15, 2017	1,805,000
April 15, 2018	1,855,000
October 15, 2018	1,910,000
April 15, 2019	1,975,000

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\* 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.

