

CONFORMED COPY

CREDIT NUMBER 1845 CHA
LOAN NUMBER 2877 CHA

Project Agreement

(Huangpu Port Project)

among

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

GUANGZHOU HARBOR BUREAU

Dated June 22, 1988

CREDIT NUMBER 1845 CHA
LOAN NUMBER 2877 CHA

PROJECT AGREEMENT

AGREEMENT, dated June 22, 1988, among INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association), INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and GUANGZHOU HARBOR BUREAU (the Harbor Bureau).

WHEREAS: (A) by the Development Credit Agreement of even date herewith between the People's Republic of China (the Borrower) and the Association, the Association has agreed to lend to the Borrower an amount in various currencies equivalent to nineteen million eight hundred thousand Special Drawing Rights (SDR 19,800,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that the Harbor Bureau agree to undertake such obligations toward the Association as are set forth in this Agreement;

(B) by the Loan Agreement of even date herewith between the Borrower and the Bank, the Bank has agreed to make available to the Borrower an amount in various currencies equivalent to sixty-three million dollars (\$63,000,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that the Harbor Bureau agree to undertake such obligations toward the Bank as are set forth in this Agreement;

(C) by a subsidiary loan agreement to be entered into between the Borrower and the Harbor Bureau, the proceeds of the Credit and the Loan provided for under the Development Credit Agreement and the Loan Agreement, respectively, will be made available to the Harbor Bureau on the terms and conditions set forth in said Subsidiary Loan Agreement; and

WHEREAS the Harbor Bureau, in consideration of the Association's entering into the Development Credit Agreement with the Borrower, and the Bank's entering into the Loan Agreement with the Borrower, has agreed to undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in the Development Credit Agreement and in the General Conditions (as so defined) and in the Loan Agreement and the General Conditions (as so defined) have the respective meanings therein set forth.

ARTICLE II

Execution of the Project

Section 2.01. (a) The Harbor Bureau declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Development Credit Agreement, and, to this end, the Harbor Bureau shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and port practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section, and except as the Association, the Bank and the Harbor Bureau shall otherwise agree, the Harbor Bureau shall carry out Part B of the Project in accordance with the Implementation Program set forth in the Schedule to this Agreement.

Section 2.02. Except as the Association and the Bank shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Credit and of the Loan shall be governed by the provisions of Schedule 3 to the Development Credit Agreement.

Section 2.03. The Harbor Bureau shall carry out the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions applicable to the Development Credit Agreement and in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 of the General Conditions applicable to the Loan Agreement (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the Project Agreement.

Section 2.04. The Harbor Bureau shall duly perform all its obligations under the Subsidiary Loan Agreement. Except as the Association and the Bank shall otherwise agree, the Harbor Bureau shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving the Subsidiary Loan Agreement or any provision thereof.

Section 2.05. (a) The Harbor Bureau shall, at the request of the Association or the Bank, exchange views with the Association or the Bank with regard to progress of the Project, the performance of its obligations under this Agreement and under the Subsidiary Loan Agreement, and other matters relating to the purposes of the Credit and the Loan.

(b) The Harbor Bureau shall promptly inform the Association and the Bank of any condition which interferes or threatens to interfere with the progress of the Project, the accomplishment of the purposes of the Credit and the Loan, or the performance by the Harbor Bureau of its obligations under this Agreement and under the Subsidiary Loan Agreement.

ARTICLE III

Management and operations of
the Harbor Bureau

Section 3.01. The Harbor Bureau shall carry on its operations and conduct its affairs in accordance with sound administrative, financial and port practices under the supervision of qualified and experienced management, assisted by competent staff in adequate numbers.

Section 3.02. The Harbor Bureau shall at all times operate and maintain its plant, machinery, equipment and other property, including the facilities constructed under the Project, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound engineering, financial and port practices.

Section 3.03. The Harbor Bureau shall take out and maintain with responsible insurers, or make other provision satisfactory to the Association and the Bank for, insurance against such risks and in such amounts as shall be consistent with appropriate practice.

Section 3.04. Except as the Association and the Bank shall otherwise agree, the term "Harbor bureau" shall include all enterprises and units which are under the control of the Harbor Bureau.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Harbor Bureau shall maintain, or cause to be maintained, records and accounts adequate to reflect in accordance with sound accounting practices: (i) its operations and financial condition; and (ii) the operations, resources and expenditures in respect of the Project.

(b) The Harbor Bureau shall:

(i) have said records, accounts and financial statements (balance sheets, statements of income and of sources and application of funds), for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association and the Bank;

(ii) furnish to the Association and the Bank as soon as available, but in any case not later than six months after the end of each such year, (A) certified copies of its financial statements for such year as so audited and (B) the report of such audit by said auditors of such scope and in such detail as the Association and the Bank shall have reasonably requested; and

(iii) furnish to the Association and the Bank such other information concerning said records, accounts and financial statements as well as the audit thereof and said records, as the Association and the Bank shall from time to time reasonably request.

Section 4.02. (a) Except as the Association and the Bank shall otherwise agree, the Harbor Bureau shall from time to time take, or cause to be taken, all such measures (including, without limitation, adjustments of the levels of its tariffs as determined by the Borrower) as shall be required to produce, for each of its fiscal years after its fiscal year ending on December 31, 1987, total revenues equivalent to not less than the sum of (i) its total operating expenses, and (ii) the amount by which its financial obligations exceed the provision for depreciation and any other non-cash operating expenses.

(b) For the purposes of this Section:

(i) The term "total revenues" means the sum of revenues from all sources related to port operations and net non-operating income.

(ii) The term "total operating expenses" means the sum of all expenses related to port operations, including maintenance, administration, and depreciation.

(iii) The term financial obligations' means interest and other charges on debt, repayment of loans (including sinking fund payments, if any), all taxes or payments in lieu of taxes, allocations to special funds and other cash distributions of surplus, and any other cash outflows (other than capital expenditures) related to port operations.

ARTICLE V

Effective Date; Termination; Cancellation and Suspension

Section 5.01. This Agreement shall come into force and effect on the date upon which both the Development Credit Agreement and the Loan Agreement become effective.

Section 5.02. (a) This Agreement and all obligations of the Association, the Bank and the Harbor Bureau thereunder shall terminate on the earlier of the following dates:

(i) the date on which both the Development Credit Agreement and the Loan Agreement shall have terminated; or

(ii) the date twenty years after the date of this Agreement.

(b) If the Development Credit Agreement or the loan Agreement or both of said Agreements terminate in accordance with their respective terms before the date specified in paragraph (a) (ii) of this Section, the Association or the Bank or both, as the case may be, shall promptly notify the Harbor Bureau of this event.

Section 5.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions applicable to the Development Credit Agreement or the Loan Agreement.

ARTICLE VI

Miscellaneous Provisions

Section 6.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex or radiogram to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

For the Association:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:

INDEVAS
Washington, D.C.

Telex:

440098 (ITT)
248423 (RCA) or
64145 (WUI)

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:

440098 (ITT)
248423 (RCA) or
64145 (WUI)

For the Harbor Bureau:

Guangzhou Harbor Bureau
39 Gang Qian Lu
Port of Huangpu
Guangzhou
People's Republic of China

Cable:

5300 Guangzhou

Section 6.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of the Harbor Bureau, or by the Harbor Bureau on behalf of the Borrower under the Development Credit Agreement or the Loan Agreement, may be taken or executed by its Director or such other person or persons as its Director shall designate in writing, and the Harbor Bureau shall furnish to the Association and the Bank sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 6.03. As long as the Bank has not given notice to the contrary to the Harbor Bureau and so long as the Development Credit Agreement shall not have terminated prior to the termination of the Loan Agreement:

(a) the obligations of the Harbor Bureau to consult with, and to furnish information, documents, plans, reports, records and statements to, the Bank shall be satisfied to the extent performance in respect of such obligations is rendered to the Association;

(b) the obligations of the Bank to consult with, and to furnish information to the Harbor Bureau shall be satisfied to the extent such obligations are fulfilled by the Association; and

(c) all actions taken (including the giving of approvals or the granting of waivers) by the Association pursuant to the Development Credit Agreement shall be deemed to be taken pursuant to both the Development Credit Agreement and the Loan Agreement, and in the name and on behalf of both the Association and the Bank.

Section 6.04. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

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.

INTERNATIONAL DEVELOPMENT ASSOCIATION

INTERNATIONAL BANK FOR

RECONSTRUCTION AND DEVELOPMENT

By /s/ Shahid Javed Burki

Acting Regional Vice President
Asia

GUANGZHOU HARBOR BUREAU

By /s/ Qian Yongnian

Authorized Representative

SCHEDULE

Implementation Program

1. The Harbor Bureau shall carry out the training under Part B.2 of the Project in accordance with a program agreed with the Association and the Bank.
 2. The Harbor Bureau shall:
 - (a) carry out the studies under Part B.3 of the Project in accordance with terms of reference and timing agreed with the Association and the Bank;
 - (b) upon completion, furnish the results of such studies to the Association and the Bank and exchange views thereon; and
 - (c) implement the recommendations of such studies, taking into consideration the views of the Association and the Bank.
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