

CONFORMED COPY

LOAN NUMBER 4829-CHA

Loan Agreement

(Henan Towns Water Supply and Sanitation Project)

between

PEOPLE'S REPUBLIC OF CHINA

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated September 1, 2006

LOAN NUMBER 4829-CHA

LOAN AGREEMENT

AGREEMENT, dated September 1, 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 Henan (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 Henan, 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 Henan (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Except as otherwise provided in the Loan Agreement, the proceeds of the Loan may be withdrawn to pay for taxes levied by, or in the territory of, the Borrower or the Guarantor on the goods or services to be financed under the Loan, or on their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, have experienced or would experience direct economic and social impacts caused by: (i) the involuntary taking of land, 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) “Environmental Management Plan” means the Environment Impact Assessment Report and Environment Management Plan for Water Supply and Water Drainage Project in Small Towns of Henan Province dated January 24, 2006, prepared on behalf of Henan, which plan sets out the environmental protection measures in respect 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.

(d) “Fiscal Year” means the fiscal year of the Project Companies, covering the period January 1 through December 31.

(e) “Henan” means the Borrower’s Province of Henan, and any successor thereto.

(f) “LP Companies” means, collectively, Jiaxian County Water Supply Company, Xiayi County Water Supply Company, Xinye County Water Supply Company, Queshan County Water Supply Co., Ltd., Xincai County Water Supply Company, Xixian County Water Supply Company, and Mengzhou Municipal Water Supply Company, which companies are specifically described in the table in the Annex to

Schedule 2 to this Agreement and referred to in paragraph 7 of Schedule 3 to the Project Agreement, and any successor to each of the said companies.

(g) “PPMO” means the Provincial Project Management Office which is established within the Henan Finance Department and to be maintained pursuant to the provisions of paragraph 1(b) of Schedule 2 to the Project Agreement.

(h) “Procurement Plan” means the Borrower’s procurement plan, dated February 7, 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.

(i) “Project Agreement” means the agreement between the Bank and Henan 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.

(j) “Project Company” means, individually, each of the Project companies set forth in the fourth column of the table in the Annex to Schedule 2 of this Agreement, which company is established and operating pursuant to its:

- (i) Charter issued on the date specified in the said table; specifically, in the fifth column of the same row as the Project Company concerned; and
- (ii) Business license issued by the relevant Municipal Industrial and Commercial Administration Bureau on the date and with the license number specified in the said table; specifically, in the seventh and sixth columns of the same row as the Project Company concerned,

and any successor thereto; and “Project Companies” means, collectively, all such companies.

(k) “Project Company Category A” means, individually, each of the Project companies located in the Project County identified in the second column of the table in the Annex to Schedule 2 of this Agreement as Project County Category A and referred to in paragraph 6(a) of Schedule 3 of the Project Agreement.

(l) “Project Company Category B” means, individually, each of the Project companies located in the Project County identified in the second column of the table in the Annex to Schedule 2 of this Agreement as Project County Category B and referred to in paragraph 6(a) of Schedule 3 of the Project Agreement.

(m) “Project Company Category C” means, individually, each of the Project companies located in the Project County identified in the second column of the table in the Annex to Schedule 2 of this Agreement as Project County Category C and referred to in paragraph 6(a) of Schedule 3 of the Project Agreement.

(n) “Project County” means, individually, each of the Project counties set forth in the third column of the table in the Annex to Schedule 2 of this Agreement, and any successor thereto; and “Project Counties” means, collectively, all such counties.

(o) “Project Dams” means the dams located at Longxingsi, Boshan, Zhaopingtai, and Hongshizui Reservoirs in the Project Counties/Project Municipalities of Baofeng, Queshan, Lushan, and Minggan.

(p) “Project Municipality” means each of the municipalities set forth in the first column of the table in the Annex to Schedule 2 of this Agreement, and any successor thereto; and “Project Municipalities” means, collectively, all such municipalities.

(q) “Respective Parts of the Project” means in respect of each Project Company, its respective activities under Parts A and B of the Project.

(r) “Respective Project Company” means in respect of each Project County, the Project Company set forth in the same row as the Project County in the table in the Annex to Schedule 2 of the Project Agreement, and any successor thereto.

(s) “Resettlement Action Plan” means the Resettlement Planning Report of Henan Towns Water (Supply and Drainage) Project dated October 2005, and prepared on behalf of Henan, which sets out the principles and procedures governing the acquisition of land and other assets, and the resettlement, compensation and rehabilitation of Displaced Persons on account of the execution of Parts A and B 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.

(t) “Special Account” means the account referred to in Section 2.02(b) of this Agreement.

(u) “Subsidiary Loan Agreements” means, collectively, the agreements to be entered into between each Project County and its Respective Project Company pursuant to paragraph 7 of Schedule 2 to the Project Agreement, as the same may be amended from time to time, and such term includes all schedules and supplements to said agreements; and a “Subsidiary Loan Agreement” means, individually, any of said Subsidiary Loan Agreements.

Section 1.03. Each reference in the General Conditions to the Project implementation entity shall be deemed as a reference to Henan, each of the Project Municipalities, each of the Project Counties 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 fifty million Dollars (\$150,000,000).

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 June 30, 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 Dollar 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 in arrears on January 15 and July 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 Henan to perform in accordance with the provisions of the Project Agreement all the obligations of Henan 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 Henan 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 Henan 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 ($\frac{3}{4}$ 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 Henan pursuant to Section 2.03 of the Project Agreement.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall cause Henan 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 Henan 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) Henan 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 Henan will be able to perform its obligations under the Project Agreement.

(c) Any of the parties to any of the Subsidiary Loan 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 an additional condition to the effectiveness of the Loan Agreement within the meaning of Section 12.01(c) of the General Conditions, namely, eight (8) Subsidiary Loan Agreements, satisfactory to the Bank, shall have been entered into between Project Counties and their Respective Project Companies in accordance with the provisions of paragraph 7 of Schedule 2 to the Project Agreement.

Section 6.02. The following events are 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:

(a) The Project Agreement has been duly authorized or ratified by Henan and is legally binding upon Henan in accordance with its terms.

(b) Each of the Subsidiary Loan Agreements referred to in Section 6.01(a) has been duly authorized or ratified by each of the parties thereto and is legally binding on said parties in accordance with its terms.

Section 6.03. The date one hundred and fifty (150) 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. Yang Shaolin

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) Works (including supply of equipment)	141,765,000	66%
(2) Consultants' services for:		
(a) Services other than design and design review	3,200,000)
(b) Design and design review	4,660,000) 100%
(3) Front-end Fee	375,000	Amount due under Section 2.04 of this Agreement
TOTAL	<u>150,000,000</u>	

2. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made 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 \$4,500,000 for expenditures by the Project Companies may be made in respect of Categories (1) and (2) on account of payments made for expenditures before that date but after October 1, 2005.

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; and
- (b) 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 Henan Province in expanding its water supply and wastewater management services and improving the institutional capacity of relevant institutions to plan, regulate and operate such services.

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

Part A: Water Supply

Improving water supply in selected Project Counties through:

1. Construction of water production facilities, including wells, water intakes, water storage facilities, pumping stations and water treatment plants.
2. Rehabilitation and expansion of water distribution networks and facilities, including transmission mains, water pipelines, user connections with meters, pressure and flow measurement instruments with remote control, maintenance equipment and communication facilities.

Part B: Wastewater Management

Improving wastewater management in selected Project Counties through construction of wastewater collection networks and wastewater treatment facilities.

Part C: Institutional Strengthening

1. Provision of technical assistance to enhance the capacity of the provincial government to carry out regional planning that supports the development of counties; and the strategic planning capacity of local governments (including prefectures, cities and towns).
2. Provision of technical assistance to improve institutional capacity at the provincial and county levels to perform utility regulatory functions, development of an improved regulatory framework for private sector participation in the water and wastewater treatment sectors, and development of specific guidelines and appropriate options for private service provision.
3. Provision of technical assistance to improve management and operational capacities of the Project Companies and project management offices at the provincial and county levels to carry out the Project, as well as in the areas of financial management,

resource mobilization (including tariff setting, operational efficiency, improved commercial operations) and human resource development.

Part D: Resettlement

Carry out resettlement and rehabilitation of Displaced Persons in connection with the implementation of Parts A and B of the Project.

* * *

The Project is expected to be completed by December 31, 2012.

**Annex
To
Schedule 2**

<u>Name of Project Municipality</u>	<u>Project County Category</u>	<u>Name of Project County</u>	<u>Name of Project Company</u>	Project Company is established and operating pursuant to its Charter and Business License as follows:		
				<u>Date Of Charter</u>	<u>Business License Number</u>	<u>Date of Business License</u>
1. Kaifeng	B	1. Weishi	Weishi County Water Supply Company	March 20, 2003	4102231300499	February 20, 2003
	A	2. Tongxu	Tongxu County Water Supply Company	September 1, 2004	4102221100061	September 1, 2003
	C	3. Lankao	Lankao County Water Supply Co., Ltd.	March 15, 2004	4102251100002-1/1	March 15, 2004
	A	4. Kaifeng	Xiangfu Water Supply Co., Ltd.	October 8, 2005	4102241700600	April 18, 2006
	A	5. Qixian	Qixian County Water Supply Company	October 23, 2000	4102211187593	October 23, 2000
2. Luoyang	A	6. Mengjin	Mengjin County Water Supply Company	April 8, 2003	4103221300376	April 8, 2003
	A	7. Yiyang	Yiyang County Water Supply Company	March 5, 2003	4103271000154-2/2	March 5, 2003
	C	8. Songxian	Songxian County Water Supply Company	December 24, 2004	4103251100336	December 24, 2004
3. Pingdishan	C	9. Baofeng	Baofeng Wastewater Treatment Plant	May 13, 2003	4104211000659-1/2	September 20, 2004
			Baofeng Water Supply Company	September 20, 2004	4104211000101-1/2	May 13, 2003
	B	10. Jiaxian	Jiaxian County Water Supply Company	April 7, 1999	4104251300106	April 7, 1999
	A	11. Lushan	Luwei (Pingdingshan) Water Works Co., Ltd.	July 4, 2005	000223	July 8, 2005
	C	12. Xinxiang	Xinxiang County Chenyuan Water Works Co., Ltd.	April 20, 2005	4107211001280-1/1	April 20, 2005
4. Xinxiang	A	13. Yuanyang	Yuanyang Waste Water Treatment Co., Ltd.	July 2, 2003	4107251001604-1/1	November 10, 2005
			Yuanyang Water Supply Co., Ltd.	November 10, 2005	4107251001566	July 2, 2003
	A	14. Fengqiu	Fengqiu County Water Supply Co., Ltd.	June 9, 2004	4107271000317-1/1	June 9, 2004

Name of Project Municipality	Project County Category	Name of Project County	Name of Project Company	Project Company is established and operating pursuant to its Charter and Business License as follows:		
				Date Of Charter	Business License Number	Date of Business License
5. Xuchang	A	15. Xiangcheng	Xiangcheng Water Supply Plant	February 25, 2004	4127021200227	February 25, 2004
6. Sanmenxia	B	16. Shanxian	Shanxian Water Supply Company	April 14, 2004	4112221650018-2/2	April 14, 2003
	A	17. Yima	Yima Municipal Water Supply Co., Ltd.	November 3, 2003	4112811400030	November 3, 2003
7. Shangqiu	C	18. Suixian	Suixian County Water Supply Company	March 15, 2005	4114221000023-1/1	March 15, 2005
	B	19. Xiayi	Xiayi County Water Supply Company	October 30, 2003	4114261100181	October 30, 2003
	A	20. Zhecheng	Zhecheng County Water Supply Plant	June 7, 2005	4114241000133	June 7, 2005
8. Nanyang	C	21. Dengzhou	Dengzhou Municipal Water Supply Company	March 31, 2003	4113811050025	March 31, 2003
	B	22. Xinye	Xinye County Water Supply Company	September 16, 2005	4113281200196	September 16, 2005
	A	23. Sheqi	Sheqi County Water Supply Company	April 20, 2005	4113291000061	April 20, 2005
	C	24. Xichuan	Xichuan County Water Supply Company	May 3, 2003	4113231050237	May 3, 2003
9. Zhumadian	B	25. Queshan	Queshan County Water Supply Co., Ltd.	March 25, 2005	4128211100335-1/1	March 25, 2005
	C	26. Xincui	Xincui County Water Supply Company	August 20, 2003	4128281003163-1/1	August 20, 2003
	C	27. Xiping	Xiping County Water Supply Plant	July 28, 2003	4128241107501	October 28, 2003
	C	28. Zhengyang	Zhengyang County Sanyuan Water Supply Co., Ltd.	March 11, 2003	4128291000026-1/1	March 11, 2003
	C	29. Suiping	Suiping County Water Supply Plant	March 16, 1999	4128231003038	March 16, 1999
	C	30. Runan	Runan County Water Supply Co., Ltd.	Mar. 30, 2004	4128261100078	March 30, 2004

Name of Project Municipality	Project County Category	Name of Project County	Name of Project Company	Project Company is established and operating pursuant to its Charter and Business License as follows:		
				Date Of Charter	Business License Number	Date of Business License
10. Zhoukou	A	31. Shenqiu	Shenqiu County Water Supply Company	April 29, 2004	4127281100029-1/1	April 29, 2004
	C	32. Xiangcheng	Xiangcheng Jiahao Biological Water Works Co., Ltd.	June 10, 2005	4104261200100-1/1	June 10, 2005
11. Xinyang	B	33. Xixian	Xixian County Water Supply Company	March 2, 2005	4130211110009	March 2, 2005
	C	34. Luoshan	LuOshan County Water Supply Co., Ltd.	June 2, 2004	4130282000059	June 2, 2004
	A	35. Yangshan District	Xinyang Municipal Water Supply Group Co., Ltd.	May 20, 2002	4130001120263	May 20, 2002
	B	36. Minggan Town, Xinyang County	Pingqiao District Mingxiang Huaiquan Water Supply Co. Ltd., Xinyang Municipality	December 15, 2003	4130001129008-1/1	December 15, 2003
	C	37. Huangchuan	Huangchuan County Huaili Wasterwater Treatment Co., Ltd.	December 17, 2005	4130242000297	December 17, 2005
12. Jiaozhou	B	38. Mengzhou	Mengzhou Municipal Water Supply Company	August 17, 2005	4108831300200-1/1	August 17, 2005

SCHEDULE 3

Amortization Schedule

<u>Date of Payment Due</u>	<u>Payment of Principal (expressed in Dollars)*</u>
January 15, 2012	3,355,000
July 15, 2012	3,445,000
January 15, 2013	3,535,000
July 15, 2013	3,625,000
January 15, 2014	3,720,000
July 15, 2014	3,820,000
January 15, 2015	3,920,000
July 15, 2015	4,020,000
January 15, 2016	4,125,000
July 15, 2016	4,235,000
January 15, 2017	4,345,000
July 15, 2017	4,455,000
January 15, 2018	4,575,000
July 15, 2018	4,695,000
January 15, 2019	4,815,000
July 15, 2019	4,940,000
January 15, 2020	5,070,000
July 15, 2020	5,200,000
January 15, 2021	5,340,000
July 15, 2021	5,475,000
January 15, 2022	5,620,000
July 15, 2022	5,765,000
January 15, 2023	5,920,000
July 15, 2023	6,070,000
January 15, 2024	6,230,000
July 15, 2024	6,395,000
January 15, 2025	6,560,000
July 15, 2025	6,730,000
January 15, 2026	6,905,000
July 15, 2026	7,095,000

*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) and (2) 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 \$10,000,000 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.