

CONFORMED COPY

LOAN NUMBER 4541 CHA

Loan Agreement

(Guangxi Highway Project)

between

PEOPLE'S REPUBLIC OF CHINA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated October 10, 2000

LOAN NUMBER 4541 CHA

LOAN AGREEMENT

AGREEMENT, dated October 10, 2000, 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 Guangxi Zhuang Autonomous Region (Guangxi) 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 Guangxi, 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 agreement of even date herewith between the Bank and Guangxi (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 December 2, 1997) with the modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

(a) Section 2.01, paragraph 9, is modified to read:

"'Euro', ' ' and 'EUR' each means the lawful currency of the member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union."

(b) A new paragraph (d) is added to Section 3.04 to read:

"If the Bank shall at any time receive less than the full amount then due and payable to it under the Loan Agreement, the Bank shall have the right to allocate and apply the amount so received in any manner and for such purposes under the Loan Agreement as the Bank shall in its sole discretion determine."

(c) Section 11.01 is modified by replacing, in the second sentence, the word "radiogram" with the word "facsimile" and adding a new sentence at the end of the said Section to read:

"Deliveries made by facsimile transmission shall also be confirmed by mail."

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) "Affected Persons" means persons who, on account of any change in land or water use due to works carried out or to be carried out under the Project, would incur the involuntary loss, temporarily or permanently, of shelter, productive assets or access to productive assets, or of income or means of livelihood and, as a consequence, have their living standards or production levels adversely affected; and "Affected Person" means any of the Affected Persons.

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

(c) "EAPs" means, collectively, (i) the environmental action plan, dated October 1999 in respect of Part A.1 of the Project, and (ii) the environmental action plan, dated October 1999 in respect of Part B of the Project, referred to in paragraph (A)(1) of Schedule 2 to the Project Agreement, which together set out the environmental protection measures in respect of said Parts of the Project, as well as administrative and monitoring arrangements to ensure the implementation of said plans, as

the same may be revised from time to time with the agreement of the Bank; and "EAP" means either of the EAPs.

(d) "Guangxi" means the Borrower's Guangxi Zhuang Autonomous Region, and any successor thereto.

(e) "GCD" means Guangxi Communications Department, an agency of Guangxi, and any successor thereto.

(f) "Project Agreement" means the agreement between the Bank and Guangxi 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.

(g) "RAP" means the resettlement action plan dated November 1999 in respect of Part A of the Project, and referred to in paragraph (A)(1) of Schedule 2 to the Project Agreement, which sets out the principles and procedures governing land acquisition, resettlement and compensation, as well as reporting and monitoring arrangements to ensure compliance with said plan, as the same may be revised from time to time with the agreement of the Bank; and such term includes all attachments and annexes supplemental to said plan.

(h) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement.

Section 1.03. Each reference in the General Conditions to the Project implementation entity shall be deemed as a reference to Guangxi and GCD.

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 two hundred million Dollars (US\$ 200,000,000).

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 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 and to be financed out of the proceeds of the Loan and in respect of the fee referred to in Section 2.04 of this Agreement.

(b) The Borrower may 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, 2006, or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Bank a fee in an amount equal to two million Dollars (US\$ 2,000,000). The Borrower agrees that 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-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 in arrears on June 15 and December 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 Guangxi to perform in accordance with the provisions of the Project Agreement all the obligations of Guangxi 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 Guangxi to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) For the purposes of carrying out the Project, the Borrower shall make available to Guangxi the proceeds of the Loan on the following principal terms:

(i) the principal amount so made available to Guangxi shall be the equivalent in terms of Dollars (determined as of the date, or respective dates of withdrawal from the Loan Account or payment out of the Special Account, as the case may be) of the value of the currency or currencies so withdrawn or paid out on account of the cost of items required for 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);

(ii) the Borrower shall recover the Loan Amount from Guangxi in semi-annual installments over a period of 20 years, inclusive of a grace period of 5 years;

(iii) the Borrower shall charge Guangxi interest on the Loan Amount withdrawn and outstanding from time to time, at a rate equal to the rate payable by the Borrower from time to time pursuant to Section 2.06 of this Agreement;

(iv) the Borrower shall charge Guangxi: (A) 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 (0.75%) per annum; and (B) an additional fee in an amount equal to 1% of the Loan Amount.

Section 3.02. Except as 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 Loan shall be governed by the provisions of Schedule 1 to the Project Agreement.

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 Guangxi pursuant to Section 2.03 of the Project Agreement.

ARTICLE IV

Financial Covenants

Section 4.01. (a) 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) maintain or cause to be maintained in accordance with sound accounting practices, records and separate accounts reflecting such expenditures;

(ii) ensure that all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures are retained until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account was made; and

(iii) enable the Bank's representatives to examine such records.

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) (i) of this Section and those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, 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 the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested, including a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals; and

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

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) Guangxi 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 Guangxi will be able to perform its obligations under the Project Agreement.

Section 5.02. Pursuant to Section 7.01(k) of the General

Conditions, the following additional event is specified, namely, that the event specified in paragraph (a) of Section 5.01 of this Agreement shall occur and shall continue for a period of 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 is specified as an additional matter, within the meaning of Section 12.02(c) 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 Guangxi, and is legally binding upon Guangxi 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

Cable address:

Facsimile:

6855-1119 FINANMIN
 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:

Telex:

Facsimile:

477-6391 INTBAFRAD 248412 (MCI) or (202)
 Washington, D.C. 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 Beijing, People's Republic of China, as of the day and year first above written.

PEOPLE'S REPUBLIC OF CHINA

By /s/ Zhu Guangyao
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Yukon Huang
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:

of	Amount of the Loan	%
Category	Allocated	Expenditures
Financed	(Expressed in Dollars)	to be
(1) Works:		
(a) under Part A.1 (a) and (b) of the Project	142,300,000	45%
(b) under Part A.1 (c) of the Project	2,300,000	30%
(c) under Part A.1 (d) of the Project	8,500,000	80%
(d) under Parts B and C of the Project	17,800,000	30%
(2) Goods	10,900,000	100% of
foreign		expenditures,
		100% of local
(ex-		expenditures
and		factory cost)
		75% of local
for other		expenditures
procured locally		items

(3)	Consultants' services and training	5,900,000	100%
(4)	Fee under Section Agreement	2,000,000	Amount due 2.04 of this
(5)	Unallocated	10,300,000	
	TOTAL	200,000,000	

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower; provided, however, that expenditures in the currency of the Hong Kong Special Administrative Region of the Borrower for goods or services supplied from said region and expenditures in the currency of the Macau Special Administrative Region of the Borrower for goods or services supplied from said region shall be deemed to be "foreign expenditures"; and

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding \$1,000,000, may be made in respect of Categories (2) and (3) set forth in the table in paragraph 1 of this Schedule on account of payments made for expenditures before that date but after June 1, 1999.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures for: (a) goods under contracts costing less than \$250,000 equivalent each; (b) works under contracts costing less than \$2,000,000 equivalent each; (c) consultants' services under contracts awarded to (i) consulting firms costing less than \$100,000 equivalent each, and (ii) individuals costing less than \$50,000 equivalent each; and (d) training; all under such terms and conditions as the Bank shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objectives of the Project are to (i) provide an effective transport link between the Borrower's land-locked provinces of Guizhou, Yunnan and Sichuan and its southern coastal areas, through Guangxi Zhuang Autonomous Region; and (ii) strengthen the institutional capacity of the highway sector agencies of Guangxi to enable them to administer, regulate, manage and operate the sector with greater effectiveness and efficiency.

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

PART A: Highway Capacity Expansion

1. Construction of the Hechi (Shuiren)-Nanning Highway in Guangxi, consisting of: (a) construction of about 97 kilometers (km) of Class 2 highway between Shuiren and Duan and related interchanges; (b) construction of about 141 km of expressway between Duan and Nanning and related interchanges; (c) construction of toll stations, service and parking areas, and administration and maintenance facilities for said Highway; and (d) supply and installation of electrical, electronic and mechanical equipment for toll collection, traffic monitoring, lighting and telecommunications on said Highway.

2. Resettlement and rehabilitation of Affected Persons in connection with the carrying out of Part A.1 of the Project.

PART B: Highway Network Maintenance and Improvement Program

Carrying out of a program of rehabilitation and maintenance of about ten selected sections of provincial roads totaling about 236 km.

PART C: Highway Safety Program

Carrying out of a black spot improvement program in selected locations on the provincial highway network in Guangxi.

PART D: Institutional Development

1. Carrying out of a program to build up the capacity of highway sector agencies and institutions in Guangxi in the areas of planning, design, construction supervision, operation and maintenance, project management, and environmental and resettlement monitoring, through the provision of training and equipment.

2. Carrying out of studies on: (a) the design of slopes on road embankments and environmental protection; and (b) highway construction and economic development in poor areas;

The Project is expected to be completed by December 31, 2005.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (Expressed in Dollars)**
December 15, 2005	4,090,000
June 15, 2006	4,220,000
December 15, 2006	4,355,000
June 15, 2007	4,490,000
December 15, 2007	4,635,000
June 15, 2008	4,780,000
December 15, 2008	4,930,000
June 15, 2009	5,090,000
December 15, 2009	5,250,000
June 15, 2010	5,415,000
December 15, 2010	5,585,000
June 15, 2011	5,765,000
December 15, 2011	5,945,000
June 15, 2012	6,135,000
December 15, 2012	6,330,000

June 15, 2013	6,530,000
December 15, 2013	6,740,000
June 15, 2014	6,950,000
December 15, 2014	7,170,000
June 15, 2015	7,400,000
December 15, 2015	7,635,000
June 15, 2016	7,875,000
December 15, 2016	8,125,000
June 15, 2017	8,385,000
December 15, 2017	8,650,000
June 15, 2018	8,925,000
December 15, 2018	9,205,000
June 15, 2019	9,495,000
December 15, 2019	9,800,000
June 15, 2020	10,100,000

* 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 Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (2) and (3) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of 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, provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$6,000,000 until the aggregate amount of withdrawals from the Loan Account plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of \$50,000,000.

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 para-graph 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 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), (b) and (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.

