

CONFORMED COPY

LOAN NUMBER 4444 CHA

Loan Agreement

(Container Transport Project)

between

PEOPLE'S REPUBLIC OF CHINA

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Dated September 2, 1999

LOAN NUMBER 4444 CHA

LOAN AGREEMENT

AGREEMENT, dated September 2, 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 this Agreement, has requested the Bank to assist in the financing of the Project;

(B) the Project Provinces (as defined in Section 1.02 (n) of this Agreement) will carry out Parts A and B of the Project, with the Borrower's assistance and, as part of such assistance, the Borrower will make available to said Project Provinces their respective portion of the proceeds of the Loan as provided 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 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 have the respective meanings therein set forth and the following additional terms have the following meanings wherever used in this Agreement:

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

(b) "CPMO" means the central project management office, established and maintained by the Borrower through SETC in accordance with the provisions of paragraph 1 of Schedule 4 to this Agreement;

(c) "EAP" means the Environmental Impact Statement of Improving International Container Multi-modal Transportation System, dated August 1998, endorsed severally by the Project Provinces and the Port Authority, which sets out environmental protection measures for Parts A.1 (a), (b) and (c) and B of the Project as well as administrative and monitoring arrangements to ensure the implementation of said measures, as such EAP may be amended from time to time with the agreement of the Bank;

(d) "Enterprise Implementation Agreement" means, in respect of each ICD, the implementation agreement to be entered into between the Project Province, directly or through the Relevant Municipality, as the case may be, and the respective ICD Enterprise, in accordance with Section I, Part B of Schedule 2 to the Project Agreement;

(e) "Front-end fee" means the fee referred to in Section 2.04 of this Agreement, payable by the Borrower at effectiveness of the Loan Agreement;

(f) "Hebei" means the Borrower's Hebei Province, and any successor thereto;

(g) "Hebei Special Account" means the account referred to in Section 2.02 (b)(i) of this Agreement;

(h) "ICDs" means, collectively, the inland container depots to be built, equipped and operated under Part A.1 of the Project, and "ICD" means any of the ICDs;

(i) "ICD Enterprises" means the enterprises which will operate the ICDs and with which the Project Provinces, directly or through the Relevant Municipalities, as the case may be, have entered or propose to enter into Enterprise Implementation Agreements for the purposes of carrying out their Respective Parts of the Project; "ICD Enterprise" means any of the ICD Enterprises; and "Respective ICD Enterprises" means the ICD Enterprises in: (i) the Municipalities of Handan, Baoding, Tangshan, Qinhuangdao and Cangzhou in Hebei; (ii) the Municipality of Baotou in Inner Mongolia; and (iii) the Municipalities of Huzhou, Hangzhou and Xiaoshan in Zhejiang;

(j) "Inner Mongolia" means the Borrower's Inner Mongolia Autonomous Region, and any successor thereto;

(k) "Inner Mongolia Special Account" means the account referred to in Section 2.02 (b)(ii) of this Agreement;

(l) "Port Authority" means Tianjin Port Authority, an agency under the Tianjin Municipal People's Government, operating pursuant to the Regulations and the Report;

(m) "Project Agreement" means the Project Agreement of even date herewith between the Bank and the Project Provinces, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to said Project Agreement;

(n) "Project Provinces" means, collectively, Hebei, Inner Mongolia, Zhejiang

and Tianjin, and "Project Province" means any one of the Project Provinces;

(o) "Regulations" means the Regulations on Tianjin Port Administration issued by the Tianjin Municipal Government on March 29, 1986 (Tianjin Government Document No. (1986) 34);

(p) "Relevant Municipalities" means, collectively, the Municipalities of: (i) Handan, Baoding, Tangshan, Qinhuangdao and Cangzhou in Hebei; (ii) Baotou in Inner Mongolia; and (iii) Huzhou, Hangzhou and Xiaoshan in Zhejiang, and "Relevant Municipality" means any of the Relevant Municipalities;

(q) "Report" means the Report of the Tianjin Port Authority on the Plan for System Reform, approved by the Tianjin Municipal Government on January 28, 1985 (Tianjin Government Document No. (1985) 11);

(r) "Respective Part of the Project" means, in respect of: (i) Hebei, Parts A.1 (a) and A.2 (a) of the Project; (ii) Inner Mongolia, Parts A.1 (b) and A.2 (b) of the Project; (iii) Zhejiang, Parts A.1 (c) and A.2 (c) of the Project; and (iv) Tianjin, Part B of the Project;

(s) "Respective Part of the Proceeds of the Loan" means (i) the proceeds of the Loan allocated from time to time to: (i) Category (1) for Hebei; (ii) Category (2) for Inner Mongolia; (iii) Category (3) for Zhejiang; and (iv) Category (4) for Tianjin;

(t) "SETC" means the Borrower's State Economic and Trade Commission, and any successor thereto;

(u) "Tianjin" means the Borrower's Tianjin Municipality and any successor thereto;

(v) "Tianjin Implementation Agreement" means the implementation agreement to be entered into between Tianjin and the Port Authority in accordance with Section II of Schedule 2 to the Project Agreement, and referred to in Section 6.01 of this Agreement;

(w) "Tianjin Special Account" means the account referred to in Section 2.02 (b)(iv) of this Agreement;

(x) "THCC" means Tianjin Harbor Container Company, an enterprise established by the Port Authority in 1980, and fully owned by and operating under the control of the Port Authority and pursuant to Registration No 10362249;

(y) "Zhejiang" means the Borrower's Zhejiang Province, and any successor thereto; and

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

Section 1.03. Each reference in the General Conditions to the Project implementation entity shall be deemed as a reference to Hebei, Inner Mongolia, Zhejiang and each of their respective ICD Enterprises, and to Tianjin, the Port Authority and THCC.

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 seventy one million Dollars (\$71,000,000).

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 described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Loan.

(b) The Borrower may, for the purposes of the Project, open and maintain in dollars:

- (a) of the (i) a special deposit account for purposes of Parts A.1 (a) and A.2 Project (the Hebei Special Account);
- (b) of the (ii) a special deposit account for purposes of Parts A.1 (b) and A.2 Project (the Inner Mongolia Special Account);
- (c) of the (iii) a special deposit account for purposes of Parts A.1 (c) and A.2 Project (the Zhejiang Special Account); and
- (iv) a special deposit account for purposes of Part B of the Project (the Tianjin Special Account); each in a commercial bank, on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, attachment. Deposits into, and payments out of, each respective Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 2005 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 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 May 15 and November 15 in each year.

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

ARTICLE III

Execution of the Project

Section 3.01 (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement and, to this end, without any limitation or restriction upon any of its other obligations under the Loan Agreement, shall cause each of the Project Provinces to perform in accordance with the provisions of the Project Agreement all the obligations of said Project Province 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 said Project Province to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Bank shall otherwise agree, the Borrower, through SETC, shall coordinate the implementation of the Project and provide guidance and assistance to the Project Provinces in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

(c) The Borrower shall make available to each Project Province its Respective Part of the Proceeds of the Loan on the following principal terms:

(i) each Project Province shall repay a principal amount equal to the sum of: (A) the amount equivalent in Dollars (determined on the dates of withdrawal from the Loan Account, or payment out of the respective Special Account) of the value of the currency or currencies so withdrawn or paid out, and (B) an amount equal to a pro rata portion of the amount of the fee referred to in Section 2.04 of this Agreement;

(ii) said Project Province shall repay, in Dollars, the principal amount referred to in sub-paragraph (c)(i) above over a period of twenty (20) years, inclusive of a grace period of five (5) years;

(iii) the Borrower shall charge interest on said 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 Section 2.06 (a) of this Agreement; and

(iv) the Borrower shall charge a commitment charge on said principal amount not withdrawn from time to time at a rate equal to three-fourths of one percent (3/4 of 1%) per annum.

Section 3.02. 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 Borrower and the Bank hereby agree that the Project Provinces shall carry out, or cause to be carried out, 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 their Respective Parts of the Project, pursuant to Section 2.03 (a) of the Project Agreement.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) of this Section including those the Special Accounts 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 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; 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.

(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) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;

(ii) retain, 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, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

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

(iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditures 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.

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) Any Project Province 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 a Project Province 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, any event specified in paragraph (a) 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 that the Tianjin Implementation Agreement has been executed on behalf of Tianjin and the Port Authority in accordance with the provisions of Section II of Schedule 2 to the Project Agreement.

Section 6.02. The following are specified as additional matters, 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:

(a) that the Project Agreement has been duly authorized or ratified by each of the Project Provinces and is legally binding upon each such Project Province in accordance with its terms; and

(b) that the Tianjin Implementation Agreement has been duly authorized or ratified by Tianjin and the Port Authority and is legally binding upon Tianjin and said Port Authority in accordance with its terms.

Section 6.03. 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
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:

Telex:

INTBAFRAD
Washington, D.C.

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 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:

Category	Amount of the Loan Allocated (Expressed in Dollars)	% of Expenditures to be Financed
(1) Hebei's Part of the Project		
(a) Works	3,380,000	49%
(b) Goods	11,500,000	100% of foreign expenditures, 100% of local expenditures (ex- factory cost) and 75% of local expenditures for other items procured locally
(c) Consultants' services and training	310,000	100%
(d) Unallocated	410,000	
(2) Inner Mongolia's Part of the Project		
(a) Works	2,800,000	49%
(b) Goods	3,900,000	100% of foreign expenditures,

		100% of local expenditures (ex-factory cost) and 75% of local expenditures for other items procured locally
	(c) Consultants' services and training	62,000 100%
	(d) Unallocated	128,000
(3)	Zhejiang's Part of the Project	
	(a) Works	2,500,000 49%
	(b) Goods	7,300,000 100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 75% of local expenditures for other items procured locally
	(c) Consultants' services and training	186,000 100%
	(d) Unallocated	714,000
(4)	Tianjin's Part of the Project	
	(a) Goods	36,450,000 100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 75% of local expenditures for other items procured locally
	(b) Consultants' services and training	180,000 100%
	(c) Unallocated	470,000
(5)	Fee	710,000 Amount due under Section 2.04 of this Agreement
		<hr/>
	TOTAL	71,000,000

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 and 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:

(a) payments made for expenditures under Categories (1), (2) or (3) in respect of any ICD Enterprise until the Bank has received satisfactory documentary evidence that Hebei, Inner Mongolia or Zhejiang, directly or through the Relevant Municipalities, as the case may be, has entered into a legally binding Enterprise Implementation Agreement with said ICD Enterprise in accordance with the provisions of Section I, Part B of Schedule 2 to the Project Agreement; and

(b) payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of \$5,600,000 may be made on account of payments made for expenditures before that date but after October 1, 1998.

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 \$1,000,000 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) support the economic development of the inland regions of the Borrower's territory by facilitating the movement of seaborne containers between seaports and Hebei, Inner Mongolia and Zhejiang; and (ii) enhance the container handling capability of the port of Tianjin.

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: Inland Container Depots

1. Development and operation of inland container depots, including construction of container stack yards, maintenance yards, storage facilities, parking lots, weighing stations, administrative buildings and other ancillary facilities, and provision of container handling equipment, transport and other ancillary equipment, in the Municipalities of:

(a) Handan, Baoding, Tangshan, Qinhuangdao and Cangzhou in Hebei;

(b) Baotou in Inner Mongolia; and

(c) Huzhou, Hangzhou and Xiaoshan in Zhejiang.

2. Strengthening of the project management capacity of the relevant agencies and departments of Hebei, Inner Mongolia and Zhejiang, and strengthening of the managerial and operational capability of the enterprises operating the inland container depots in the Municipalities of:

(a) Handan, Baoding, Tangshan, Qinhuangdao and Cangzhou in Hebei;

(b) Baotou in Inner Mongolia; and

(c) Huzhou, Hangzhou and Xiaoshan in Zhejiang, through the provision of consultants' services and training.

Part B: Tianjin Port

1. Expansion of the container handling capacity of the port of Tianjin through, inter alia, the extension of crane rails, re-enforcement and expansion of container yards and ancillary works, and the upgrading of container cranes and other container handling equipment.

2. (a) Establishment of an institutional and operational framework to enhance competition in the operation of container handling facilities; and

(b) enhancement of the productivity of the container berths, at the port of Tianjin, through the provision of consultants' services and training.

* * *

The Project is expected to be completed by December 31, 2004.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in Dollars)*
November 15, 2004	1,535,000
May 15, 2005	1,580,000
November 15, 2005	1,625,000
May 15, 2006	1,670,000
November 15, 2006	1,715,000
May 15, 2007	1,765,000
November 15, 2007	1,815,000
May 15, 2008	1,865,000
November 15, 2008	1,920,000
May 15, 2009	1,975,000
November 15, 2009	2,030,000
May 15, 2010	2,085,000
November 15, 2010	2,145,000
May 15, 2011	2,205,000
November 15, 2011	2,265,000
May 15, 2012	2,330,000
November 15, 2012	2,395,000
May 15, 2013	2,465,000
November 15, 2013	2,535,000
May 15, 2014	2,605,000
November 15, 2014	2,680,000
May 15, 2015	2,755,000
November 15, 2015	2,835,000
May 15, 2016	2,915,000
November 15, 2016	2,995,000
May 15, 2017	3,080,000
November 15, 2017	3,170,000
May 15, 2018	3,255,000
November 15, 2018	3,350,000
May 15, 2019	3,440,000

* 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

Implementation Program

For purposes of Section 3.01 (b) of this Agreement, the Implementation Program shall consist of the following:

1. The Borrower, through SETC, shall establish and thereafter maintain the Central Project Management Office with functions, responsibilities and resources satisfactory to the Bank, managed and staffed with qualified personnel in adequate number, to provide support to the Project Provinces in the carrying out of their Respective Parts of the Project. The Central Project Management Office shall, inter alia:

(a) provide coordination among the different agencies of the Borrower with jurisdiction over container transport or related matters, and between such agencies and the Project Provinces;

(b) assist said Project Provinces in the procurement of goods, works and consultants' services to be financed out of the proceeds of the Loan; and

(c) assist Hebei, Inner Mongolia, Zhejiang, and Tianjin in strengthening the managerial and operational capability of the respective ICD Enterprises and of the Port Authority.

2. For purposes of paragraph (1) (c) above, the Borrower shall cause SETC, through the CPMO, to:

(a) carry out the training under Parts A.2 and B.2 of the Project in accordance with a program acceptable to the Bank;

(b) by December 31, 1999, prepare an operational manual for the ICD Enterprises, satisfactory to the Bank, such operational manual to include, inter alia: (i) procedures and standards for the smooth and safe operation of container yards, container handling equipment and transport equipment; (ii) cargo handling procedures; (iii) procedures for inspection of containers for proper hand-over; and (iv) principles and procedures for environmental protection in the handling of hazardous cargo and the management of wastewater in accordance with the EAP; and

(c) (i) assist each ICD Enterprise to prepare and, by March 31, 2002, furnish to the Bank for its review and comment, a strategy for future capital mobilization; (ii) on the basis of said strategies, and taking into consideration the Bank's view thereon, formulate plans to attract a broader category of potential investors, which shall include private sector investors, in selected ICD Enterprises with good financial performance; and (iii) thereafter, assist the Project Provinces and the selected ICD Enterprises in the implementation of such plans.

3. The Borrower shall cause SETC, through CPMO, to maintain policies and procedures adequate to enable it to:

(a) monitor and evaluate on an ongoing basis, in accordance with indicators acceptable to the Bank the carrying out of the Project and the achievement of the objectives thereof;

(b) integrate the reports to be prepared and furnished by the Project Provinces pursuant to Section 2.03 (b)(i) of the Project Agreement and Section III of Schedule 2 thereto;

(c) prepare under terms of reference satisfactory to the Bank and furnish to the Bank: (i) on June 15 and December 15 of each year, commencing on December 15, 1999 a consolidated semi-annual report, and (ii) on or about June 15, 2001 a consolidated mid-term report, in each case integrating the results of the monitoring and evaluation activities performed pursuant to sub-paragraphs (a) and (b) of this paragraph 3, on the progress achieved in the carrying out of the Project during the period preceding the date of each such consolidated report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(d) review with the Bank, the Project Provinces, the Relevant Municipalities the ICD Enterprises and the Port Authority, by such later date as the Bank shall request, each report referred to in sub-paragraph (c) of this paragraph 3, and thereafter, take, or assist the Project Provinces, the Relevant Municipalities, the ICD Enterprises or the Port Authority, as the case may be, to take all measures required to ensure the efficient implementation of the Project and the achievement of

the objectives thereof, based on the conclusions and recommendations of each such report and the Bank's views on the matter.

SCHEDULE 5

Special Accounts

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means in respect of: (i) the Hebei Special Account, Category (1); (ii) the Inner Mongolia Special Account, Category (2); (iii) the Zhejiang Special Account, Category (3); and (iv) the Tianjin Special Account, Category (4), as 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:

(i) \$1,200,000 in respect of the Hebei Special Account for Parts A.1 (a) and A.2 (a) of the Project, to be withdrawn from the Loan Account and deposited into the Hebei Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation for the Hebei Special Account shall be limited to an amount equivalent to \$700,000 until the aggregate amount of withdrawals from the Loan Account allocated to Category (1) plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions for Hebei under Parts A.1 (a) and A.2 (a) of the Project shall be equal to or exceed the equivalent of \$6,000,000;

(ii) \$500,000 in respect of the Inner Mongolia Special Account for Parts A.1 (b) and A.2 (b) of the Project to be withdrawn from the Loan Account and deposited into the Hebei Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation for the Inner Mongolia Special Account shall be limited to an amount equivalent to \$300,000 until the aggregate amount of withdrawals from the Loan Account allocated to Category (2) plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions for Inner Mongolia under Parts A.1 (b) and A.2 (b) of the Project shall be equal to or exceed the equivalent of \$3,000,000;

(iii) \$1,000,000 in respect of the Zhejiang Special Account for Parts A.1 (c) and A.2 (c) of the Project to be withdrawn from the Loan Account and deposited into the Zhejiang Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation for the Zhejiang Special Account shall be limited to an amount equivalent to \$600,000 until the aggregate amount of withdrawals from the Loan Account allocated to Category (3) plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions for Zhejiang under Parts A.1 (c) and A.2 (c) of the Project shall be equal to or exceed the equivalent of \$5,000,000; and

(iv) \$2,500,000 in respect of the Tianjin Special Account for Part B of the Project to be withdrawn from the Loan Account and deposited into the Tianjin Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation for the Tianjin Special Account shall be limited to an amount equivalent to \$1,500,000

until the aggregate amount of withdrawals from the Loan Account allocated to Category (4) plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions for Tianjin under Part B of the Project shall be equal to or exceed the equivalent of \$10,000,000.

2. Payments out of the respective 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 respective Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the respective 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 respective 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 respective Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the respective Special Account, the Borrower shall furnish to the Bank requests for deposits into the respective 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 respective 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 respective 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 respective 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 any 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 Accounts;

(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 for the respective Special Account, minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of

the General Conditions with respect to the Respective Part of the Project, 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 for the Respective Part of the Project 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 respective 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 any 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 any 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 any 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 Accounts.

(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.

