

CONFORMED COPY

LOAN NUMBER 4172 CHA

Loan Agreement

(Inner Mongolia (Tuoketuo) Thermal Power Project)

between

PEOPLE'S REPUBLIC OF CHINA

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Dated June 26, 1998

LOAN NUMBER 4172 CHA

LOAN AGREEMENT

AGREEMENT, dated June 26, 1998, 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) Part A of the Project will be carried out by the Tuoketuo Electric Power Generation Company (TEPGC, as hereinafter defined), with the Borrower's assistance and, as part of such assistance, the Borrower will make available to TEPGC a portion of the proceeds of the Loan as provided in this Agreement;

(C) Part B of the Project will be carried out by the North China Power Group Company (NCPGC, as hereinafter defined) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to NCPGC a portion of the proceeds of the Loan as provided in this Agreement; and

(D) The Borrower intends to obtain from external sources (collectively, the "Cofinanciers") loans in an amount equivalent to one hundred million dollars (\$100,000,000) to assist in the financing part of the Project on terms and conditions set forth in agreements (the "Cofinancing Agreements") to be entered into between the Cofinanciers and the Borrower; 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 Agreements of even date herewith between the Bank and TEPGC and NCPGC respectively;

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, with the modification of Section 6.03 set forth below (the General Conditions) constitute an integral part of this Agreement: "Section 6.03. Cancellation by the Bank. If (a) the right of the Borrower to make withdrawals from the Loan Account shall have been suspended with respect to any amount of the Loan for a continuous period of thirty days, or (b) at any time, the Bank determines, after consultation with the Borrower, that an amount of the Loan will not be required to finance the Project's costs to be financed out of the proceeds of the Loan, or (c) at any time, the Bank determines, with respect to any contract to be financed out of the proceeds of the Loan, that corrupt or fraudulent practices were engaged in by representative of the Borrower or of a beneficiary of the Loan during the procurement or the execution of such contract, without the Borrower having taken timely and appropriate action satisfactory to the Bank to remedy the situation, and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the Loan, or (d) at any time, the Bank determines that the procurement of any contract to be financed out of the proceeds of the Loan is inconsistent with the procedures set forth or referred to in the Loan Agreement and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the Loan, or (e) after the Closing Date, an amount of the Loan shall remain unwithdrawn from the Loan Account, or (f) the Bank shall have received notice from the Guarantor pursuant to Section 6.07 with respect to an amount of the Loan, the Bank may, by notice to the Borrower and the Guarantor, terminate the right of the Borrower to make withdrawals with respect to such amount. Upon the giving of such notice, such amount of the Loan shall be cancelled."

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 set out in the table in paragraph 1 of Schedule 1 to this Agreement.

(b) "Complementary Investment Program" means the domestically-financed investments undertaken by NCPGC described in paragraph 1(b) of Part B of Schedule 2 to the NCPGC Project Agreement and approved by the Borrower under a proposal separate from the proposal for the Project.

(c) "IMEPC" means Inner Mongolia Electric Power Company, a state-owned enterprise organized and existing under the laws of the Borrower pursuant to the IMEPC Charter.

(d) "IMEPC Charter" means the charter of IMEPC, approved under Approval No. 69/1990 issued by the Government of Borrower's Autonomous Region of Inner Mongolia.

(e) "IMEPC Divestiture Program" means IMEPC's program to implement its divestiture plan, agreed by the Bank, as the same may be revised from time to time with the agreement of the Bank.

(f) "NCPGC" means the North China Power Group Company, a state-owned enterprise organized and existing under the laws of the Borrower pursuant to the NCPGC Charter.

(g) "NCPGC Charter" means the charter of NCPGC approved under Approval No. 14/1993, issued by the Borrower's Ministry of Energy.

(h) "NCPGC Financial Management Development and Training Action Plan" means NCPGC's plan to strengthen its financial management capabilities, prepared pursuant to

paragraph 3 of Part B of Schedule 2 to the NCPGC Project Agreement, as the same may be revised from time to time with the agreement of the Bank.

(i) "NCPGC Project Agreement" means the agreement between the Bank and NCPGC of even date herewith, as the same may be amended from time to time, and such term includes all schedules to the NCPGC Project Agreement.

(j) "NCPGC Special Account" means the account referred to in Section 2.02(b) of this Agreement for the purposes of Part B of the Project.

(k) "NCPGC Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and NCPGC pursuant to Section 3.01(b) of this Agreement, as the same be amended from time to time, and the term "NCPGC Subsidiary Loan" means the loan provided thereunder.

(l) "Power Purchase Agreement" means the agreement dated December 31, 1996 between NCPGC and TEPGC for the purchase of power generated from the power plant to be constructed at Tuoketuo under Part A(1) of the Project.

(m) "Project Agreements" means the NCPGC Project Agreement and the TEPGC Project Agreement, collectively.

(n) "RAP-A" and "RAP-B" mean the Resettlement Action Plans, dated December 25, 1996 and December 26, 1996, respectively, for carrying out the compensation, resettlement or rehabilitation of all persons who are involuntarily resettled or whose rights to land and other assets are compulsorily acquired as a result of the carrying out of Parts A and B of the Project, respectively;

(o) "RAP-A (2)" means the detailed resettlement action plan for carrying out the compensation, resettlement or rehabilitation of all persons who are involuntarily resettled or whose rights to land and other assets are compulsorily acquired in connection with Part A(2) of the Project.

(p) "Special Account" means either of the accounts referred to in Section 2.02 (b) of this Agreement, and "Special Accounts" means the TEPGC Special Account and the NCPGC Special Account, collectively.

(q) "Subsidiary Loan Agreements" means the NCPGC Subsidiary Loan Agreement and the TEPGC Subsidiary Loan Agreement, collectively, "Subsidiary Loan Agreement" means either of the NCPGC Subsidiary Loan Agreement or the TEPGC Subsidiary Loan Agreement and "Subsidiary Loan" means the subsidiary loan provided for under a Subsidiary Loan Agreement.

(r) "TEPGC" means the Tuoketuo Electric Power Generation Company, a state-owned enterprise organized and existing under the laws of the Borrower pursuant to the TEPGC Charter.

(s) "TEPGC Charter" means the charter of TEPGC, approved under Approval No. 1, dated May 3, 1996, issued by the Board of Directors of TEPGC.

(t) "TEPGC Environmental Action Plan" means TEPGC's environmental action plan for Part A of the Project dated December 2, 1996, based on the environmental impact assessment dated August 30, 1995, approved by the Borrower's National Environmental Protection Agency, as the same may be revised from time to time with the agreement of the Bank.

(u) "TEPGC Management Development and Training Action Plan" means TEPGC's plan for developing its management and technical capabilities to conduct its affairs as a financially autonomous and commercially oriented enterprise dated December 2, 1996, as the same may be revised from time to time with the agreement of the Bank.

(v) "TEPGC Project Agreement" means the agreement between the Bank and TEPGC of even date herewith, as the same may be amended from time to time, and such term includes all schedules to the TEPGC Project Agreement.

(w) "TEPGC Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and TEPGC pursuant to Section 3.01 (b) of this Agreement, as the

same may be amended from time, and the term "TEPGC Subsidiary Loan" means the loan provided thereunder.

(x) "TEPGC Special Account" means the account referred to in Section 2.02(b) of this Agreement for the purposes of Part A of the Project.

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 four hundred million Dollars (\$400,000,000).

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 each of Parts A and B of the Project, open and maintain in Dollars two special deposit accounts, for Parts A and B of the Project, respectively, in a bank and 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 Accounts shall be made in accordance with the provisions of Schedule 4 to this Agreement.

Section 2.03. The Closing Date shall be July 31, 2004 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 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 2.05. (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 its 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 2.06 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) one half of one percent (1/2 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 loan 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 2.05, 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 2.06. Interest and other charges shall be payable January 15 and July 15 in each year.

Section 2.07. 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 TEPGC and NCPGC to perform in accordance with the provisions of its respective Project Agreement all of its obligations therein set forth, shall take or cause to be taken all actions, including the provision of funds, facilities, services and other resources necessary or appropriate to enable each of TEPGC and NCPGC 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 relend the portion of the proceeds of the Loan allocated from time to time to Categories (1)(a) and (2)(a) to TEPGC and to Categories (1)(b) and (2)(b) to NCPGC, under subsidiary loan agreements to be entered into between the Borrower and TEPGC and NCPGC, respectively, and under terms and conditions which shall have been agreed by the Bank which shall include without limitation, terms whereby:

(i) The principal amount of each Subsidiary Loan so relent shall be denominated and repayable in Dollars and shall be repaid over a period not exceeding twenty (20) years, inclusive of a grace period not exceeding five (5) years; and

(ii) each Subsidiary Loan shall be charged: (a) interest on the principal amount thereof withdrawn and outstanding from time to time, at a rate equal to the rate applicable to the Loan pursuant to Section 2.05 of the Loan Agreement; and (b) a commitment charge on the principal amount thereof not withdrawn from time to time at a rate equal to three fourths of one percent (3/4 of 1%) per annum.

(c) The Borrower shall exercise its rights under each Subsidiary Loan Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan, and, except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive either Subsidiary Loan Agreement or any provision thereof.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods and consultants' services required for Parts A and B of the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 1 to the TEPGC Project Agreement and the NCPGC Project Agreement respectively.

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 TEPGC and NCPGC pursuant to Section 2.03 of the Project Agreements.

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 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 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 (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 (1) of the General Conditions, the following additional events are specified:

(a) TEPGC or NCPGC shall have failed to perform any of its obligations under the TEPGC Project Agreement or the NCPGC Project Agreement, as the case may be.

(b) As a result of events which have occurred after the date of this Agreement, an extraordinary situation shall have arisen which shall make it improbable that either TEPGC or NCPGC will be able to perform its obligations under the TEPGC Project Agreement or the NCPGC Project Agreement, as the case may be.

(c) The TEPGC Charter or the NCPGC Charter shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of TEPGC or NCPGC, as the case may be, to perform any of its obligations under the TEPGC Project Agreement or the NCPGC Project Agreement, as the case may be.

(d) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of either TEPGC or NCPGC or for the

suspension of either of their operations.

(e) The Cofinancing Agreements shall have failed to become effective by December 31, 1999, or such later date as the Bank may agree; provided, however, that the provisions of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Bank that adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

(f) (i) Subject to subparagraph (ii) of this paragraph:

(A) the right of the Borrower to withdraw the proceeds of any loan made to the Borrower for the financing of the Project, including any loan made under any of the Cofinancing Agreements, shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the agreement providing therefor; or

(B) any such loan shall have become due and payable prior to the maturity thereof.

(ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Bank that: (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional events are specified:

(a) 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;

(b) any event specified in paragraphs (c), (d) and (e) of Section 5.01 of this Agreement shall occur, subject, with respect to said paragraph (e), to the proviso contained therein; and (c) the event specified in paragraph (f)(i)(B) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (f)(ii) of that Section.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions, namely, that each of the TEPGC Subsidiary Loan Agreement and NCPGC Subsidiary Loan Agreement has been executed on behalf of the parties thereto.

Section 6.02. The following are specified as additional matters, with 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 each of the TEPGC Project Agreement and the NCPGC Project Agreement has been duly authorized or ratified by TEPGC or NCPGC, as the case may be, and is legally binding upon TEPGC or NCPGC, as the case may be, in accordance with its terms; and

(b) that each of the TEPGC Subsidiary Loan Agreement and the NCPGC Subsidiary Loan Agreement has been duly authorized or ratified by the parties thereto and is legally binding upon such parties 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 100820
People's Republic of China
Beijing

Cable address:

FINANMIN
Beijing

Telex:

22486 MFPRC CN

For the Bank:

International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:

INTBAFRAD
Washington, D.C.

Telex:

248423 (MCI)
64145 (MCI)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

PEOPLE'S REPUBLIC OF CHINA

By /s/ Liu Xiaoming

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Jean-Michel Severino

Regional Vice President
East Asia and Pacific

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) Goods		
(a) under Part A (1)(3)(4) and(5) of the Project	303,200,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 75% of local expenditures for other items procured locally
(b) under Part B (1) and (2) of the Project	63,800,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 75% of local expenditures for other items procured locally
(2) Consultants' services and training)	100%
(a) under Part A of the the Project	6,800,000))
(b) under Part B of the Project	2,200,000)	100%
(3) Unallocated		
(a) under Part A of the Project	20,000,000	
(b) under Part B of the Project	4,000,000	
TOTAL	400,000,000	

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; 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.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for:

(a) expenditures for goods under contracts costing less than \$5,000,000 equivalent;

(b) services provided by consulting firms under contracts costing less than \$100,000 equivalent; and

(c) services provided by individual consultants under contracts costing less than \$50,000 equivalent 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 assist the Borrower to:

(a) increase electricity supply and electricity trade in China through creation of an independent power company and its development of a mine-mouth power plant to supply the Beijing-Tianjin-Tangshan (Jing-Jin-Tang) grid through long term contractual arrangements;

(b) improve the efficiency of energy supply and use in the Jing-Jin-Tang region by: (i) introducing modern technologies and implementing effective operations and maintenance practices and procedures in power generation, and (ii) reducing losses in the transmission and distribution systems of Beijing;

(c) advance the power sector reform process in China by promoting the development of electricity trade in North China through market oriented commercial arrangements;

(d) diversify financing sources, improve the access of power entities in China to international financial markets and encourage private sector investment in existing and new power sector enterprises; and

(e) promote economic development and improve soil conservation and desertification control in Tuoketuo County.

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:

(1) Construction of two 600 megawatt (MW) coal-fired subcritical thermal units at Tuoketuo in Inner Mongolia as the first phase of the Tuoketuo power station and provision of equipment and facilities including on-line performance monitoring systems to minimize coal consumption and gradually introduce advanced maintenance techniques.

(2) Construction of a water supply system and a railway connection of about 45 kilometers for the first phase of the Tuoketuo power station.

(3) Carrying out a program to strengthen the management and operation of TEPGC, through the provision of expert services and training in respect of: (i) construction management and engineering services; (ii) training programs and computerized simulator systems to develop TEPGC's capabilities in state-of-the-art plant operation and management; and (iii) design of and implementation of modern accounting and financial management systems.

(4) Strengthen TEPGC's environmental management and monitoring through carrying out the TEPGC Environmental Action Plan.

(5) The carrying out of a desertification control and dryland management program in Tuoketuo County to improve the environment and to provide a higher standard of living to local people.

(6) Resettlement of about 2,250 people affected by Parts A(1) and A(2) of the Project.

(7) Carrying out a program of assistance to IMEPC for the preparation of the IMEPC Divestiture Program.

Part B:

(1) The construction of 220 kilovolt (kV) indoor substations at Xibianmen and Xizhimen in Beijing Municipality, equipped with two 250 megavolt - ampere (MVA), 220/110/10kV transformers and two 200 MVA, 220/110/10kV transformers, respectively.

(2) Installation of one 250 MVA 220/110/10kV transformer in the Wangfujing substation.

(3) Carrying out of a program to strengthen the management of NCPGC through the establishment of accounting and financial management systems.

(4) Resettlement of about 935 people affected by Part B(1) of the Project. * * * The Project is expected to be completed by January 31, 2004.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (Expressed in Dollars)*
January 15, 2003	8,490,000
July 15, 2003	8,740,000
January 15, 2004	8,995,000
July 15, 2004	9,260,000
January 15, 2005	9,535,000
July 15, 2005	9,815,000
January 15, 2006	10,100,000
July 15, 2006	10,400,000
January 15, 2007	10,705,000
July 15, 2007	11,020,000
January 15, 2008	11,345,000
July 15, 2008	11,675,000
January 15, 2009	12,020,000
July 15, 2009	12,375,000
January 15, 2010	12,735,000
July 15, 2010	13,110,000
January 15, 2011	13,495,000
July 15, 2011	13,895,000
January 15, 2012	14,300,000
July 15, 2012	14,725,000
January 15, 2013	15,155,000
July 15, 2013	15,600,000
January 15, 2014	16,060,000
July 15, 2014	16,530,000
January 15, 2015	17,020,000
July 15, 2015	17,520,000
January 15, 2016	18,035,000
July 15, 2016	18,565,000
January 15, 2017	19,110,000
July 15, 2017	19,670,000

* The figures in this column represent the amount 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 for the TEPGC Special Account, Categories (1) (a) and (2)(a), and for the NCPGC Special Account Categories (1)(b) and (2)(b);

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and consultants' services required for Parts A and B of 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 equal to \$15,000,000 in respect of the TEPGC Special Account and an amount equal to \$8,000,000 in respect of the NCPGC Special Account, to be withdrawn from the Loan Account and deposited into the respective Special Accounts pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited, with respect to the TEPGC Special Account, to an amount equal to \$8,000,000 and, with respect to the NCPGC Special Account, to an amount equal to \$ 6,000,000 until (i) in respect of the TEPGC Special Account and (ii) NCPGC Special Account, 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 an amount equal to \$150,000,000 .

2. Payments out of the Special Accounts 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 TEPGC Special Account or the NCPGC Special Account, as the case may be, has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the said 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 said 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 said Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the said Special Account, the Borrower shall furnish to the Bank requests for deposits into the said 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 said 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 said 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 said 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 a 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 said 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 for said 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, 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 Category for said Special Account 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 said 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 a 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 said 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 said 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 a 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 a 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.

