

CONFORMED COPY

LOAN NUMBER 3075-0-CHA

(Fifth Industrial Credit Project)

between

PEOPLE'S REPUBLIC OF CHINA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated July 21, 1989

LOAN NUMBER 3075-0-CHA

LOAN AGREEMENT

AGREEMENT, dated July 21, 1989, 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 will be carried out by China Investment Bank (CIB), with the Borrower's assistance and, as part of such assistance, the Borrower will make available to CIB 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 CIB;

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" of the Bank, dated January 1, 1985, with the modifications set forth in Schedule 5 to this Agreement (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:

(a) "Charter" means the Charter of China Investment Bank approved by the Borrower's State Council on December 4, 1981;

(b) "CIB" means China Investment Bank, a state enterprise established pursuant to its Charter;

(c) "foreign currency" means any currency other than the currency of the Borrower;

(d) "free-limit Sub-loan or Investment" means a Sub-loan or Investment which qualifies as a free-limit Sub-loan or Investment pursuant to the provisions of paragraph 2 (b) of Schedule 1 to the Project Agreement;

(e) "Investment" means an investment other than a Sub-loan, made or proposed to be made by CIB in an Investment Enterprise for an Investment Project out of the equivalent of the proceeds of the Loan relented to CIB under the Subsidiary Loan Agreement;

(f) "Investment Enterprise" means an enterprise to which CIB proposes to make or has made a Sub-loan or in which it proposes to make or has made an Investment;

(g) "Investment Project" means a specific technological restructuring project (including the financing of free-standing working capital requirements) in an industrial sub-sector (excluding basic and heavy industry) to be carried out by an Investment Enterprise utilizing the proceeds of a Sub-loan or Investment;

(h) "Lending Procedures" means the Lending Procedures (on a Trial Basis) of CIB, approved by the Borrower's Ministry of Finance on April 2, 1983;

(i) "Prior Sub-loan" means a Sub-loan as defined in Section 1.02 (e) (i) of the Development Credit Agreement, dated December 28, 1982, Section 1.02 (e) of the Development Credit Agreement, dated June 25, 1984, Section 1.02 (f) of the Development Credit Agreement, dated April 16, 1986, and Section 1.02 (f) of Development Credit Agreement, dated March 16, 1987, between the Borrower and the Association for the Industrial Credit Project, Second Industrial Credit Project, Third Industrial Credit Project and Fourth Industrial Credit Project, respectively;

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

(k) "Renminbi" means the currency of the Borrower;

(l) "Statement of Operating and Financial Policies" and "Statement of Development Strategy" mean the Statement of Operating and Financial Policies and Development Strategy Statement of CIB, respectively, as approved by its Board of Directors in July 1986 and as revised thereafter with the Bank's concurrence;

(m) "Subsidiary" means any company of which a majority of the outstanding voting stock or other proprietary interest is owned or effectively controlled by CIB or by any one or more Subsidiaries of CIB or by CIB and one or more of its Subsidiaries;

(n) "Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and CIB pursuant to Section 3.01 (b) of this Agreement, as the same may be amended from time to time, and such term includes all schedules supplemental to the Subsidiary Loan Agreement;

(o) "Sub-loan" means a loan made or proposed to be made by CIB to an Investment Enterprise for an Investment Project out of the equivalent of the proceeds of the Loan relented to CIB under the Subsidiary Loan Agreement;

(p) "Supplementary Regulations" means the "Regulations Supplementary to the Charter of China Investment Bank," approved by CIB's Board of Directors on October 6, 1982; and

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

Section 1.03. The Development Credit Agreements referred to in Section 1.02 (i) of this Agreement are hereby amended by replacing the term "Statement of Policy" wherever it appears in such agreements with the term "Statement of Operating and Financial Policies".

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, various currencies that shall have an aggregate value equivalent to the amount of three hundred million dollars (\$300,000,000), being the sum of withdrawals of the proceeds of the Loan, with each withdrawal valued by the Bank as of the date of such withdrawal.

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:

(i) amounts paid (or if the Bank shall so agree, amounts to be paid) by CIB on account of withdrawals made by an Investment Enterprise under a Sub-loan or Investment to meet the reasonable cost of goods and services required for the Investment Project in respect of which the withdrawal from the Loan Account is requested;

(ii) amounts in respect of interest during construction payable in foreign currency by an Investment Enterprise under a Sub-loan; and

(iii) expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for Part B of the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Loan.

(b) The Borrower shall, for the purposes of the Project, open and maintain in dollars a special account in a bank and on terms and conditions satisfactory to the Bank. 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 December 31, 1994 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower and CIB 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 ($\frac{3}{4}$ 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 the Cost of Qualified Borrowings determined in respect of the preceding Semester, plus one-half of one percent ($\frac{1}{2}$ of 1%). On each of the dates specified in

Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rate applicable during such Interest Period.

(b) As soon as practicable after the end of each Semester, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Semester.

(c) For the purposes of this Section:

(i) "Interest Period" means a six-month period ending on the date immediately preceding each date specified in Section 2.06 of this Agreement, beginning with the Interest Period in which this Agreement is signed.

(ii) "Cost of Qualified Borrowings" means the cost, as reasonably determined by the Bank and expressed as a percentage per annum, of the outstanding borrowings of the Bank drawn down after June 30, 1982, excluding such borrowings or portions thereof as the Bank has allocated to fund: (A) the Bank's investments; and (B) loans which may be made by the Bank after July 1, 1989 bearing interest rates determined otherwise than as provided in paragraph (a) of this Section.

(iii) "Semester" means the first six months or the second six months of a calendar year.

(d) On such date as the Bank may specify by no less than six months' notice to the Borrower, paragraphs (a), (b) and (c) (iii) of this Section shall be amended to read as follows:

"(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 Quarter equal to the Cost of Qualified Borrowings determined in respect of the preceding Quarter, plus one-half of one percent (1/2 of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rates applicable during such Interest Period."

"(b) As soon as practicable after the end of each Quarter, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Quarter."

"(c) (iii) 'Quarter' means a three-month period commencing on January 1, April 1, July 1 or October 1 in a calendar year."

(e) Notwithstanding the provisions of paragraph (a) of this Section, the interest rate for the Interest Period commencing in the first Semester of 1989 shall be seven and sixty-five hundredths percent (7.65%).

Section 2.06. Interest and other charges shall be payable semi-annually on June 15 and December 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.

Section 2.08. CIB is designated as representative of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions.

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: (i) cause CIB to perform in accordance with the provisions of the Project

Agreement all the obligations of CIB 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 CIB to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance; and (ii) enable Investment Enterprises to convert sufficient amounts of Renminbi to foreign currency as and when needed to make payments to CIB under their Sub-loans.

(b) The Borrower shall relend the proceeds of the Loan to CIB under a subsidiary loan agreement to be entered into between the Borrower and CIB under terms and conditions which shall have been approved by the Bank and which shall include: (i) interest payable by CIB on the principal amount withdrawn and outstanding from time to time, at the variable rate payable under Section 2.05 of this Agreement; (ii) repayment of principal by CIB within 20 years, including five years of grace; (iii) foreign exchange risk to be borne by CIB; and (iv) commitment charges payable by CIB on the principal amount not yet withdrawn from time to time at the rate of 0.75% per annum.

(c) The Borrower shall exercise its rights under the 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 the Subsidiary Loan Agreement to affect the provisions of paragraph (b) above.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods and services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 2 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 CIB pursuant to Section 2.04 of the Project Agreement.

ARTICLE IV

Financial and Other 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 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 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.

Section 4.02. The Borrower shall, from time to time, at the request of any one of them, exchange views with the Bank and CIB on the interest rates to be charged by CIB in its lending operations in light of CIB's cost of funds and profitability and interest and inflation rates in China and internationally.

Section 4.03. Without limitation on the provisions of Section 3.01 (a) of this Agreement, the Borrower shall permit CIB to mobilize its resources in accordance with Section 3.05 of the Project Agreement.

ARTICLE V

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (k) of the General Conditions, the following additional events are specified:

(a) CIB 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 CIB will be able to perform its obligations under the Project Agreement.

(c) The Charter, Supplementary Regulations or Lending Procedures shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of CIB to perform any of its obligations under the Project Agreement.

(d) A change shall have been made in CIB's Statement of Operating and Financial Policies or Statement of Development Strategy without the Bank's concurrence.

(e) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of CIB or for the suspension of its operations.

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

(a) the event specified in paragraph (a) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower; and

(b) any event specified in paragraphs (c), (d) or (e) of Section 5.01 of this Agreement shall occur.

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:

(a) the Borrower's State Council has approved the Loan Agreement;

(b) the Subsidiary Loan Agreement has been executed on behalf of the Borrower and CIB; and

(c) a revised Statement of Operating and Financial Policies and Statement of Development Strategy, satisfactory to the Bank, shall have been approved by CIB's Board of Directors.

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 CIB, and is legally binding upon CIB in accordance with its terms; and

(b) that the Subsidiary Loan Agreement has been duly authorized or ratified by the Borrower and CIB and is legally binding upon the Borrower and CIB 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

Representatives of the Borrower; Addresses

Section 7.01. Except as provided in Section 2.08 of this Agreement, 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:

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:

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

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/ Han Xu

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ A. Karaosmanoglu

Regional Vice President
Asia

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 Dollar Equivalent)	% of Expenditures to be Financed
(1) Sub-loans and Invest- ments	299,000,000	100% of amounts disbursed by CIB for foreign expenditures (including interest during construction on Sub-loans) and for local expenditures (ex-factory)
(2) Goods for Part B of the Project	700,000	100% of foreign expenditures, 100% of local expendi- tures (ex-factory) and 75% of local expenditures for other items procured locally
(3) Consultants' services and training for Part B of the Project	300,000	100%
TOTAL	300,000,000	

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 which shall have been procured in accordance with paragraph 1 of Schedule 2 to the Project Agreement.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be

made in respect of:

- (a) payments made for expenditures prior to the date of this Agreement; or
- (b) a Sub-loan or Investment, unless the Sub-loan or Investment has been made in accordance with the procedures and on the terms and conditions set forth or referred to in Schedule 1 to the Project Agreement.

SCHEDULE 2

Description of the Project

The objectives of the Project are: (a) to continue institutional strengthening of CIB, in existing and new areas of operations; (b) to expand and diversify CIB's resource base; and (c) to finance investment in the modernization and restructuring of industry.

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: Financial Assistance

Financing of specific development projects through Sub-loans to, and Investments in, enterprises in the industrial sector.

Part B: Institutional Development

Upgrading CIB's management capability, through, inter alia, staff training and provision of consultants' services for training and office equipment.

* * *

The Project is expected to be completed by June 30, 1994.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (Expressed in dollars)*
December 15, 1994	5,505,000
June 15, 1995	5,720,000
December 15, 1995	5,935,000
June 15, 1996	6,165,000
December 15, 1996	6,400,000
June 15, 1997	6,645,000
December 15, 1997	6,900,000
June 15, 1998	7,160,000
December 15, 1998	7,435,000
June 15, 1999	7,720,000
December 15, 1999	8,015,000
June 15, 2000	8,325,000
December 15, 2000	8,640,000
June 15, 2001	8,970,000
December 15, 2001	9,315,000
June 15, 2002	9,670,000
December 15, 2002	10,040,000
June 15, 2003	10,425,000
December 15, 2003	10,825,000
June 15, 2004	11,240,000
December 15, 2004	11,665,000
June 15, 2005	12,115,000
December 15, 2005	12,575,000
June 15, 2006	13,060,000
December 15, 2006	13,560,000

June 15, 2007	14,075,000
December 15, 2007	14,615,000
June 15, 2008	15,175,000
December 15, 2008	15,755,000
June 15, 2009	16,355,000

* The figures in this column represent dollar equivalents determined as of the respective dates of withdrawal. See General Conditions, Sections 3.04 and 4.03.

Premiums on Prepayment

Pursuant to Section 3.04 (b) of the General Conditions, the premium payable on the principal amount of any maturity of the Loan to be prepaid shall be the percentage specified for the applicable time of prepayment below:

Time of Prepayment	Premium
	The interest rate (expressed as a percentage per annum) applicable to the Loan on the day of prepayment multiplied by:
Not more than three years before maturity	0.15
More than three years but not more than six years before maturity	0.30
More than six years but not more than 11 years before maturity	0.55
More than 11 years but not more than 16 years before maturity	0.80
More than 16 years but not more than 18 years before maturity	0.90
More than 18 years before maturity	1.00

SCHEDULE 4

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (2) and (3) 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;

(c) the term "Authorized Allocation" means an amount equivalent to \$15,000,000, to be withdrawn from the Loan Account and deposited into the respective Special Account pursuant to paragraph 3 (a) of this Schedule; and

(d) notwithstanding the provisions of paragraph 2 (b) of Schedule 1 to the Project Agreement, payments for expenditures to be financed out of the proceeds of

free-limit Sub-loans may be made out of the Special Account before the Bank shall have authorized withdrawals from the Loan Account in respect thereof. Such expenditures, however, shall qualify as eligible expenditures only if the Bank shall subsequently authorize such withdrawals.

2. Except as the Bank shall otherwise agree, 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 a deposit or deposits 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 replenishment of the Special Account at such intervals as the Bank shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Bank the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall 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 made 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 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; or

(b) once the total unwithdrawn amount of the Loan allocated to the eligible Categories, less the amount of any outstanding special commitment entered into by the Bank pursuant to Section 5.02 of the General Conditions with respect to 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 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 any expenditure or in any 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 reasonably 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 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 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 cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

SCHEDULE 5

Modifications of the General Conditions

For purposes of this Agreement, the provisions of the General Conditions are modified as follows:

1. The last sentence of Section 3.02 is deleted.
2. The following sub-paragraph is added to Section 2.01:

"21. The term 'Project Agreement' has the meaning set forth in paragraph (j) of Section 1.02 of the Loan Agreement."

3. The words "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" set forth at the end of Section 6.03 are deleted and the following is substituted therefor:

"or (f) by the date specified in sub-paragraph 3 (c) of Schedule 1 to the Project Agreement, the Bank shall, in respect of any portion of the Loan: (i) have received no applications or requests permitted under sub-paragraphs (a) or (b) of said paragraph; or (ii) have denied any such applications or requests, the Bank may, by notice to the Borrower and the Guarantor, terminate the right to submit such applications or approvals or to make withdrawals from the Loan Account, as the case may be, with respect to such amount or portion of the Loan. Upon the giving of such notice, such amount or portion of the Loan shall be cancelled."