

CONFORMED COPY

LOAN NUMBER 4200 CHA

Loan Agreement

(Xiaolangdi Multipurpose Project: Stage II)

between

PEOPLE'S REPUBLIC OF CHINA

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Dated September 11, 1997

LOAN NUMBER 4200 CHA

LOAN AGREEMENT

AGREEMENT, dated September 11, 1997 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) Parts A through C of the Project will be carried out by the Yellow River Water and Hydropower Development Corporation (YRWHDC) (as defined in Section 1.02(u) of this Agreement) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to YRWHDC part of the proceeds of the Loan as provided in this Agreement; and

(C) the Borrower has contracted and intends to contract from other sources of finance (the Cofinanciers) loans and export credits in an aggregate amount equivalent to \$109,000,000 (the Cofinance) to assist in financing part of the Project on the terms and conditions set forth in agreements entered into or to be entered into between the Borrower and the Cofinanciers (the Cofinancing Agreements); 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 YRWHDC;

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 (the General Conditions), with the modifications set forth below, constitute an integral part of this Agreement:

(a) Section 6.03 is modified to read:

"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 representatives 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 canceled."

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

(b) "DEM Tranche of the Loan" means the amount of the Loan specified in Section 2.01(b) of this Agreement.

(c) "Fiscal Year" means the twelve month period commencing January 1 and ending December 31 of a calendar year.

(d) "Henan" means the Borrower's Province of Henan.

(e) "Loan Tranche" means either the DEM Tranche of the Loan or the USD Tranche of the Loan.

(f) "MWR" means the Borrower's Ministry of Water Resources, and any successor thereto.

(g) "Power Sales Contract" means the contract to be entered into between YRWHDC and the entity responsible for electric power transmission in Henan, pursuant to Part G of Schedule 2 to the Project Agreement, on the basis of which said entity will purchase from YRWHDC electric power generated by the hydropower generating facility to be constructed under Part A(3) of the Project.

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

(i) "Project Provinces" means, collectively, Henan and Shanxi; and "Project Province" means either of the Project Provinces.

(j) "Resettlement Action Plan" means the Resettlement Plan as defined in Section 1.02(f) of the Xiaolangdi Resettlement Credit Agreement.

(k) "Sanmenxia Dam" means the dam and associated structures located about 130 kilometers upstream of the Xiaolangdi Dam on the Borrower's Yellow River.

(l) "Shanxi" means the Borrower's Province of Shanxi.

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

(n) "Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower, acting through MWR, and YRWHDC pursuant to Section 3.01(b) of, and Part B of Schedule 4 to, this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Subsidiary Loan Agreement; and "Subsidiary Loan" means the loan provided for under the Subsidiary Loan Agreement.

(o) "USD Tranche of the Loan" means the amount of the Loan specified in Section 2.01(a) of this Agreement.

(p) "Xiaolangdi Dam" means the dam and associated structures located on the Yellow River, to be constructed under Part A(1) of the Project.

(q) "Xiaolangdi I Loan Agreement" means the Loan Agreement dated June 2, 1994 between the Borrower and the Bank for a Xiaolangdi Multipurpose Project (Loan No. 3727-CHA), as the same may be amended from time to time.

(r) "Xiaolangdi I Project Agreement" means the Project Agreement dated June 2, 1994 between the Bank and YRWHDC for a Xiaolangdi Multipurpose Project (Loan No. 3727-CHA), as the same may be amended from time to time.

(s) "Xiaolangdi Resettlement Credit Agreement" means the Development Credit Agreement dated June 2, 1994 between the Borrower and the Association for a Xiaolangdi Resettlement Project (Credit No. 2605-CHA), as the same may be amended from time to time.

(t) "YRCC" means the Yellow River Conservancy Commission, a commission established within MWR to be responsible for management of the water resources of the Yellow River.

(u) "YRWHDC" means the Yellow River Water and Hydropower Development Corporation, a state owned corporation established under the laws of the Borrower and operating pursuant to the YRWHDC Charter.

(v) "YRWHDC Charter" means the charter of YRWHDC, as approved by MWR in April, 1993, as the same may be amended from time to time.

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, the following amounts:

(a) an amount equal to two hundred thirty million dollars (\$230,000,000) (the USD Tranche of the Loan); and

(b) an amount equal to three hundred forty-six million five hundred thousand Deutsche Mark (DEM 346,500,000) (the DEM Tranche of the Loan).

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 special deposit account in a commercial bank satisfactory to the 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 Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 2003 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 each Loan Tranche withdrawn and outstanding from time to time, at a rate for each Interest Period equal to LIBOR Base Rate for said Loan Tranche plus LIBOR Total Spread for said Loan Tranche.

(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 2.06 of this Agreement.

(iii) "LIBOR Base Rate" means, for each Interest Period for each Loan Tranche, the London interbank offered rate for six-month deposits in the Single Currency of said Loan Tranche 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 for each Loan Tranche: (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 loans or portions thereof made by it that include said Loan Tranche; 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 for each Loan Tranche, 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 either Loan Tranche other than as provided in said Section, the Bank may modify the basis for determining the interest rates applicable to said Loan Tranche upon not less than 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 said Loan Tranche.

Section 2.06. Interest and other charges shall be payable semiannually in

arrears on March 15 and September 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:

(i) without limitation or restriction upon any of its other obligations under the Loan Agreement, the Borrower shall cause YRWHDC to carry out Parts A through C of the Project with due diligence and efficiency and in conformity with appropriate financial, economic, engineering and public utility practices and sound health, safety and environmental standards acceptable to the Bank, and to perform all of its other obligations set forth in the Project Agreement in accordance with the provisions thereof, shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable YRWHDC 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) the Borrower shall carry out Parts D and E of the Project through MWR with due diligence and efficiency and in conformity with appropriate financial, economic and administrative practices and sound environmental standards acceptable to the Bank, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the purpose.

(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 shall take the actions set forth in the Implementation Program set forth in Schedule 4 to this Agreement in order to ensure the proper implementation of the Project and the achievement of its objectives.

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. For the purposes of Section 9.08 of the General Conditions and without limitation thereto, the Borrower shall: (a) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than 6 months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, a plan, consolidating the plan prepared and furnished by YRWHDC pursuant to Section 2.03(b) of the Project Agreement, designed to ensure the continued achievement of the objectives of the Project; and

(b) afford the Bank a reasonable opportunity to exchange views with the Borrower on said plan.

Section 3.04. 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) in respect of Parts A through C of the Project shall be carried out by YRWHDC pursuant to Section 2.03 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 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; 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 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.

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

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

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

(e) Either party to the Power Sales Contract shall have failed to perform any of its respective obligations under said contract or any provision of said contract shall have been amended, suspended, waived, rescinded or terminated without the prior

approval of the Bank.

(f) The Cofinancing Agreements shall have failed to become effective by December 31, 1998 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.

- (g) (i) Subject to subparagraph (ii) of this paragraph:
- (A) the right of the Borrower to withdraw the proceeds of the Cofinance shall have been suspended, canceled or terminated in whole or in part, agreement providing therefor; or pursuant to the terms of the
 - (B) the Cofinance shall have become due and payable prior to the agreed 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.
- (h) The Borrower shall have failed to perform any of its obligations under the Xiaolangdi Resettlement Credit Agreement.

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

(a) any of the events specified in Sections 5.01(a), 5.01(e) and 5.01(h) 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;

(b) any of the events specified in Sections 5.01(c) and 5.01(d) of this Agreement shall occur; and

(c) the event specified in Section 5.01(g)(i)(B) of this Agreement shall occur, subject to the proviso of Section 5.01(g)(ii) of this Agreement.

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 Subsidiary Loan Agreement has been executed on behalf of the Borrower and YRWHDC.

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 the Project Agreement has been duly authorized or ratified by YRWHDC and is legally binding upon YRWHDC in accordance with its terms; and

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

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) 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 the District of Columbia, United States of America, as of the day and year first above written.

PEOPLE'S REPUBLIC OF CHINA

By /s/ Zhou Wenzhong

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Yukon Huang

Acting 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 each Loan Tranche to each Category and the percentage of expenditures for items so to be financed in each Category:

Category	Amount of the USD Tranche of the Loan (Expressed in USD)	Amount of the DEM Tranche of the Loan (Expressed in DEM)	% of Expenditures to be Financed
(1) Works for Part A of the Project	206,000,000	346,500,000	100% of foreign expenditures
(2) Goods:			100% of foreign expenditures,
(a) for Parts A through C of the Project	1,450,000	--	100% of local expenditures (ex-factory cost) and 75% of local expenditures
(b) for Parts D and E of the Project	3,300,000	--	for other items procured locally
(3) Consultants' services:			100%
(a) for Parts A and B of the Project	14,700,000	--	
(b) for Part C of the Project	800,000	--	
(c) for Part D of the Project	1,200,000	--	
(d) for Part E of the Project	400,000	--	
(4) Training:			100%
(a) for Parts B and C of the Project	600,000	--	
(b) for Parts D and E of the Project	1,550,000	--	
TOTAL	=====	=====	
	230,000,000	346,500,000	

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, except that withdrawals, in an aggregate amount not exceeding the equivalent of

\$5,000,000 may be made on account of payments made for expenditures before that date but after March 15, 1997.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures for (a) works under contracts costing less than \$5,000,000 equivalent each, (b) goods under contracts costing less than \$400,000 equivalent each, (c) services under contracts for the employment of consulting firms costing less than \$100,000 equivalent each, (d) services under contracts for the employment of individual consultants costing less than \$50,000 equivalent each, and (e) training, regardless of the cost thereof, 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 in protecting against floods and controlling sediment accretion in the lower reaches of the Borrower's Yellow River basin, and providing hydroelectric power and ensuring a stable water supply for irrigation, cities and industries in this area.

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: Xiaolangdi Dam; Power Supply

(1) Construction of an earth and rockfill dam, with a maximum height of 154 meters, a crest length of about 1,667 meters and a volume of about 51 million cubic meters on the Yellow River at Xiaolangdi in Henan, about 130 kilometers downstream from the Sanmenxia Dam.

(2) Construction and equipping of a common intake structure feeding nine large-diameter tunnels and a surface spillway for river diversion, flood handling and sediment management, discharging into a common plunge pool.

(3) Construction and equipping of a power station with six associated power tunnels, housing six 300-megawatt power generating units with associated switchyards and transformers.

Part B: YRWHDC Management

Strengthening YRWHDC's management capability to develop, operate and maintain water and hydropower projects, including the facilities included in the Project, through the provision of training and consultants' services in general and financial management.

Part C: Environmental Management

Implementation of an environmental management plan for Part A of the Project, consisting of:

(1) management of the monitoring of: (a) the ambient environment at the construction site; (b) public health at the construction site and in neighboring communities; (c) preservation of cultural relics; (d) seismic activity; (e) downstream catchment hydrology and sedimentation; and (f) meteorological conditions;

(2) carrying out of: (a) studies to develop surface and groundwater monitoring systems; (b) studies of reservoir ferry transport; and (c) a study of river geomorphology to design stabilization works; and

(3) construction of facilities and provision of equipment required for said management and studies.

Part D: Flood, Sediment, Ice and Drought Management and Reservoir Operating Systems

(1) Development and utilization of: (a) an integrated flood, sediment, ice and drought management system for the middle reaches of the Yellow River from the Sanmenxia Dam to the Xiaolangdi Dam and the catchment areas downstream of the Xiaolangdi Dam; and (b) a real-time reservoir operations system.

(2) Provision of equipment, including computer hardware and software, and training and construction of facilities, all as required for the systems referred to in Part D(1) of this Schedule.

Part E: Water Sector Institutional Development

Improvement of the management of the water resources of the lower reaches of the Yellow River through:

(1) the development of a suitable institutional framework, structures and staffing for the regulation and management of said water resources, including flood, sediment, drought and ice management, power generation, and irrigation and urban water supply;

(2) the carrying out of studies, and provision of training to staff involved in management of said water resources, as required to develop: (a) a rational and efficient system for pricing of water delivered for irrigation, municipal and industrial uses, and for other water resources management services; and (b) coherent financial management systems for the agencies responsible for water resources management;

(3) the upgrading and improvement of water-level measuring devices for about 100 off-takes of the lower reaches of the Yellow River in order to measure water flows to agricultural, urban and industrial users; and

(4) the provision and installation of a communications system to facilitate the coordination of the activities of the agencies responsible for water resources management.

* * *

The Project is expected to be completed by December 31, 2002.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal USD Tranche of the Loan (Expressed in Dollars)*	DEM Tranche of the Loan (Expressed in DEM)*
March 15 2003	4,860,000	8,915,000
September 15, 2003	5,005,000	9,070,000
March 15, 2004	5,155,000	9,225,000
September 15, 2004	5,305,000	9,385,000
March 15, 2005	5,465,000	9,545,000
September 15, 2005	5,625,000	9,710,000
March 15, 2006	5,795,000	9,880,000
September 15, 2006	5,965,000	10,050,000
March 15, 2007	6,140,000	10,220,000
September 15, 2007	6,325,000	10,400,000
March 15, 2008	6,510,000	10,580,000
September 15, 2008	6,705,000	10,760,000
March 15, 2009	6,905,000	10,945,000
September 15, 2009	7,110,000	11,135,000
March 15, 2010	7,320,000	11,325,000
September 15, 2010	7,535,000	11,525,000
March 15, 2011	7,760,000	11,720,000
September 15, 2011	7,990,000	11,925,000
March 15, 2012	8,225,000	12,130,000
September 15, 2012	8,470,000	12,340,000
March 15, 2013	8,720,000	12,550,000

September 15, 2013	8,980,000	12,770,000
March 15, 2014	9,245,000	12,990,000
September 15, 2014	9,520,000	13,210,000
March 15, 2015	9,805,000	13,440,000
September 15, 2015	10,095,000	13,670,000
March 15, 2016	10,395,000	13,910,000
September 15, 2016	10,700,000	14,150,000
March 15, 2017	11,020,000	14,390,000
September 15, 2017	11,350,000	14,635,000

* The figures in this column represent the amount in the Single Currency to be repaid, except as provided in Section 4.04(d) of the General Conditions.

SCHEDULE 4

Implementation Program

A. Institutional Arrangements

In order to ensure the proper implementation of the Project:

1. the Borrower shall maintain at all times throughout the period of Project implementation, a central Project coordinating group, headed by a Vice Minister of MWR, with terms of reference, composition and resources acceptable to the Bank, to be responsible for the overall oversight of Project management, and the resolution of policy issues that may arise; and

2. the Borrower shall cause each of the Project Provinces to maintain at all times throughout said period, the following structures, with terms of reference, staffing and resources acceptable to the Bank:

(a) a leading group to be responsible for providing guidance at the provincial level on resettlement and other policy issues that may arise during Project implementation; and

(b) a Project office to be responsible for oversight of land acquisition and resettlement within its jurisdiction.

B. Subsidiary Loan

1. The Borrower shall relent the proceeds of the Loan allocated from time to time to Categories (1), (2)(a), (3)(a), (3)(b) and (4)(a) to YRWHDC under a subsidiary loan agreement to be entered into between the Borrower, acting through MWR, and YRWHDC, under terms and conditions which shall have been approved by the Bank, which shall include, without limitation, the following:

(a) The principal amount of each Loan Tranche so relent shall be the equivalent in terms of the currency of denomination of said Loan Tranche (determined as of the date or respective dates of withdrawal from the Loan Account) of the value of the currency or currencies so withdrawn under said Categories, and shall be repaid by YRWHDC to the Borrower over a period of twenty years, inclusive of a grace period of five years;

(b) YRWHDC shall pay interest on the principal amount of each Loan Tranche so relent, withdrawn and outstanding from time to time, at a rate equal to the rate payable by the Borrower under said Loan Tranche pursuant to Section 2.05 of this Agreement; and

(c) YRWHDC shall pay a commitment charge on the principal amount of each Loan Tranche so relent, not withdrawn from time to time at a rate equal to three fourths of one percent (0.75%) per annum.

2. 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 or any provision thereof.

C. Environmental Management

The Borrower shall take, and shall cause the Project Provinces to take, all measures required on its and their respective parts to ensure that the environmental management plan included in Part C of the Project shall be carried out in accordance with guidelines acceptable to the Bank.

D. Resettlement

1. The Borrower shall take, and shall cause the Project Provinces to take, all measures necessary to ensure that all persons displaced as a result of the Project shall be resettled in a manner designed to improve the living standards and productivity of all such persons.

2. To give effect to the provisions of Part D.1 of this Schedule:

(a) the Borrower shall take and cause the Project Provinces to take all measures necessary to ensure that the Resettlement Action Plan shall be implemented in accordance with guidelines acceptable to the Bank; and

(b) without limitation upon the foregoing, the Borrower shall ensure that the resettlement under the Resettlement Action Plan is undertaken at a pace consistent with the pace of construction of the Xiaolangdi Dam, and to this end, if said construction is four months or more ahead of its schedule as anticipated in the Resettlement Action Plan, the Borrower shall make or cause to be made such adjustments to the schedule of implementation of said resettlement, consistent with the adjustments made by YRWHDC in the schedule of construction of said dam pursuant to Part D.2(b) of Schedule 2 to the Project Agreement, as shall be necessary to ensure the consistency of the pace of such resettlement with the pace of such construction.

3. The Borrower shall maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Bank, the implementation of the Resettlement Action Plan and the achievement of its objectives. The Borrower shall prepare, under guidelines satisfactory to the Bank, and furnish to the Bank semiannual reports not later than April 15 and September 15 of each year, integrating the results of said monitoring and evaluation activities performed during the preceding six month period and setting out the measures recommended to ensure the continued efficient implementation of the Resettlement Action Plan and achievement of its objectives during the following six month period, including any proposed revisions to said plan indicated by said monitoring and evaluation activities. The Borrower shall afford the Bank a reasonable opportunity to exchange views with the Borrower on each said report and shall thereafter implement the recommendations and introduce the revisions proposed in said report, taking into account the views of the Bank on the matter.

E. Transmission Lines

The Borrower shall take all measures necessary to ensure that 220-kilovolt transmission lines connecting the power station constructed under the Project to Henan's provincial power grid shall be constructed in accordance with an action plan acceptable to the Bank so as to enable power to be transmitted from said station to said grid, promptly upon the commissioning of said station.

F. Dam Safety

In order to ensure the safety of the Xiaolangdi Dam and Sanmenxia Dam and downstream life, property and activities, the Borrower shall, through MWR, take the following actions.

1. Operation and Maintenance and Emergency Preparedness Plans

The Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Bank, and furnish to

the Bank not later than January 15, 1999 a plan for the operation and maintenance of the Xiaolangdi Dam and Sanmenxia Dam and an emergency preparedness plan for said dams;

(b) afford the Bank a reasonable opportunity to exchange views with the Borrower on said plans; and

(c) thereafter implement the same with due diligence and efficiency, taking into account the views of the Bank on the matter.

2. Periodic Inspections

The Borrower shall ensure that inspections of the Xiaolangdi Dam and Sanmenxia Dam and of their respective operation and maintenance shall be undertaken, in respect of the Xiaolangdi Dam, at intervals of not more than once a year for each of the first five years after its commissioning, and thereafter, once every three years and, in respect of the Sanmenxia Dam, at intervals of not more than once every three years, all in accordance with sound engineering practices and on the basis of guidelines acceptable to the Bank, by a panel of qualified and experienced independent experts, in order to identify any deficiencies in the condition of said dams or in the quality and adequacy of the maintenance or methods of operation of said dams or of their respective plan for emergency preparedness, which may endanger the safety of said dams or of downstream life, property or activities, and to rectify any such deficiencies promptly. The Borrower shall ensure that said panel shall prepare and furnish to the Borrower and the Bank, promptly upon completion of each said inspection, a report on the results of said inspection, together with any measures recommended to be taken to ensure the safety of the Xiaolangdi Dam and the Sanmenxia Dam and downstream life, property and activities. The Borrower shall afford the Bank a reasonable opportunity to exchange views with the Borrower on each report furnished by said panel and shall thereafter implement the measures recommended by said report, taking into account the views of the Bank on the matter.

3. The provisions of Section 3.04 of the Xiaolangdi I Loan Agreement are hereby amended to read as set forth in Parts F.1 and F.2 of this Schedule.

G. Parts D and E of the Project

1. The Borrower shall implement Parts D and E of the Project in accordance with a program acceptable to the Bank. To this end, the Borrower shall prepare and furnish to the Bank not later than December 15 in each Fiscal Year, commencing December 15, 1997, a proposed action plan for the implementation of said Parts during the following Fiscal Year (including terms of reference and timing of the studies included in said Part E), and thereafter, shall carry out said action plan during said following year, taking into account the views of the Bank on the matter.

2. Without limitation upon the provisions of Part G.1 of this Schedule, the Borrower shall employ consultants, not later than May 15, 1998, and in accordance with the provisions of Section II of Schedule 1 to the Project Agreement, to assist the Borrower in developing the management and operations systems referred to in Part D of the Project.

3. Without limitation upon the provisions of Part G.1 of this Schedule, under Part E(1) of the Project, the Borrower shall:

(a) (i) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than July 1, 1998, a plan to upgrade YRCC and assign to it the responsibility for management of flood, sediment, ice and drought in the lower Yellow River Basin; and

(ii) taking into account the comments of the Bank on the matter, take all measures necessary to ensure that YRCC shall be upgraded and assigned with said responsibility, not later than December 31, 1998, and thereafter at all times maintained, with terms of reference, staffing and other resources acceptable to the Bank; and

(b) (i) develop, on the basis of guidelines acceptable to the Bank and furnish to the Bank not later than December 31, 1998, a plan to

ensure the efficient (A) delivery of water to users of water
flowing through the lower reaches of the Yellow River and (B)
collection of water charges from users of said water; and

(ii) implement said plan not later than June 30, 2000, taking into
account the comments of the Bank on the matter.

H. Monitoring and Evaluation

1. The Borrower shall, through MWR:

(a) maintain policies and procedures adequate to enable it to monitor and
evaluate on an ongoing basis, in accordance with indicators acceptable to the Bank,
the carrying out of Parts D and E of the Project and the achievement of the objectives
thereof;

(b) prepare, in accordance with guidelines acceptable to the Bank, and
furnish to the Bank:

(i) semi-annual reports, not later than January 31 and July 31 in each
Fiscal Year, summarizing the monitoring and evaluation
activities carried out by it pursuant to paragraph (a) above in
respect of the preceding calendar semester, and setting forth proposed
measures, indicated by said monitoring and evaluation
activities, to further the objectives of the Project during the
then current calendar semester; and

(ii) a mid-term report, not later July 31, 1999, summarizing the
monitoring and evaluation activities carried out by it
pursuant to paragraph (a) above, from the inception of the Project, and
setting forth any proposed measures, indicated by said
monitoring and evaluation activities, to further the objectives of
the Project; and

(c) exchange views with the Bank on each report furnished by the Borrower
pursuant to paragraph (b) above, and thereafter, take all such measures, in relation
thereto, as shall have been agreed between the Borrower and the Bank.

I. Power Sales Contract

The Borrower shall take all measures required on its part to facilitate the
conclusion of the Power Sales Contract in accordance with the provisions of Part G of
Schedule 2 to the Project Agreement.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (4).

(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 equal to \$2,000,000 to
be withdrawn from the Loan Account and deposited into the Special Account pursuant to
paragraph 3(a) of this Schedule, provided, however, that unless the Bank shall
otherwise agree, the Authorized Allocation shall be limited to an amount equal to
\$1,000,000 until the aggregate amount of withdrawals from the Loan plus the total
amount of all outstanding special commitments entered into by the Bank pursuant to
Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of
\$150,000,000.

2. Payments out of the Special Account shall be made exclusively for eligible

expenditures in accordance with the provisions of this Schedule.

3. After the Bank has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Bank a request or requests for deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Bank requests for deposits into the Special Account at such intervals as the Bank shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Bank the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Bank from the Loan Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Bank shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Bank shall have determined that all further withdrawals should be made by the Borrower directly from the Loan Account in accordance with the provisions of Article V of the General Conditions and Section 2.02(a) of this Agreement;

(b) if the Borrower shall have failed to furnish to the Bank, within the period of time specified in Section 4.01(b)(ii) of this Agreement, any of the audit reports required to be furnished to the Bank pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Bank shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Loan Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Loan allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions 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 an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or

(ii) was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank:

(A) provide such additional evidence as the Bank may request; or

(B) deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Bank shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

(c) The Borrower may, upon notice to the Bank, refund to the Bank all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Bank made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Loan Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

