June 23, 2015

Mr. Yang Shaolin
Director General
International Economic
and Financial Cooperation Department
Ministry of Finance
Beijing China

Re: People’s Republic of China – Shanghai Urban Environment Project, Phase III
Loan No. 7707-CN
Amendment to the Loan Agreement

Dear Mr. Yang,

We refer to the Loan Agreement between the People’s Republic of China (the “Borrower”) and the International Bank for Reconstruction and Development (the “Bank”) dated September 9, 2009, as amended thereof (the “Loan Agreement”) and the Project Agreement of the same date between the Bank and Shanghai Municipality, as amended thereof (the “Project Agreement”) for the above-referred project (the “Project”).

We also refer to the letter dated May 8, 2015, from Mr. Yang Yingming, Deputy Director-General, Economic and Financial Cooperation Department, Ministry of Finance, requesting the restructuring of the Project, which requires certain amendments to the Loan and the Project Agreement. We are pleased to inform you that the Bank concurs with the request, and accordingly amends the Loan Agreement as set forth below:

1. Part 4 (b) of Schedule 1 to the Loan Agreement is deleted in its entirety and replaced by the following:

“(b) Carrying out of studies, training, study tours, and workshops to support the institutional development of SCC and its subsidiary companies, including: (i) improvement of capability in project management of urban infrastructure investments; and (ii) optimization of the operation and management of water and wastewater systems by SCC’s water sector subsidiaries.”

2. Paragraph 1 of Section IIA of Schedule 2 to the Loan Agreement is deleted in its entirety and replaced by the following:

“The Borrower shall monitor and evaluate, and cause the Project Implementing Entity to monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of the indicators set forth in the Results Framework. Each Project Report shall cover a six-month period and shall be furnished to the Bank by April 30 (covering the preceding September 1 through February 28) and October 31 (covering the preceding March 1 through August 31) each year, starting April 30, 2010.”

3. The withdrawal table set forth in Section IV.A of Schedule 2 to the Loan Agreement is deleted in its entirety and replaced by Attachment 1 to this Letter of Amendment to Loan Agreement.
4. Item (33) is added to Section I of the Appendix (Definitions) to the Loan Agreement as follows:

"33. "Results Framework" means the Borrower’s framework, dated June 8, 2015 and agreed with the Bank, setting forth the indicators and targets for purposes of monitoring and evaluation of the progress of the Project, as the same may be modified from time to time with the prior written agreement of the Bank, and such term includes any annexes, appendices, or schedules to such framework."

Except as specifically amended in this letter, all other terms and conditions of the Loan Agreement shall remain in full force and effect. The Project Agreement is similarly being amended as reflected in an amendment letter to the Project Agreement of even date herewith.

Please confirm your agreement to the foregoing on behalf of the Borrower by countersigning and dating the corresponding form of confirmation set forth below, and returning one fully countersigned original of this letter to us. This amendment letter shall become effective as of the date of the last countersignature of the two amendment letters (including this one) prepared further to the above-mentioned request, upon receipt by the Bank of: (a) a duly countersigned original of this letter by the authorized representative of the Borrower; and (b) a duly countersigned original of the amendment letter to the Project Agreement by the authorized representative of Shanghai Municipality.

Sincerely yours,

Bert Hofman
Country Director, China
East Asia and Pacific Region

CONFIRMED:
PEOPLE’S REPUBLIC OF CHINA

By:  
Authorized Representative

Name: Yang Shaolin

Title: Deputy Director-General, Department of International Economic and Financial Cooperation

Date: 7/11
<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Loan Allocated (expressed in Dollars)</th>
<th>Percentage of Expenditures to be financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods and civil works under Part 1 of the Project to be carried out by QCSC and under Part 2 of the Project to be carried out by SMSC</td>
<td>166,170,000</td>
<td>100% (for Eligible Expenditures under this Category (1) incurred on or after August 1, 2012)</td>
</tr>
<tr>
<td>(2) Goods, civil works and consultants’ services under Part 3 of the Project to be carried out by CEAM</td>
<td>29,930,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Consultants’ services, training and study tours under Part 4 of the Project</td>
<td>3,400,000</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Front-end Fee</td>
<td>500,000</td>
<td>Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07(b) of the General Conditions</td>
</tr>
<tr>
<td>(5) Premium for Interest Rate Cap or Interest Rate Collar</td>
<td>0</td>
<td>Amount payable pursuant to Section 2.07(c) of this Agreement and Section 4.05(c) of the General Conditions</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>200,000,000</td>
<td></td>
</tr>
</tbody>
</table>
Mr. Yang Shuolin  

Cc:  
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Mr. Xu Yizhi, Deputy Division Chief  
Shanghai Water Authority

Mr. Lu Liyong, Division Chief  
Shanghai Landscape & Sanitation Bureau