Loan Agreement

(Tai Basin Urban Environment Project)

between

PEOPLE’S REPUBLIC OF CHINA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated October 9, 2004
LOAN NUMBER 4748-CHA

LOAN AGREEMENT

AGREEMENT, dated October 9, 2004, 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 (the Project), has requested the Bank to assist in the financing of the Project;

(B) the Project will be carried out by Jiangsu Province (Jiangsu) with the Borrower’s assistance and, as part of such assistance, the Borrower will make the proceeds of the loan provided for in Article II of this Agreement (the Loan) available to Jiangsu, as set forth 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 agreement of even date herewith between the Bank and Jiangsu (the Project Agreement);

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The “General Conditions Applicable to Loan and Guarantee Agreements for Single Currency Loans” of the Bank, dated May 30, 1995 (as amended through October 6, 1999) (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 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 of items set forth in the table in paragraph 1 of Schedule 1 to this Agreement.
(b) “Displaced Person” means a person who, on account of the execution of the Project, has experienced or would experience direct economic and social impacts caused by:

(i) the involuntary taking of land, resulting in: (A) relocation or loss of shelter; (B) loss of assets or access to assets; or (C) loss of income sources or means of livelihood, whether or not such person must move to another location; or

(ii) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such person,

and “Displaced Persons” means, collectively, all such Displaced Persons.

(c) “Environmental Management Plan” means Environmental Management Plan for the Tai Basin Urban Environment Project dated November 2003 (and supplemented on February 2004) adopted by Suzhou Municipality and Wuxi Municipality referred to in paragraphs 3 and 4 of Schedule 2 to the Project Agreement, setting out the environmental protection measures in respect of the Project, as well as administrative and monitoring arrangements to ensure the implementation of said plan, as said plan may be revised from time to time with the agreement of the Bank.

(d) “Financial Monitoring Report” means each report prepared in accordance with Section 3.02 of the Project Agreement.

(e) “HWTC” means Huishan Water Treatment Company Limited, a state-owned limited liability company established and operating pursuant to its Charter of January 20, 2003, and to Business License No. 3202851100410, dated March 18, 2003, issued by Huishan Industrial and Commercial Administration Bureau, and any successor thereto.

(f) “Jiangsu” means the Borrower’s Province of Jiangsu, and any successor thereto.

(g) “Project Agreement” means the agreement between the Bank and Jiangsu 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.

(h) “Project Companies” means in respect of: (i) Suzhou: SQCC and WAMC; and (ii) Wuxi: HWTC and XWTC, and “Project Company” refers to any of such Project Companies.

(i) “Project Company’s Respective Part of the Project” means:

(i) for HWTC, Parts A.2(a), C.2 and C.3 of the Project;
(ii) for SQCC, Parts B.1, B.2(a), B.2(b), C.2 and C.3 of the Project;

(iii) for WAMC, Parts B.2(c), C.2 and C.3 of the Project; and

(iv) for XWTC, Parts A.2(b), A.2(c), C.2 and C.3 of the Project.

(j) “Project Municipalities” means, collectively, Suzhou and Wuxi; and “Project Municipality” means, individually, any of the Project Municipalities.

(k) “Resettlement Action Plans” means, collectively, the Suzhou RAP and the Wuxi RAP and any resettlement action plan that is prepared and approved by the Bank pursuant to the provisions of paragraph 3(b) of Schedule 2 to the Project Agreement; and “Resettlement Action Plan” means, individually, any of the “Resettlement Action Plans.”

(l) “Special Account” means the account referred to in Section 2.02(b) of this Agreement.

(m) “SQCC” means Suzhou Qingyuan Construction Company, a state-owned limited liability company established and operating pursuant to its Charter of April 30, 2003, and to Business License No. 3205001104030, dated May 11, 1999, issued by the Suzhou Industrial and Commercial Administration Bureau, and any successor thereto.

(n) “Subsidiary Loan Agreements” means, collectively, the agreements to be entered into between each Project Municipality and its Project Companies in accordance with the provisions of paragraph 17 of Schedule 2 to the Project Agreement, as the same may be amended from time to time, and such term includes schedules to said agreements; and “Subsidiary Loan Agreement” means, individually, any of the Subsidiary Loan Agreements.

(o) “Suzhou” means Suzhou Municipality within Jiangsu Province, and any successor thereto.

(p) “Suzhou RAP” means Resettlement Action Plan for the Suzhou Urban Environment Project dated November 2003, which was adopted by Suzhou Municipality and sets out the procedures governing land acquisition, resettlement and compensation for Displaced Persons under Parts B and D of the Project, as well as monitoring and reporting arrangements to ensure compliance with said plan, as the same may be revised from time to time in agreement with the Bank.

(q) “Suzhou Resettlement Policy Framework” means the Resettlement Policy Framework for Suzhou Urban Sewerage Pipeline Network into Household Project dated November 2003, adopted by Suzhou Municipality, and referred to in paragraph 3(b) of Schedule 2 to the Project Agreement, which sets out the policies and procedures for land acquisition and resettlement, compensation and rehabilitation of Displaced Persons and guidelines for the preparation of resettlement action plans, as said policy framework may be revised from time to time with the agreement of the Bank.
(r) “WAMC” means Wuzhong Asset Management and Adminstration Company Limited, a state-owned limited liability company established and operating pursuant to its Charter of October 30, 2003, and to Business License No. 3205061104680 dated December 4, 2003, issued by Wuzhong Industrial and Commercial Administration Bureau, and any successor thereto.

(s) “Wuxi” means Wuxi Municipality within Jiangsu Province, and any successor thereto.

(t) “Wuxi RAP” means Resettlement Action Plan for the Wuxi Urban Environment Project dated November 2003, adopted by Wuxi Municipality and sets out the procedures governing land acquisition, resettlement and compensation for Displaced Persons under Parts A and D of the Project, as well as monitoring and reporting arrangements to ensure compliance with said plan, as the same may be revised from time to time in agreement with the Bank.

(u) “XWTC” means Xishan Wastewater Treatment Company Limited, a state-owned limited liability company established and operating pursuant to its Charter of January 31, 2004, and to Business License No. 3202832111373 dated January 31, 2004, issued by Xishan Industrial and Commercial Administration Bureau, and any successor thereto.

Section 1.03. Each reference in the General Conditions to the Project implementation entity shall be deemed as a reference to Jiangsu, each of the Project Municipalities and each of the Project Companies.

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 sixty-one million Dollars ($61,000,000).

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: (i) expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods, works and services required for the carrying out of Parts A.2, B, C.2, and C.3 of the Project and to be financed out of the proceeds of the Loan and in respect of which the withdrawal from the Loan account is requested; and (ii) in respect of the fee referred to in Section 2.04 of this Agreement.

(b) The Borrower may, for the purposes of the Project open and maintain in Dollars a special deposit account in a commercial bank 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 4 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 2009, 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 front-end fee in an amount equal to one percent (1%) of the amount of the Loan, subject to any waiver of a portion of such fee as may be determined by the Bank from time to time. On or promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount of such fee.

Section 2.05. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.06. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Interest Period equal to LIBOR Base Rate plus LIBOR Total Spread.

(b) For the purposes of this Section:

(i) “Interest Period” means the initial period from and including the date of this Agreement to, but excluding, the first Interest Payment Date occurring thereafter, and after the initial period, each period from and including an Interest Payment Date to, but excluding the next following Interest Payment Date.

(ii) “Interest Payment Date” means any date specified in Section 2.07 of this Agreement.

(iii) “LIBOR Base Rate” means, for each Interest Period, the London interbank offered rate for six-month deposits in Dollars for value the first day of such Interest Period (or, in the case of the initial Interest Period, for value the Interest Payment Date occurring on or next preceding the first day of such Interest Period), as reasonably determined by the Bank and expressed as a percentage per annum.

(iv) “LIBOR Total Spread” means, for each Interest Period: (A) three-fourths of one percent (3/4 of 1%); (B) minus (or plus) the weighted average margin, for such Interest Period, below (or above) the London interbank offered rates, or other reference rates, for six-month deposits, in respect of the Bank’s outstanding borrowings or portions thereof allocated by the Bank
to fund single currency loans or portions thereof made by it that include the Loan; as reasonably determined by the Bank and expressed as a percentage per annum.

(c) The Bank shall notify the Borrower of LIBOR Base Rate and LIBOR Total Spread for each Interest Period, promptly upon the determination thereof.

(d) Whenever, in light of changes in market practice affecting the determination of the interest rates referred to in this Section 2.06, the Bank determines that it is in the interest of its borrowers as a whole and of the Bank to apply a basis for determining the interest rates applicable to the Loan other than as provided in said Section, the Bank may modify the basis for determining the interest rates applicable to the Loan upon not less than six (6) months’ notice to the Borrower of the new basis. The new basis shall become effective on the expiry of the notice period unless the Borrower notifies the Bank during said period of its objection thereto, in which case said modification shall not apply to the Loan.

Section 2.07. Interest and other charges shall be payable semiannually in arrears on March 15 and September 15 in each year.

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

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project, and, to this end, without any limitation or restriction upon any of its other obligations under the Loan Agreement, shall cause Jiangsu to perform in accordance with the provisions of the Project Agreement all the respective obligations of Jiangsu 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 Jiangsu 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 make the proceeds of the Loan available to Jiangsu on the following principal terms:

(i) The principal amount shall be made available in Dollars (determined on the date, or respective dates, of withdrawal from the Loan Account) of the value of the currency or currencies so withdrawn.
(ii) The following shall be recovered over a period of twenty (20) years, inclusive of a grace period of five (5) years: (A) the principal amount so made available; and (B) an amount equal to the fee paid pursuant to Section 2.04 of this Agreement.

(iii) Interest shall be charged on such principal amount withdrawn and outstanding from time to time at a rate equal to the rate of interest applicable from time to time to the Loan pursuant to the provisions of Section 2.06 of this Agreement.

(iv) A commitment fee shall be charged on such principal amount of the Loan so made available and not withdrawn from time to time at a rate equal to three fourths of one percent (3/4 of 1%) per annum.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods, works and consultants’ services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 1 to the Project Agreement.

Section 3.03. The 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 Jiangsu pursuant to Section 2.03 of the Project Agreement.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall cause Jiangsu to maintain a financial management system, including records and accounts, and prepare financial statements, all in accordance with consistently applied accounting standards acceptable to the Bank, adequate to reflect its operations, resources and expenditures related to the Project.

(b) The Borrower shall cause Jiangsu to:

(i) have the financial statements referred to in paragraph (a) of this Section for each fiscal year (or other period agreed to by the Bank), audited, in accordance with consistently applied auditing standards acceptable to the Bank, 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 (or such other
period agreed to by the Bank), (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year (or such other period agreed to by the Bank), as so audited, and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Bank; and

(iii) furnish to the Bank such other information concerning such records, accounts and the audit of such financial statements, and concerning said auditors, as the Bank may 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) 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, or covering, the fiscal year in which the last withdrawal from the Loan Account was made;

(ii) enable the Bank’s representatives to examine such records; and

(iii) ensure that such statements of expenditure are included in any audit that the Bank may have requested pursuant to paragraph (b) of this Section.

ARTICLE V

Remedies of the Bank

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

(a) Jiangsu shall have failed to perform any of its respective 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 Jiangsu will be able to perform its respective obligations under the Project Agreement.

(c) Any party to any of the Subsidiary Loan Agreements should have failed to perform any of their respective obligation therein.
Section 5.02. Pursuant to Section 7.01(k) of the General Conditions, the following additional event is specified, namely that an event specified in paragraph (a) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty (60) days after notice thereof shall have been given by the Bank to the Borrower.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following event is specified as an additional condition to the effectiveness of the Loan Agreement within the meaning of Section 12.01(c) of the General Conditions, namely, Subsidiary Loan Agreements have been executed on behalf of: (a) Suzhou and each of SQCC and WAMC; and (b) Wuxi and each of HWTC and XWTC.

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) The Project Agreement has been duly authorized or ratified by Jiangsu, and is legally binding upon Jiangsu in accordance with its terms.

(b) Each of the Subsidiary Loan Agreements referred to in Section 6.01 has been duly authorized or ratified by each of the parties thereto and is legally binding on said 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

Facsimile:
(86-10) 68 55 11 25

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
Telex: 248423 (MCI) or 64145 (MCI)
Facsimile: (1-202) 477-6391
IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Beijing, People’s Republic of China, as of the day and year first above written.

PEOPLE’S REPUBLIC OF CHINA

By /s/ Zou Jiayi

Authorized Representative

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By /s/ David Dollar

Authorized Representative
SCHEDULE 1

Withdrawal of the Proceeds of the Loan

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Loan, the allocation of the amounts of the Loan to each Category and the percentage of expenditures for items so to be financed in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Loan Allocated (Expressed in Dollars)</th>
<th>% of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Works (including supply and install contracts) for:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Part A.2(a) of the Project (implemented by HWTC)</td>
<td>8,630,000</td>
<td>57%</td>
</tr>
<tr>
<td>(b) Parts A.2(b) and A.2(c) of the Project (implemented by XWTC)</td>
<td>16,780,000</td>
<td>49%</td>
</tr>
<tr>
<td>(c) Parts B.2(a) and B.(b) of the Project (implemented by SQCC)</td>
<td>14,410,000</td>
<td>52%</td>
</tr>
<tr>
<td>(d) Part B.2(c) of the Project (implemented by WAMC)</td>
<td>5,640,000</td>
<td>48%</td>
</tr>
<tr>
<td>(e) Part B.1(a) of the Project (implemented by SQCC)</td>
<td>2,520,000</td>
<td>41%</td>
</tr>
<tr>
<td>(f) Part B.1(b) of the Project (implemented by SQCC)</td>
<td>3,510,000</td>
<td>69%</td>
</tr>
<tr>
<td>(2) Goods for Part B.1(a) of the Project (implemented by SQCC)</td>
<td>1,300,000</td>
<td>100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 75% of local expenditures for other items procured locally.</td>
</tr>
<tr>
<td>(3) Consultants’ services</td>
<td>1,520,000</td>
<td>91%</td>
</tr>
<tr>
<td>(4) Training</td>
<td>50,000</td>
<td>100%</td>
</tr>
<tr>
<td>Category</td>
<td>Amount of the Loan Allocated (Expressed in Dollars)</td>
<td>% of Expenditures to be Financed</td>
</tr>
<tr>
<td>----------</td>
<td>-----------------------------------------------</td>
<td>--------------------------------</td>
</tr>
<tr>
<td>(5) Unallocated</td>
<td>6,335,000</td>
<td></td>
</tr>
<tr>
<td>(6) Fee</td>
<td>305,000</td>
<td>Amount due under Section 2.04 of this Agreement</td>
</tr>
<tr>
<td>TOTAL</td>
<td>61,000,000</td>
<td></td>
</tr>
</tbody>
</table>

2. For the purposes of this Schedule:

   (a) the term “foreign expenditures” means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower; provided, however, that expenditures in the currency of the Hong Kong Special Administrative Region of the Borrower for goods or services supplied from said region, and expenditures in the currency of the Macau Special Administrative Region of the Borrower for goods or services supplied from said region shall be deemed “foreign expenditures”; and

   (b) the term “local expenditures” means expenditures that are not foreign expenditures.

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:

   (a) in an aggregate amount not exceeding $5,000,000 may be made in respect of Categories (1) and (3) set forth in the table in paragraph 1 of this Schedule on account of payments made for expenditures before that date but after November 1, 2003;

   (b) under Category (1)(b) until the Bank shall have notified the Borrower of its receipt of evidence satisfactory to the Bank that XWTC has in place staff, in sufficient numbers and with qualifications, experience and terms of reference acceptable to the Bank, to be responsible for the following: (i) financial management, (ii) procurement management, (iii) oversight and monitoring of and reporting on resettlement and environmental aspects of the Project, and (iv) engineering aspects of Project activities; and

   (c) under Category (1)(d) until the Bank shall have notified the Borrower of its receipt of evidence satisfactory to the Bank that WAMC has in place staff, in sufficient numbers and with qualifications, experience and terms of reference acceptable
to the Bank, to be responsible for the following: (i) financial management, (ii) procurement management, (iii) oversight and monitoring of and reporting on resettlement and environmental aspects of the Project, and (iv) engineering aspects of Project activities.

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 $4,000,000 equivalent each; (b) goods under contracts costing less $300,000 equivalent each; (c) consultants’ services under contracts with firms costing less than $100,000 equivalent each; (d) consultants’ services under contracts with individuals costing less than $50,000 equivalent each; and (e) training, all under such terms and conditions as the Bank shall specify by notice to the Borrower.
SCHEDULE 2

Description of the Project

The objective of the Project is to assist Jiangsu Province in reducing the degradation of water resources and improving the quality of the urban environment in Wuxi Municipality and Suzhou Municipality, both of which are located in the Tai Basin.

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. Wuxi Municipality

Carry out the following to improve the water quality and urban environment in Wuxi Municipality:

1. Wuli Lake Rehabilitation

   (a) Construction of pollution control facilities (sluice gates and shiplocks) on selected canals and streams that connect Wuli Lake to the hinterland.

   (b) Rehabilitation of selected sections of embankments around Wuli Lake.

   (c) Carrying out of ecological rehabilitation, on a pilot basis, in one or more selected areas of Wuli Lake.

2. Wastewater Treatment Plants and Networks

   (a) Construction of the first phase of the Chengbei-Huishan wastewater treatment plant in Huishan District with capacity for 25,000 cubic meter per day (“m^3/day”) of secondary wastewater treatment, and the associated sewer network to convey sewage flows to said treatment plant, and about 58 kilometers (“km”) of sewers to serve the Changan and Youqiao industrial areas.

   (b) Expansion of the existing Dongting wastewater treatment plant in Xishan District to increase its plant capacity by 30,000 m^3/day and construction of about 40 km of associated sewers.

   (c) Construction of a 20,000 m^3/day capacity secondary wastewater treatment plant in Anzhen township and about 146 km of associated sewers to serve Anzhen, Houqiao and Yangjian townships and the proposed Wuxi East Industrial Park, all within Xishan District.
Part B. Suzhou Municipality

Carry out the following to improve the water quality and urban environment in Suzhou Municipality:

1. Urban Area Canal Network Rehabilitation
   
   (a) Construction of control gates (sluice gates and shiplocks) on Xujiang River and Shangtang River.
   
   (b) Carrying out of a program of sediment dredging in canals located in the core urban area of Suzhou.

2. Wastewater Treatment Plants and Networks
   
   (a) Construction of the second phase of the Fuxin secondary wastewater treatment plant with a capacity of 100,000 m³/day.
   
   (b) Construction of the second phase of the Loujiang secondary wastewater treatment plant with a capacity of 80,000 m³/day.
   
   (c) Construction of the first phase of a secondary wastewater treatment plant with a capacity of 25,000 m³/day and about 43 km of associated sewers to serve the Wuzhong Economic Development Zone in Wuzhong District.

Part C. Implementation Management and Sector Development Assistance

Provision of technical assistance and equipment, where appropriate, to carry out the following:

1. Develop municipality-wide wastewater management masterplans for Wuxi and Suzhou.

2. Enhance the capacity of the Project Companies to operate and manage wastewater utility operations as autonomous and financially sustainable entities in a commercial and competitive environment.

3. Enhance capacity of relevant implementing agencies and entities to implement the Project, including procurement and the management and supervision of construction.
Part D. Resettlement

Resettlement and rehabilitation of Displaced Persons in connection with the carrying out of Parts A and B of the Project.

* * *

The Project is expected to be completed by December 31, 2008.
SCHEDULE 3

Amortization Schedule

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Dollars*</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 15, 2010</td>
<td>1,750,000</td>
</tr>
<tr>
<td>September 15, 2010</td>
<td>1,765,000</td>
</tr>
<tr>
<td>March 15, 2011</td>
<td>1,785,000</td>
</tr>
<tr>
<td>September 15, 2011</td>
<td>1,805,000</td>
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<tr>
<td>March 15, 2012</td>
<td>1,820,000</td>
</tr>
<tr>
<td>September 15, 2012</td>
<td>1,840,000</td>
</tr>
<tr>
<td>March 15, 2013</td>
<td>1,860,000</td>
</tr>
<tr>
<td>September 15, 2013</td>
<td>1,880,000</td>
</tr>
<tr>
<td>March 15, 2014</td>
<td>1,895,000</td>
</tr>
<tr>
<td>September 15, 2014</td>
<td>1,915,000</td>
</tr>
<tr>
<td>March 15, 2015</td>
<td>1,935,000</td>
</tr>
<tr>
<td>September 15, 2015</td>
<td>1,955,000</td>
</tr>
<tr>
<td>March 15, 2016</td>
<td>1,975,000</td>
</tr>
<tr>
<td>September 15, 2016</td>
<td>1,995,000</td>
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<td>March 15, 2017</td>
<td>2,015,000</td>
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<td>September 15, 2017</td>
<td>2,035,000</td>
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<td>March 15, 2018</td>
<td>2,055,000</td>
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<td>September 15, 2018</td>
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<td>March 15, 2019</td>
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<td>September 15, 2019</td>
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<td>March 15, 2020</td>
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<td>September 15, 2020</td>
<td>2,165,000</td>
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<td>March 15, 2021</td>
<td>2,185,000</td>
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<td>September 15, 2021</td>
<td>2,205,000</td>
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<td>March 15, 2022</td>
<td>2,230,000</td>
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<td>September 15, 2022</td>
<td>2,250,000</td>
</tr>
<tr>
<td>March 15, 2023</td>
<td>2,275,000</td>
</tr>
<tr>
<td>September 15, 2023</td>
<td>2,300,000</td>
</tr>
<tr>
<td>March 15, 2024</td>
<td>2,320,000</td>
</tr>
<tr>
<td>September 15, 2024</td>
<td>2,355,000</td>
</tr>
</tbody>
</table>

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

SCHEDULE 4

Special Account

1. For the purposes of this Schedule:

   (a) the term “eligible Categories” means Categories (1), (2), (3) and (4) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

   (b) the term “eligible expenditures” means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Loan allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

   (c) the term “Authorized Allocation” means the amount of $4,200,000 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 the amount of $3,000,000 until 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 the equivalent of $17,000,000.

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 paragraph (a) of Section 2.02 of this Agreement;

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