LOAN NUMBER 4724-CHA

Loan Agreement

(Zhejiang Urban Environment Project)

between

PEOPLE’S REPUBLIC OF CHINA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated June 2, 2004
AGREEMENT, dated June 2, 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 Zhejiang (as defined in Section 1.02) 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 Zhejiang, 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 Project Agreement of even date herewith between the Bank and Zhejiang (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) “Catchment Management Plan” means the integrated Catchment Management Plan dated March 2003 prepared by Ningbo and referred to in paragraph 8(d) of Schedule 2 to the Project Agreement; said Catchment Management Plan sets forth proposed physical interventions and policy instruments to control potentially polluting activities in the catchment area for Dongqian Lake.

(c) “Cicheng” means Cicheng town in the Jiangbei District of Ningbo Municipality, and any successor thereto.

(d) “Cicheng RAP” means ‘Resettlement Action Plan of the Cicheng Town Environment Improvement Project’ dated August 2003, prepared by Ningbo, which sets out the procedures governing land acquisition, resettlement and compensation for Displaced Persons for Part B 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 with the prior agreement of the Bank.

(e) “Complementary Sewer Connection Plan” means the detailed plan dated April 2003 established by Ningbo and referred to in paragraph 8(a) of Schedule 2 to the Project Agreement, regarding the construction of secondary sewer networks in the South Jiangdong District and the Dongqian Lake development zone financed by Ningbo out of its own development budget.

(f) “Displaced Persons” means persons who, on account of the execution of the Project, have 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 persons 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 persons; and a “Displaced Person” means any of such Displaced Persons.

(g) “Dongqian Lake IDC” means Dongqian Lake Investment and Development Company, a state-owned limited liability company established and operating pursuant to its Charter of November 6, 2001, and to Business License No. 3302001004689, dated November 30, 2001, issued by Ningbo Industrial and Commercial Administration Bureau, and any successor thereto.

(h) “Dongqian Lake RAP” means ‘Resettlement Action Plan of the Environment Improvement Projects in Dongqian Lake’ dated August 2003, prepared by Ningbo, which sets out the procedures governing land acquisition, resettlement and compensation for Displaced Persons for C 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 with the prior agreement of the Bank.

(i) “Environmental Management Plan” means the plan prepared on behalf of Zhejiang, and referred to in paragraph 4 of Schedule 2 to the Project Agreement, which is an integral part of the Environmental Assessment Report dated July 2003; said Plan sets 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.

(j) “Fiscal Year” means: (i) in respect of the Borrower, each period from January 1 through December 31 of the calendar year; and (ii) in respect of each of Zhejiang, the Project Municipalities and the Project Companies, each period from January 1 through December 31 of the calendar year.

(k) “Hangzhou” means Hangzhou Municipality within Zhejiang Province, and any successor thereto.

(l) “Hangzhou RAP” means ‘Resettlement Action Plan of Hangzhou No. 2 Refuse Landfill’ dated April 2003, prepared by Hangzhou, which sets out the procedures governing land acquisition, resettlement and compensation for Displaced Persons for Part E 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 with the prior agreement of the Bank.

(m) “Hangzhou SWC” means Hangzhou Solid Waste Company Limited, a state-owned limited liability company established and operating pursuant to its Charter of September 13, 2002, and to Business License No. 3301001006090, dated September 25, 2002, issued by Hangzhou Industrial and Commercial Administration Bureau, and any successor thereto.

(n) “Industrial Pollution Control Action Plan” means the action plan dated June 2003, prepared by Ningbo, and referred to in paragraph 8(c) of Schedule 2 to the Project Agreement, said Action Plan setting forth activities to be carried out by Ningbo to control and minimize industrial pollution in Ningbo in order to protect water quality in watercourses receiving discharges of industrial wastewater and to ensure the sustainability of investments in sewerage systems and in wastewater treatment facilities.

(o) “Jiangdongnan” means South Jiangdong District of Ningbo, and any successor thereto.

(p) “Jiangdongnan RAP” means the Resettlement Action Plan of the Jiangdongnan Sewage Treatment Plant and Related Pipelines’ dated September 2003, prepared by Ningbo, which sets out the procedures governing land acquisition, resettlement and compensation for Displaced Persons for Part A.1 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 with the prior agreement of the Bank.

(q) "Ningbo" means Ningbo Municipality within Zhejiang Province, and
any successor thereto.

(r) "Ningbo SC" means Ningbo Sewerage Company Limited, a state-owned
limited liability company established and operating pursuant to its Charter of November
6, 2002, and to Business License No. 3302001005053, dated November 18, 2002, issued
by Ningbo Industrial and Commercial Administration Bureau, and any successor thereto.

(s) "Plan for Housing Upgrading and Conservation" means the plan dated
June 30, 2003, adopted by Ningbo, and referred to in paragraph 8 (e) of Schedule 2 to the
Project Agreement, for the upgrading of housing and conservation of historic structures
in Cicheng town in Jiangbei District of Ningbo.

(t) "Project Agreement" means the agreement between the Bank and
Zhejiang 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.

(u) "Project Municipalities" means, collectively, Ningbo, Shaoxing and
Hangzhou; and a “Project Municipality” means, individually, any of said Project
Municipalities.

(v) "Resettlement Action Plans" means, collectively, the Zhenhai RAP,
Jiangdongnan RAP, Cicheng RAP, Dongqian Lake RAP, Shaoxing RAP, and Hangzhou
RAP; and a “Resettlement Action Plan” means, individually, any of said Resettlement
Action Plans.

(w) Resettlement Policy Framework means the ‘Policy Framework on
Involuntary Resettlement and Compensations for Land and Other Assets’ dated
December 2003, adopted by Ningbo and Shaoxing, as said Policy Framework may be
revised from time to time with the prior agreement of the Association; said Resettlement
Policy Framework sets out the policies and procedures for land acquisition, resettlement,
compensation and rehabilitation of Displaced Persons, and for the preparation of
resettlement action plans whenever required during the implementation of: (i) in respect
of Ningbo, the Complementary Sewer Connection Plan in Jiangdongnan and Dongqian
Lake area; the landfill in Lupu village, and housing renovation in Cicheng town; and (ii)
in respect of Shaoxing, urban upgrading in Gucheng District beyond the five historic
precincts in the old town of Shaoxing covered under Part D.1 of the Project.

(x) "Respective Parts of the Project” means in respect of:

(i) Ningbo SC, Parts A, B.1, C.1, F.1, F.3 and G of the Project;

(ii) Dongqian Lake IDC, Part C.2 and G of the Project; and
(iii) Hangzhou SWC, Parts E, F.1 and G of the Project.

(y) “Respective Project Company” means in respect of:

(i) Ningbo: Ningbo SC and Dongqian Lake IDC; and 
(ii) Hangzhou: Hangzhou SWC,

collectively, referred to as “Project Companies.”

(z) “Respective Resettlement Action Plans” means in respect of:

(i) Ningbo and Ningbo SC: the Zhenhai RAP, the Jiangdongnan RAP; the Cicheng RAP,
(ii) Ningbo and Dongqian Lake IDC: the Dongqian Lake RAP;
(iii) Hangzhou and Hangzhou SWC: the Hangzhou RAP; and 
(iv) Shaoxing: the Shaoxing RAP.

(aa) “Shaoxing” means Shaoxing Municipality within Zhejiang Province, and any successor thereto.

(bb) “Shaoxing RAP” means the ‘Resettlement Action Plan of the Shaoxing Urban Infrastructure Reconstruction Project’ dated September 2003, prepared by Shaoxing, which sets out the procedures governing land acquisition, resettlement and compensation for Displaced Persons for Part 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 with the prior agreement of the Bank.

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

(dd) “Subsidiary Loan Agreements” means, collectively, the agreements to be entered into between each Project Municipality and its Project Company or Project Companies, as the case may be, pursuant to paragraph 6 of Schedule 2 to the Project Agreement, as the same may be amended from time to time, and such term includes all schedules and supplements to said agreements; and a “Subsidiary Loan Agreement” means, individually, any of said Subsidiary Loan Agreements.

(ee) “Yuan” means the currency of the Borrower.

(ff) “Zhenhai” means Zhenhai District of Ningbo, and any successor thereto.
“Zhenhai RAP” means the Resettlement Action Plan of the Zhenhai Sewage Treatment Plant and Related Pipelines’ dated September 2003, prepared by Ningbo, which sets out the procedures governing land acquisition, resettlement and compensation for Displaced Persons for Part A.2 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 with the prior agreement of the Bank.

Section 1.03. Each reference in the General Conditions to the Project implementation entity shall be deemed as a reference to Zhejiang and each of the Project Municipalities and their Respective 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 one hundred thirty-three million Dollars ($133,000,000).

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods, works and consultants’ services required for the Project and to be financed out of the proceeds of the Loan and 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 June 30, 2010, 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 fee in an amount equal to one percent (1%) of the amount of the Loan. 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 said 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 Dollar 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 April 15 and October 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 as set forth in Schedule 2 to this Agreement, and, to this end, without any limitation or restriction upon any of its other obligations under this Agreement, shall cause Zhejiang to perform in accordance with the provisions of the Project Agreement all the obligations of Zhejiang therein set forth, shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable Zhejiang 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 Zhejiang 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 one percent (1%) of the Loan.

(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 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 Zhejiang pursuant to Section 2.03 of the Project Agreement.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall cause Zhejiang 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 the operations, resources and expenditures related to the Project.

(b) The Borrower shall cause Zhejiang to:

(i) have the records, accounts and 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) Zhejiang 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 Zhejiang will be able to perform its obligations under the Project Agreement.

(c) Any of the parties to any of the Subsidiary Loan Agreements shall have failed to perform any of its respective obligations thereunder.

Section 5.02. Pursuant to Section 7.01(k) of the General Conditions, the following additional event is specified, namely, that any of the events specified in paragraph (a) or (c) 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, the Project Municipalities and their respective Project Company or Project Companies, as the case may be, have each entered into a Subsidiary Loan Agreement satisfactory to the Bank in accordance with the provisions of paragraph 6 of Schedule 2 to the Project Agreement.

Section 6.02. The following events are specified as additional matters, within the meaning of Section 12.02(b) 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 Zhejiang and is legally binding upon Zhejiang in accordance with its terms.

(b) Each of the Subsidiary Loan Agreements 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

Cable address: FINANMIN
Telex: 22486 MFPRC CN
Facsimile: (86-10) 68551125 Beijing
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/ Yukon Huang

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</td>
<td>89,480,000</td>
<td>50%</td>
</tr>
<tr>
<td>(2) Goods for:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Part E (Hangzhou) of the Project</td>
<td>8,030,000</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>(b) Other Parts of the Project</td>
<td>15,760,000</td>
<td></td>
</tr>
<tr>
<td>(3) Consultants’ services</td>
<td>7,790,000</td>
<td>91%</td>
</tr>
<tr>
<td>(4) Fee</td>
<td>1,330,000</td>
<td>Amount due under Section 2.04 of the Loan Agreement</td>
</tr>
<tr>
<td>(5) Unallocated</td>
<td>10,610,000</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>133,000,000</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 to be “foreign expenditures.
(b) The term “local expenditures” means any 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:

   (a) expenditures under the Project prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding $10,000,000 for expenditures by the Project Companies may be made in respect of Categories (1), (2) and (3) on account of payments made for expenditures before that date but after September 1, 2003; and

   (b) expenditures under Category (1) until Zhejiang has entered into a contract or contracts with consulting firm or firms, acceptable to the Bank for the provision of design review and construction management of the Project and for the provision of technical assistance in institutional and financial strengthening.

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 $500,000 equivalent each; and

   (c) consultants’ services under contracts with firms or individuals, each costing less than $300,000 equivalent or $50,000 equivalent, respectively;

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 Zhejiang to: (a) improve waste management and the urban environment in Ningbo and Hangzhou; and (b) revitalize the historic inner cities in Cicheng and Shaoxing to facilitate sustainable development and establish a model for conservation of cultural heritage.

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. Wastewater management in the Districts of Jiangdongnan and Zhenhai in Ningbo Municipality

1. Construction of sewerage infrastructure in Jiangdongnan district, including a wastewater treatment plant (secondary treatment) with a capacity of 160,000 m3/d

2. Construction of sewerage infrastructure in Zhenhai district, including a wastewater treatment plant (secondary treatment) with an initial capacity of 30,000 m3/d.

Part B. Infrastructure upgrading in Cicheng Town in the District of Jiangbei in Ningbo Municipality

Carry out the following in the historic town of Cicheng:

1. Construct a sewerage collection network in Cicheng town, including a pumping station, a pumping main and treatment facilities, which network will be connected to the wastewater treatment plant to be constructed in Jiangdongnan.

2. Upgrade existing roads and the associated underground infrastructure and construct a ring road and bridges along the moat that surrounds Cicheng town and rehabilitate the moat by carrying out dredging and repairs of the embankment and flood control structures.

Part C. Wastewater management and road improvements in Dongqian Lake area

Carry out the following in the Dongqian Lake area in Ningbo, to improve water quality and improve access to the Dongqian Lake in order to enhance tourism development:

1. Expand the sewerage collection and treatment infrastructure, including construction of new sewers, pumping stations and pumping main to connect the sewerage system to the wastewater treatment plant to be constructed in Jiangdongnan and provision of vehicles to assist in future maintenance of said infrastructure.
2. Expand and rehabilitate roads along the shores of the Dongqian Lake to improve access to the lake.

Part D. Housing renovation, heritage conservation, and infrastructure upgrading in Shaoxing historic city center

1. Renovation and upgrading of houses in five historic precincts in the old town of Shaoxing; and restoration and rehabilitation of historic and protected structures to prevent further structural deterioration and improve amenities of the historic sites for residents and tourists.

2. Construction of tertiary and secondary sewers in the small streets of said historic precincts to intercept wastewater discharges into canals; and construction of water supply and gas pipelines to improve public health and provide a cleaner energy source than charcoal.

3. Rehabilitation of the canal system in the historic city-center, including dredging, widening, embankment repair and reinstatement of an old canal, all to improve water quality through enhanced water circulation and benefit navigation of tour boats; and rehabilitation and expansion of the river training works, including pumping stations and flow control gates to increase canal flushing.

4. Carrying out repairs and widening of existing roads to improve access for emergency services; re-paving of roads with more appropriate stone slabs to enhance appearance; construction of new bridges over the new canal section; establishment of new parks at relocated factory sites to provide recreation for residents and tourists, and of parking facilities for tourists to improve access to the historic sites and precincts.

Part E. Expansion of landfill facilities in Hangzhou

Construction of an additional landfill and associated facilities in Hangzhou; provision of equipment and vehicles for their operation; and construction of facilities for gas recovery and electricity production.

Part F. Institution development and strengthening

Carry out capacity development and/or strengthening programs for the following agencies and corporations, through a combination of advisory services and training:

1. Develop the institutional capacity of the newly-incorporated Hangzhou SWC and Ningbo SC, including capacity in the areas of financial, institutional and operational management of a waste management company.

2. Strengthen the capacity of the Project management offices of all Project Municipalities to carry out Project design and procurement reviews, construction management, and quality assurance.
3. Strengthen the capacity of Ningbo Environmental Protection Bureau and Ningbo SC to monitor and manage water pollution, particularly by industries.

4. Strengthen the capacity of Ningbo and Shaoxing to manage the development and growth of the tourism industry in a sustainable manner and with the participation of stakeholders.

5. Strengthen the capacity of relevant agencies in Cicheng and Shaoxing to implement heritage conservation measures and urban upgrading schemes.

Part G. Resettlement

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

* * *

The Project is expected to be completed by December 31, 2009.
### SCHEDULE 3

### Amortization Schedule

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Payment of Principal (expressed in Dollars)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>October 15, 2009</td>
<td>3,935,000</td>
</tr>
<tr>
<td>April 15, 2010</td>
<td>3,970,000</td>
</tr>
<tr>
<td>October 15, 2010</td>
<td>4,000,000</td>
</tr>
<tr>
<td>April 15, 2011</td>
<td>4,035,000</td>
</tr>
<tr>
<td>October 15, 2011</td>
<td>4,065,000</td>
</tr>
<tr>
<td>April 15, 2012</td>
<td>4,100,000</td>
</tr>
<tr>
<td>October 15, 2012</td>
<td>4,130,000</td>
</tr>
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<td>April 15, 2013</td>
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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), and (3) 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 an amount equivalent to $7,000,000 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 equivalent to $5,000,000 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 $33,000,000.

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) 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.

(i) 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 respective 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), 6(b) and 6(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.