Project Agreement

(Fuzhou Nantai Island Peri-Urban Development Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

FUZHOU MUNICIPALITY

Dated November 21, 2006
PROJECT AGREEMENT

AGREEMENT dated November 21, 2006, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and THE FUZHOU MUNICIPALITY (Fuzhou).

WHEREAS (A) by the Loan Agreement of even date herewith between the People’s Republic of China (the Borrower) and the Bank, the Bank has agreed to make a loan to the Borrower in the amount of one hundred million Dollars ($100,000,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that Fuzhou agrees to undertake such obligations toward the Bank as are set forth in this Agreement;

WHEREAS Fuzhou, in consideration of the Bank’s entering into the Loan Agreement with the Borrower, has agreed to undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in the Loan Agreement, the Preamble to this Agreement and the General Conditions (as so defined) have the respective meanings therein set forth.

ARTICLE II

Execution of the Project

Section 2.01. (a) Fuzhou declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Loan Agreement, and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering, urban development, public transports and economic practices, and social and environmental standards acceptable to the Bank, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the Project.
(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Bank and Fuzhou shall otherwise agree, Fuzhou shall carry out the Project in accordance with the Implementation Program set forth in Schedule 2 to this Agreement.

(c) Fuzhou shall make available the proceeds of the Loan to the Project Companies under terms and conditions satisfactory to the Bank, including the same financial terms and conditions of the Loan made so available to Fuzhou, and 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 the Loan 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 the Loan 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 2.02. (a) Except as the Bank shall otherwise agree, procurement of the goods, works, and services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 1 to this Agreement, as said provisions may be further elaborated in the Procurement Plan.

(b) Fuzhou shall update the Procurement Plan in accordance with guidelines acceptable to the Bank, and furnish such update to the Bank not later than twelve (12) months after the date of the preceding Procurement Plan, for the Bank’s approval.

Section 2.03. (a) Fuzhou shall carry out 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 the Project.
(b) For the purposes of Section 9.07 of the General Conditions and without limitation thereto, Fuzhou shall:

(i) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Bank and Fuzhou, a plan for the future operation of the Project; and

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

Section 2.04. (a) Fuzhou shall, at the request of the Bank, exchange views with the Bank with regard to progress of the Project, the performance of its obligations under this Agreement and other matters relating to the purposes of the Loan.

(b) Fuzhou shall promptly inform the Bank of any condition which interferes or threatens to interfere with the progress of the Project, the accomplishment of the purposes of Loan, or the performance by Fuzhou of its obligations under this Agreement.

ARTICLE III

Financial Covenants

Section 3.01. (a) Fuzhou shall maintain a financial management system, including records and accounts, and prepare financial statements, in accordance with consistently applied accounting standards acceptable to the Bank, adequate to reflect its operations and financial condition and to register separately the operations, resources and expenditures related to the Project.

(b) Fuzhou shall:

(i) have the records and accounts referred to in paragraph (a) of this Section for each fiscal year (or other period agreed to by the Bank) audited, in accordance with auditing standards acceptable to the Bank, 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 (6) 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 and accounts and the audit of such financial statements, and concerning said auditors, as the Bank may from time to time reasonably request.

3.02. (a) Without limitation upon Fuzhou reporting obligations set out in paragraph 8 of Schedule 2 to this Agreement, Fuzhou shall prepare and furnish to the Bank financial monitoring reports, in form and substance satisfactory to the Bank, which set forth sources and uses of funds for the Project, both cumulatively and for the period covered by each said report, showing separately funds provided under the Loan, and explain variances between the actual and planned uses of such funds.

(b) The first Financial Monitoring Report shall be furnished to the Bank no later than forty-five (45) days after the end of the first calendar semester after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar semester; thereafter, each financial monitoring report shall be furnished to the Bank not later than forty-five (45) days after each subsequent calendar semester, and shall cover such calendar semester.

ARTICLE IV

Effective Date; Termination;

Cancellation and Suspension

Section 4.01. This Agreement shall come into force and effect on the date upon which the Loan Agreement becomes effective.

Section 4.02. This Agreement and all obligations of the Bank and of Fuzhou hereunder shall terminate on the date on which the Loan Agreement shall terminate in accordance with its terms, and the Bank shall promptly notify Fuzhou thereof.

Section 4.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.
ARTICLE V

Miscellaneous Provisions

Section 5.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telex or facsimile to the party to which it is required or permitted to be given or made at such party’s address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. Deliveries made by facsimile transmission shall also be confirmed by mail. The addresses so specified are:

For the Bank:

International Bank for Reconstruction and Development
1818 H Street, NW
Washington, DC 20433
United States of America

Cable address: INTBAFRAD
Telex: 248423 (MCI) or 64145 (MCI)
Facsimile: (202) 477-6391

For Fuzhou:

Fuzhou Municipal People’s Government
96 Wushan Road
Fujian Province
China

Facsimile: +86-591-83346094

Section 5.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of Fuzhou, may be taken or executed by the Director of Fuzhou Development and Planning Commission of
Fuzhou or such other person or persons as such the Director of Fuzhou Development and Planning Commission of Fuzhou designate in writing, and Fuzhou shall furnish to the Bank sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 5.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

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.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By: /s/ Mr. David Dollar
Authorized Representative

FUZHOU MUNICIPALITY

By: /s/ Mr. Yang Shaolin
Authorized Representative
SCHEDULE 1

Procurement

Section I. General

A. All goods, works and services (other than consultants’ services) shall be procured in accordance with the provisions of Section I of the “Guidelines: Procurement under IBRD Loans and IDA Credits” dated May 2004 (the Procurement Guidelines), and with the provisions of this Schedule.

B. All consultants’ services shall be procured in accordance with Sections I and IV of the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” dated May 2004 (the Consultant Guidelines), and with the provisions of this Schedule.

C. The capitalized terms used below in this Schedule to describe particular procurement methods or methods of review by the Bank of particular contracts, have the meanings ascribed to them in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

Section II. Particular Methods of Procurement of Goods, Works and Services (other than Consultants’ Services)

A. International Competitive Bidding. Except as otherwise provided in Part B of this Section, contracts shall be awarded on the basis of International Competitive Bidding. The provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines, providing for domestic preference in the evaluation of bids, shall apply to goods manufactured in the territory of the Borrower.

B. Other Procurement Procedures

1. National Competitive Bidding. (a) Goods estimated to cost less than $500,000 equivalent per contract and works estimated to cost less than $15,000,000 equivalent per contract, may be procured under contracts awarded on the basis of National Competitive Bidding and the following additional provisions:

   (b) The procedures to be followed for National Competitive Bidding shall be those set forth in the Law on Tendering and Bidding of the People’s Republic of China promulgated by Order No. 21 of the President
of the People’s Republic of China on August 30, 1999, with the following clarifications required for compliance with the Guidelines:

(i) All invitations to prequalify or to bid shall be advertised in a newspaper of national circulation in the Borrower’s country, except for civil works contracts that are estimated to cost less than $2,000,000 equivalent each and for goods contracts that are estimated to cost less than $300,000 equivalent each, which may be advertised in a provincial daily newspaper. Such advertisement shall be made in sufficient time for prospective bidders to obtain prequalification or bidding documents and prepare and submit their responses. In any event, a minimum of thirty (30) days shall be given to bidders between the date of advertisement in such newspaper and the deadline for submission of bids, and the advertisement and bidding documents shall specify the deadline for such submission.

(ii) Qualification requirements of bidders and the method of evaluating the qualification of each bidder shall be specified in detail in the bidding documents.

(iii) All bidders that meet the qualification criteria set out in the prequalification document shall be allowed to bid and there shall be no limit on the number of pre-qualified bidders.

(iv) All bidders shall be required to provide security in an amount sufficient to protect the Borrower and Fuzhou in case of breach of contract by the contractor, and the bidding documents shall specify the required form and amount of such security.

(v) The time for opening of all bids shall be the same as the deadline for receipt of such bids.

(vi) All bids shall be opened in public; all bidders shall be offered an opportunity to be present (either in person or through their representatives) at the time of bid opening, but bidders shall not be required to be present at the bid opening.

(vii) No bid may be rejected solely on the basis that the bid price falls outside any standard contract estimate, or margin or
(viii) Each contract shall be awarded to the lowest evaluated responsive bidder, that is, the bidder who meets the appropriate standards of capability and resources and whose bid has been determined: (A) to be substantially responsive to the bidding documents; and (B) to offer the lowest evaluated cost. The winning bidder shall not be required, as a condition of award, to undertake responsibilities for work not stipulated in the bidding documents or otherwise to modify the bid as originally submitted.

(ix) Each contract financed with the proceeds of the Loan shall provide that the suppliers and contractors shall permit the Bank, at its request, to inspect their accounts and records relating to the performance of the contract and to have said accounts and records audited by auditors appointed by the Bank.

(x) Re-bidding should not be allowed solely because the number of bids is less than three (3).

2. **Shopping.** Goods estimated to cost less than $100,000 equivalent per contract and works estimated to cost less than $100,000 equivalent per contract, may be procured under contracts awarded on the basis of Shopping.

**Section III. Particular Methods of Procurement of Consultants’ Services**

A. **Quality- and Cost-based Selection.** Except as otherwise provided in Part B of this Section, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection. For purposes of paragraph 2.7 of the Consultant Guidelines, the short list of consultants for services estimated to cost less than $300,000 equivalent per contract may comprise entirely national consultants.

B. **Other Procedures**

1. **Selection Based on Consultants’ Qualifications.** Services estimated to cost less than $200,000 equivalent per contract may be procured under contracts awarded
in accordance with the provisions of paragraphs 3.1, 3.7 and 3.8 of the Consultant Guidelines.

2. **Selection Under a Fixed Budget.** Services for assignments which the Bank agrees meet the requirements of paragraph 3.5 of the Consultant Guidelines may be procured under contracts awarded on the basis of a Fixed Budget in accordance with the provisions of paragraphs 3.1 and 3.5 of the Consultant Guidelines.

3. **Single Source Selection.** Services for tasks in circumstances which meet the requirements of paragraph 3.10 of the Consultant Guidelines for Single Source Selection, may, with the Bank’s prior agreement, be procured in accordance with the provisions of paragraphs 3.9 through 3.13 of the Consultant Guidelines.

4. **Individual Consultants.** Services for assignments that meet the requirements set forth in the first sentence of paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.2 through 5.3 of the Consultant Guidelines. Under the circumstances described in paragraph 5.4 of the Consultant Guidelines, such contracts may, with the Bank’s prior agreement, be awarded to individual consultants on a sole-source basis.

**Section IV. Review by the Bank of Procurement Decisions**

Except as the Bank shall otherwise determine by notice to the Borrower, the following contracts shall be subject to Prior Review by the Bank: (a) the first contract for goods and civil works under each Part of the Project regardless of its method of procurement and contract value; (b) the first contract for goods and civil works procured through National Shopping, National Competitive Bidding, and International Competitive Bidding regardless of the contract value, (c) each contract for civil works estimated to cost the equivalent of US$3,000,000 or more, (d) each contract for goods estimated to cost the equivalent of US$300,000 or more, (e) the first contract for consultants’ services procured under Quality- and Cost-based Selection, Selection Based on Consultants’ Qualifications, Selection Under a Fixed Budget and Individual Consultants, (f) each contract for consultants’ services estimated to cost the equivalent of US$200,000 or more for firms, and $50,000 or more for individuals; (g) each contract for consultants’ services procured under single source selection regardless of the contract value, and (h) each contract for individual consultants’ services procured under single source selection regardless of the contract value. Terms of Reference for all consultant’s contracts regardless of the contract value and procurement method. All other contracts shall be subject to Post Review by the Bank.
SCHEDULE 2

Implementation Program

Project Management

1. Fuzhou shall maintain throughout the period of implementation of the Project:

(a) the Municipal Project Leading Group with representatives of the following agencies: Fuzhou Municipal Government, Fuzhou Development and Reform Commission, Fuzhou Urban Planning Bureau, Fuzhou Land Management Bureau, Fuzhou Environmental Protection Bureau, Fuzhou Construction Bureau, Fuzhou Financial Bureau, and Fuzhou Cultural Heritage Bureau, with terms of reference, staffing and other resources as shall be required for purposes of overseeing the implementation of the Project; and

(b) the FWPMO responsible for the overall coordination and management of Project implementation, including activities related to environment, resettlement, finance, and administration, headed by a qualified and experienced manager who shall be the director of the FDPC, and assigned with a Deputy Director, a Financial Management Specialist, a Resettlement Specialist, an Environmental Specialist and a Procurement expert, and assigned with such powers, funds, staff in adequate numbers and other resources as shall be required to enable FWMO to achieve its purposes.

Resettlement and Environment Protection

2. Fuzhou shall:

(a) take, all necessary actions to minimize to the extent possible any involuntary loss by persons of shelter, productive assets or access to productive assets or income or means of livelihood, temporarily or permanently in the carrying out the Project or any Part thereof;

(b) implement, and cause Fuzhou and the Project Companies to implement the Resettlement Action Plan and the Resettlement Policy Framework, in a manner satisfactory to the Bank; and

(c) furnish to the Bank for its concurrence any proposed modification or waiver of the Resettlement Action Plan and the Resettlement Policy Framework, prior to putting into effect any such modification or waiver.
3. Fuzhou shall implement, the Environmental Management Plan in a manner satisfactory to the Bank and designed to ensure that the Project is implemented in accordance with sound environmental practices and standards acceptable to the Bank.

4. Fuzhou shall:

   (a) maintain policies and procedures adequate to enable them to monitor and evaluate, in accordance with guidelines acceptable to the Bank, the implementation of the Environmental Management Plan, the Resettlement Action Plan, the Resettlement Policy Framework, the achievement of the objectives of said Plans and Framework, including the engagement of experienced and qualified independent monitoring agencies acceptable to the Bank;

   (b) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank internal monitoring reports on the implementation of EMP and RAP, by February 15 and August 15 of each year, commencing on February 15 2006, and thereafter during Project implementation, covering the periods January-June and July-December respectively, together with any revisions proposed to be introduced into such Plans in order to achieve their respective objectives; and

   (c) introduce such revisions into such Plans as shall have been agreed with the Bank.

5. Fuzhou shall:

   (a) provide financial management training to all relevant Project staff in a manner and substance satisfactory to the Bank; and

   (b) apply the Financial Management Manual in the carrying out of the Project.

Financial Arrangements between Fuzhou and the Project Companies

6. Fuzhou shall:

   (a) onlend to the Project Companies the proceeds of the Loan under Project Companies Subsidiary Loan Agreements to be entered into between Fuzhou and each of the Project Companies: (i) on the principal terms set forth in Section I of Schedule 3 to this Agreement; and (ii) under conditions which shall have been approved by the Bank, and which shall include, without limitation, those set forth in Section II of Schedule 3 to this Agreement.
(b) cause each of the Project Companies to: (A) perform, in accordance with the provisions of the Project Companies Subsidiary Loan Agreement to which said Project Company is a party, all of the obligations of said Project Company therein set forth; (B) take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable said Project Company to perform such obligations; and (C) not take or permit to be taken any action which would prevent or interfere with such performance.

(c) exercise its rights under each Project Company 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, not assign, amend, abrogate or waive any Subsidiary Loan Agreement.

Operations and Maintenance Plans

7. Fuzhou shall:

(a) by not later than March 1 in each year, commencing on March 1, 2006 and thereafter, until the completion of the Project, exchange views with the Bank on its proposed road maintenance plan and a budget for the following fiscal year, and thereafter approve and implement such plan and budget, taking into account the Bank’s comments, if any;

(b) by not later than October 1, 2008, prepare and furnish to the Bank for its review and comments, an operations and maintenance plan, for the operation and maintenance of the roads constructed under the Project, and thereafter, implement, or cause to be implemented, said plan taking into account the Bank’s comments, if any;

(c) by no later than March 1 in each year, commencing on March 1, 2006, and until completion of the Project, furnish to the Bank for its review and comments, an updated Procurement Plan to reflect the actual Project implementation needs and improvements in institutional capacity, and thereafter implement such updated plans taking into account the Bank’s comments, if any; and

(d) retain the services of a team of construction supervision experts, whose qualifications, experience and terms and conditions of employment shall be acceptable to the Bank, for carrying out the supervision of each Civil Works’ contract.
Monitoring and Reporting

8. Fuzhou shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Bank, and set forth in the Annex to this Schedule, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, on or about February 15 and August 15 of each year, commencing in February 15, 2006, a semi-annual report, integrating the results of the monitoring and evaluation activities performed pursuant to sub-paragraph (a) of this paragraph (integrating the report furnished by the Project Companies pursuant to paragraph 5(e) of Section II in Schedule 3 to this Agreement), each such report to: (i) set out physical progress in the implementation of the Project, both cumulatively, and in respect of the preceding calendar semester, and explain variances between the actual and planned Project implementation; and (ii) set forth the status of procurement under the Project as at the end of the period covered by said report;

(c) prepare, under terms of reference satisfactory to the Bank and furnish to the Bank on or about February 28, 2008, a mid-term report on the progress achieved in the carrying out of the Project during the period preceding such report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(d) review with the Bank by May 15, 2008, or such later date as the Bank shall request, the mid-term report referred to in sub-paragraph (c) of this paragraph, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Bank’s views on the matter.
### ANNEX

#### Performance Indicators

<table>
<thead>
<tr>
<th>Outcome indicators</th>
<th>Baseline</th>
<th>YR1</th>
<th>YR2</th>
<th>YR3</th>
<th>YR4</th>
<th>YR5</th>
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<tbody>
<tr>
<td><strong>Transport Investments</strong></td>
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<tr>
<td>1. Travel times for autos, non-motorized vehicles and quality of service for public transport</td>
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<tr>
<td>Corridor 1. Fanchuanpu Cathedral to Fuzhou Planning Commission at 21 Douxi Rd., Nanmen Fuzhou (distance 7.7 km, measurement made at 3 p.m. on a weekday)</td>
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<td>Auto travel time in minutes</td>
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<td>Public transport travel time in minutes</td>
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<tr>
<td>In-vehicle travel time in minutes</td>
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<td>Walk time in minutes</td>
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<td>Wait time in minutes</td>
<td>3+4:30</td>
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<td>Transfers</td>
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<td>Corridor 2. Yi Ming Paper Box Factory to Mawei Port (distance 27.3 km, measurement made at 3 p.m. on a weekday)</td>
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<tr>
<td>Auto travel time in minutes</td>
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<td>Corridor 3. Nike Factory to Railway Station (distance 14 km, measurement made at 3 p.m. on a weekday)</td>
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<td>Auto travel time in minutes</td>
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<td>Public transport travel time in minutes</td>
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<td>In-vehicle travel time in minutes</td>
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<td>Outcome indicators</td>
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<td>Corridor 4 (bus priority corridor). Taijian Cinema to Law college (distance 11.6 miles following the route of Line 51 changing to Line 966 at Gou San Jou, measured at 5 p.m. on a weekday)</td>
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<td>83</td>
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<td>60</td>
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<td>2. Public Transport Development</td>
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<tr>
<td>Number of bus routes serving Nantai Island</td>
<td>53</td>
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<td>Number of bus route-km in Nantai Island</td>
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<td>Annual number of bus passengers originating and completing trips in Nantai Island</td>
<td>85.8 million</td>
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<td>200 million</td>
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<td>Technical Assistance</td>
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<td>3. Incorporation of mechanism to coordinate land use and transport planning in master plan update</td>
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<td>4. Adoption of tool to monitor land-lease values</td>
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<td>5. Adoption of initiative to improve planning and built environment in Nantai Island from TA, such as adoption of new urban design guidelines, action to preserve historic areas, or zoning regulations based on functional specifications</td>
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<td>Other Indicators Monitored</td>
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<td></td>
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<td></td>
</tr>
<tr>
<td>6. Population of Nantai Island</td>
<td>480,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. Size (product value) of secondary industry in Nantai Island</td>
<td>¥20.93 billion</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. Road maintenance budget provided to road maintenance division of the Fuzhou Construction Bureau (base data is for 2004)</td>
<td>¥52.9 million</td>
<td></td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>
### 9. Mode shares in Fuzhou

<table>
<thead>
<tr>
<th>Outcome indicators</th>
<th>Baseline</th>
<th>YR1</th>
<th>YR2</th>
<th>YR3</th>
<th>YR4</th>
<th>YR5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pedestrians</td>
<td>35.25</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cycle</td>
<td>30.06</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bus</td>
<td>12.45</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxi</td>
<td>1.10</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Motorcycle</td>
<td>13.77</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Autos</td>
<td>7.37</td>
<td></td>
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</tbody>
</table>

### Results indicators for each component

<table>
<thead>
<tr>
<th>Component One (percentage of civil works completed)</th>
<th>Baseline</th>
<th>YR1</th>
<th>YR2</th>
<th>YR3</th>
<th>YR4</th>
<th>YR5</th>
</tr>
</thead>
<tbody>
<tr>
<td>NJBL</td>
<td>20</td>
<td>70</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>3RR</td>
<td>0</td>
<td>30</td>
<td>60</td>
<td>80</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Kuiqi bridge</td>
<td>0</td>
<td>0</td>
<td>25</td>
<td>80</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Component Two</th>
<th>Baseline</th>
<th>YR1</th>
<th>YR2</th>
<th>YR3</th>
<th>YR4</th>
<th>YR5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bus priority</td>
<td>20</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Jinshan Depot</td>
<td>0</td>
<td>25</td>
<td>50</td>
<td>80</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Dispatching equipment</td>
<td>0</td>
<td>0</td>
<td>50</td>
<td>75</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Other equipment</td>
<td>0</td>
<td>10</td>
<td>50</td>
<td>75</td>
<td>100</td>
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</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Component Three</th>
<th>Baseline</th>
<th>YR1</th>
<th>YR2</th>
<th>YR3</th>
<th>YR4</th>
<th>YR5</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>10</td>
<td>40</td>
<td>70</td>
<td>100</td>
<td>100</td>
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</tbody>
</table>
SCHEDULE 3

Principal Terms and Conditions of the
Project Companies Subsidiary Loan Agreements

For purposes of paragraph 6 of Schedule 2 to this Agreement: (a) the
terms of availability of the Loan proceeds shall be those set forth in Section I of
this Schedule 3; and (b) the Project Companies Subsidiary Loan Agreements shall
be entered into on the conditions set forth in Section II of this Schedule 3.

Section I. Terms of Availability

1. The principal amount of each Project Company Subsidiary Loan made available by
Fuzhou to each of the Project Companies, (FUCDC for purposes of Part A of the Project
and FPTGC for purposes of Part B of the Project), shall be the amount equivalent in Dollars
(on the respective dates of withdrawal from the Loan Account) of the value of the currency
or currencies so withdrawn on account of its Project Company’s respective Part of the
Project.

2. Each Project Company shall repay: (a) such principal amount; and (b) an
amount equal to one (1) percent, or such other percentage as may be determined
by the Bank from time to time pursuant to Section 2.04 of the Loan Agreement, of
such principal amount, over a period of not more than twenty (20) years, inclusive
of a grace period of five (5) years.

3. Each Project Company shall pay interest on the principal amount thereof
withdrawn and outstanding from time to time at a rate not less than the rate of interest
applicable from time to time to the Loan pursuant to Section 2.06 of the Loan Agreement.

4. Each Project Company shall pay a commitment charge on such principal
amount, not withdrawn from time to time at a rate equal to three fourths of one
percent (3/4 of 1%) per annum.

Section II. Conditions

The Project Companies Subsidiary Loan Agreements shall include the
following principal conditions:

1. Each Project Company shall undertake to: (a) carry out their respective
Parts of the Project with due diligence and efficiency and in accordance with
appropriate management, financial, engineering practices, and social and
environmental standards acceptable to the Bank, and provide, promptly as needed,
the funds, facilities and other resources required for the purpose; and (b) without limitation on the foregoing, take all measures necessary to ensure that their respective Parts of the Project shall be implemented in accordance with the Resettlement Action Plan(s), Resettlement Policy Framework and the Environmental Management Plan, as the case may be.

2. Each Project Company shall undertake to procure the goods, works and services to be financed out of the proceeds of the Loan in accordance with the provisions of Schedule 1 to this Agreement, and utilize such goods, works and services exclusively in the carrying out of their respective Parts of the Project.

3. Each Project Company shall undertake to enable the Bank and Fuzhou to inspect such goods and the sites and works included in their respective Part of the Project, the operation thereof, and any relevant records and documents.

4. Each Project Company shall undertake to take out and maintain with responsible insurers such insurance, against such risks and in such amounts, as shall be consistent with sound business practice, including, without limitation, such insurance to cover hazards incident to the acquisition, transportation and delivery of goods financed out of the proceeds of the Loan to the place of use or installation, any indemnity thereunder to be made payable in a currency freely usable to replace or repair such goods.

5. Each Project Company shall undertake to:

   (a) maintain records and accounts adequate to reflect in accordance with sound accounting practices their operations and financial condition;

   (b) have their financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;

   (c) furnish to the Bank and Fuzhou, as soon as available but in any case not later than six (6) months after the end of each such year, certified copies of said financial statements and accounts for such year as so audited; an opinion on such statements by said auditors in such scope and detail as the Bank or Fuzhou shall have reasonably requested; and all such other information concerning said records, accounts and financial statements, as well as the audit thereof, as the Bank or Fuzhou shall reasonably request.

   (d) Prepare and furnish to the Bank and Fuzhou all such other information concerning said records, accounts and financial statements, as well as the audit thereof, as the Bank and/or Fuzhou shall reasonably request; and
(e) Each Project Company shall undertake to:

(i) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Bank and Fuzhou the carrying out of their respective Parts of the Project and the achievement of the objectives thereof; and

(ii) prepare, under terms of reference satisfactory to the Bank and Fuzhou, and furnish to Fuzhou for its review, consolidation and submission to the Bank in accordance with paragraph 8 (b) of Schedule 2 to this Agreement on or about August 15 and February 15 of each year, commencing on February 15, 2006, semi-annual reports integrating the results of the monitoring and evaluation activities performed pursuant to clause (i) of this sub-paragraph (e) on the progress achieved in the carrying out of their respective Parts of the Project during the period preceding the date of each such report.

6. Fuzhou shall have the right to suspend or terminate the right of the Project Company to the use of the proceeds of the Loan made available under the Project Company Subsidiary Loan Agreement with said Project Company upon failure by such Project Company to perform its obligations under the agreement.