Mr. Chen Shixin  
Director-General  
International Economic and Financial Cooperation Department  
Ministry of Finance  
People’s Republic of China

RE: CHINA: Bayannaoer Water and Environment Comprehensive Management Project  
(Loan No. 8047-CN)  
Second Amendment to the Loan Agreement and Extension of Closing Date

Dear Mr. Chen:

We refer to the Loan Agreement (the Loan Agreement) dated July 29, 2011, as amended on June 1, 2015, between the People’s Republic of China (the Borrower) and the International Bank for Reconstruction and Development (IBRD or the Bank) and the Project Agreement (the Project Agreement) of the same date between the Bank and Inner Mongolia Autonomous Region, both for the above-referenced project (the Project).

We also refer to the communication from the Ministry of Finance, dated October 19, 2017, notifying the Bank of the Borrower’s decision to cancel a portion of the loan for the Project in the amount of USD 7,920,000 pursuant to Section 7.01 of the IBRD General Conditions for Loans dated July 31, 2010 and requesting a restructuring of the Project, which requires certain amendments to the Loan Agreement.

We acknowledge the cancellation of the portion of loan. Further, we are pleased to inform you that the Bank concurs with your request to restructure the project and accordingly:

(A) proposes to amend the Loan Agreement as follows:

1. The project development objective as stated in Schedule 1 is amended to read as follows:

“The objective of the Project is to support Bayannaoer: (a) to better utilize water resources without compromising the water use for irrigation; and (b) to improve the water environment of Wuliangshuai Lake by reducing water pollution entering such lake.”

2. Part 2 of Schedule 1 is amended to read as follows (emphasis added):

“Part 2. Wastewater Management.

Construction of three wastewater treatment plants - in the Wulateqianqi, Gangqimaodu and Wulatehouqi Industrial Estates - and secondary and tertiary treatment (including a low flow wastewater treatment system comprising reverse osmosis and mechanical vapor recompression technologies at the Wulateqianqi...
Wastewater Treatment Plant), as well as distribution networks for recycled water in Ganqimaodu and Wulatehouqi Industrial Estates.

3. The table in Section IV.A.2 of Schedule 2 is amended to read as set forth in the Attachment to this amendment letter.

(B) has established December 31, 2018 as the later date for purposes of Section IV.B.2 of Schedule 2 to the Loan Agreement; and

Except as specifically amended in this letter, all other terms and conditions of the Loan Agreement shall remain in full force and effect.

Please confirm your agreement to the foregoing on behalf of the Borrower by countersigning and dating the form of confirmation set forth below, and returning one fully countersigned original of this amendment letter to us and retaining one original for your records.

Upon receipt by the Bank of the countersigned original of this amendment letter, this amendment letter shall become effective as of the date of the countersignature (except for the provision related to the extension of the Closing Date under paragraph (B) above, which becomes effective upon dispatch of this amendment letter).

Yours sincerely,

[Signature]

Bert Homan
Country Director, China

CONFIRMED:

PEOPLE’S REPUBLIC OF CHINA

By:  

Authorized Representative

Name:  

Wang Zhongjing

Title:  

Deputy Director General

Date:  

2018. 1. 8

cc:  

Ms. Bu Xiaolin, Chairman
Inner Mongolia Autonomous Region
No.19, Chilechuan Street
Huhhot City
Inner Mongolia
People’s Republic of China
### Revised Withdrawal Schedule Following Cancellation of a Portion of the Loan and Reallocation of Loan Proceeds

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Loan Allocated (expressed in Dollars)</th>
<th>Percentage of Expenditures to be financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Works</td>
<td>56,230,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods</td>
<td>14,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Consultant services</td>
<td>1,300,000</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Training, Workshops and Study Tours</td>
<td>350,000</td>
<td>100%</td>
</tr>
<tr>
<td>(5) Front-end Fee</td>
<td>200,000</td>
<td>Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07(b) of the General Conditions</td>
</tr>
</tbody>
</table>

**SUB-TOTAL AMOUNT**

|                                                   | 72,080,000 |

Cancelled as of October 19, 2017

| Original Loan Amount                             | 80,000,000 |
Copy to:

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