
LOAN NUMBER 3082-PRC

LOAN AGREEMENT
(Ordinary Operations)

(Railway Energy Efficiency and Safety Enhancement Investment Program - Tranche 4)

between

PEOPLE'S REPUBLIC OF CHINA

and

ASIAN DEVELOPMENT BANK

DATED 30 MAY 2014

PRC 43332

LOAN AGREEMENT (Ordinary Operations)

LOAN AGREEMENT dated 30 May 2014 between PEOPLE'S REPUBLIC OF CHINA ("Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) by a framework financing agreement dated 10 November 2009 between the Borrower and ADB, ADB has agreed to provide a multitranche financing facility to the Borrower for purposes of financing projects under the Railway Energy Efficiency and Safety Enhancement Investment Program;

(B) by a periodic financing request dated 26 September 2013, the Borrower has applied to ADB for a loan ("Tranche 4") for the purposes of the Project described in Schedule 1 to this Loan Agreement; and

(C) ADB has agreed to make a loan to the Borrower from ADB's ordinary capital resources upon the terms and conditions set forth herein;

NOW THEREFORE the parties hereto agree as follows:

ARTICLE I

Loan Regulations; Definitions

Section 1.01. All the provisions of the Ordinary Operations Loan Regulations Applicable to LIBOR-Based Loans Made from ADB's Ordinary Capital Resources, dated 1 July 2001 ("Loan Regulations"), are hereby made applicable to this Loan Agreement with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications:

(a) Section 3.03 is deleted and the following is substituted therefor:

Commitment Charge; Credit; Maturity Premium.

(a) The Borrower shall pay a commitment charge on the unwithdrawn amount of the Loan at the rate and on the terms specified in this Loan Agreement.

(b) ADB shall provide to the Borrower a credit at the rate specified in this Loan Agreement, which credit shall remain fixed for the term of the Loan. ADB shall apply the credit against the interest payable by the Borrower.

(c) The Borrower shall pay a maturity premium at the rate specified in the Loan Agreement, which maturity premium shall

remain fixed for the term of the Loan. ADB shall add the maturity premium to the interest payable by the Borrower.

- (b) Section 3.06 is deleted and the following is substituted therefor:

Rebate. (a) Following any announcement by ADB that the Fixed Spread applicable to new Loans shall be reduced, ADB shall provide a Rebate to any Borrower with an outstanding Loan on which a higher Fixed Spread is applicable. The amount of the Rebate shall be determined by multiplying (i) the difference between the Fixed Spread applicable to the outstanding Loan and the Fixed Spread that shall be applied to new Loans (expressed as a percentage per annum), by (ii) the principal amount of the outstanding Loan on which the Borrower shall pay interest for all interest periods commencing on and after the effective date of the lower Fixed Spread that will be applied to new Loans.

(b) Following any announcement by ADB that its Funding Cost Margin calculations with respect to any Loan Currency (or Approved Currency) in any Semester resulted in ADB achieving savings, ADB shall provide a Rebate to the Borrower. The amount of the Rebate shall be determined by multiplying (i) the Funding Cost Margin (expressed as a percentage per annum) by (ii) the principal amount of the Loan on which the Borrower shall pay interest for the Interest Period commencing immediately after the Semester for which the Funding Cost Margin was calculated. ADB shall apply the amount of the Rebate against the interest payable by the Borrower for the Interest Period commencing immediately after the Semester for which the Funding Cost Margin was calculated.

- (c) Section 3.07 is deleted and the following is substituted therefor:

Surcharge. (a) Following any announcement by ADB that the Fixed Spread applicable to new Loans shall be increased, any Borrower with an outstanding Loan on which a lower Fixed Spread is applicable shall pay ADB a Surcharge. The amount of the Surcharge shall be determined by multiplying (i) the difference between the Fixed Spread that shall be applied to new Loans and the Fixed Spread applicable to the outstanding Loan (expressed as a percentage per annum), by (ii) the principal amount of the outstanding Loan on which the Borrower shall pay interest for all interest periods commencing on and after the effective date of the higher Fixed Spread that shall be applied to new Loans.

(b) Following any announcement by ADB that its Funding Cost Margin calculations with respect to any Loan Currency (or Approved Currency) in any Semester resulted in ADB incurring additional costs, the Borrower shall pay ADB a Surcharge. The amount of the Surcharge shall be determined by multiplying (i) the Funding Cost Margin (expressed as a

percentage per annum) by (ii) the principal amount of the Loan on which the Borrower shall pay interest for the Interest Period commencing immediately after the Semester for which the Funding Cost Margin was calculated. ADB shall add the amount of the Surcharge to the interest payable by the Borrower for the Interest Period commencing immediately after the Semester for which the Funding Cost Margin was calculated.

Section 1.02. Wherever used in this Loan Agreement, the several terms defined in the Loan Regulations have the respective meanings therein set forth unless modified herein or the context otherwise requires. Additional terms used in this Loan Agreement have the following meanings:

(a) “CRC” means China Railway Corporation, a company wholly owned by the Borrower;

(b) “Facility” means the multitranche financing facility provided by ADB to the Borrower for purposes of financing projects under the Investment Program;

(c) “FAM” means the Facility administration manual revised as of 14 November 2013 and agreed between CRC and ADB, as updated from time to time in accordance with the respective administrative procedures of the Borrower and ADB;

(d) “FFA” means the framework financing agreement dated 10 November 2009 between the Borrower and ADB with respect to the Facility;

(e) “Goods” means equipment and materials to be financed out of the proceeds of the Loan; including related services such as transportation, insurance, installation, commissioning, training, and initial maintenance, but excluding consulting services;

(f) “Investment Program” means the Railway Energy Efficiency and Safety Enhancement Investment Program;

(g) “Loan Disbursement Handbook” means ADB’s Loan Disbursement Handbook (2012, as amended from time to time);

(h) “Management Letter” means formal communications from the auditor to the client management in accordance with the International Standard on Auditing 265 (communicating deficiencies in internal control to those charged with governance and management), which is not required to be provided separately as it is equivalent to the Audit Findings and Recommendations prepared by the Project auditor and submitted to ADB;

(i) “Onlending Agreement” means an agreement between the Borrower and CRC referred to in Section 3.01 of this Loan Agreement;

(j) “Procurement Guidelines” means ADB’s Procurement Guidelines (2013, as amended from time to time);

(k) “Procurement Plan” means the procurement plan for the Project dated 14 November 2013 and agreed between CRC and ADB, as updated from time to time in accordance with Procurement Guidelines, and other arrangements agreed with ADB;

(l) “Project Executing Agency” or “EA” for the purpose of, and within the meaning of the Loan Regulations, means CRC, or any successor thereto acceptable to ADB, which is responsible for the carrying out the Project;

(m) “Project facilities” means the equipment to be provided and the facilities to be constructed, upgraded and/or rehabilitated under the Project; and

(n) “Railway Development Plan” means the Borrower’s Railway Development Loan in 2004 and updated in 2008, and any subsequent updates thereto.

ARTICLE II

The Loan

Section 2.01. (a) ADB agrees to lend to the Borrower from ADB’s ordinary capital resources an amount of one hundred eighty million Dollars (\$180,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.06 of this Loan Agreement.

(b) The Loan has a principal repayment period of 20 years, and a grace period as defined in subsection (c) hereinafter.

(c) The term “grace period” as used in subsection (b) hereinabove means the period prior to the first Principal Payment Date in accordance with the amortization schedule set forth in Schedule 2 to this Loan Agreement.

Section 2.02. The Borrower shall pay to ADB interest on the principal amount of the Loan withdrawn and outstanding from time to time at a rate for each Interest Period equal to the sum:

- (a) LIBOR;
- (b) 0.60% as provided by Section 3.02 of the Loan Regulations less a credit of 0.20% as provided by Section 3.03 of the Loan Regulations; and
- (c) a maturity premium of 0.20% as provided by Section 3.03 of the Loan Regulations.

Section 2.03. The Borrower shall pay a commitment charge of 0.15% per annum. Such charge shall accrue on the full amount of the Loan (less amounts withdrawn from time to time), commencing sixty (60) days after the date of this Loan Agreement.

Section 2.04. Interest and other charges on the Loan shall be payable semiannually on 15 May and 15 November in each year.

Section 2.05. The Borrower shall repay the principal amount of the Loan withdrawn from the Loan Account in accordance with the provisions of Schedule 2 to this Loan Agreement.

Section 2.06. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management:

- (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, whether withdrawn and outstanding or unwithdrawn, to an Approved Currency;
- (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding from a Floating Rate to a Fixed Rate, or vice versa; and
- (iii) the setting of limits on the Floating Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on said Floating Rate.

(b) Any conversion requested pursuant to subsection (a) hereinabove that is accepted by ADB shall be considered a "Conversion", as defined in Section 2.01(6) of the Loan Regulations, and shall be effected in accordance with the provisions of Article V of the Loan Regulations and the Conversion Guidelines.

ARTICLE III

Use of Proceeds of the Loan

Section 3.01. (a) The Borrower shall relend the proceeds of the Loan to CRC upon terms and conditions acceptable to ADB under an Onlending Agreement. Except as ADB may otherwise agree, the terms on which the proceeds of the Loan shall be made available to CRC include (i) commitment charge and interest at the rate identical to those applied to the Loan; (ii) the identical principal repayment period and grace period as that of the Loan; and (iii) CRC bearing the foreign exchange and interest rate variation risks.

(b) The Borrower shall cause CRC to apply the proceeds of the Loan to the financing of expenditures on the Project in accordance with the provisions of this Loan Agreement and the Project Agreement.

Section 3.02. The proceeds of the Loan shall be allocated and withdrawn in accordance with the provisions of Schedule 3 to this Loan Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and ADB.

Section 3.03. Except as ADB may otherwise agree, the Borrower shall procure, or cause to be procured, the items of expenditure to be financed out of the proceeds of the Loan in accordance with the provisions of Schedule 4 to this Loan Agreement. ADB may

refuse to finance a contract where any such item has not been procured under procedures substantially in accordance with those agreed between the Borrower and ADB or where the terms and conditions of the contract are not consistent with ADB's policies and guidelines.

Section 3.04. Except as ADB may otherwise agree, the Borrower shall cause all items of expenditure financed out of the proceeds of the Loan to be used exclusively in the carrying out of the Project.

Section 3.05. The Loan Closing Date for the purposes of Section 9.02 of the Loan Regulations shall be 30 June 2019 or such other date as may from time to time be agreed between the Borrower and ADB.

ARTICLE IV

Particular Covenants

Section 4.01. (a) The Borrower shall cause CRC to carry out the Project with due diligence and efficiency and in conformity with sound administrative, financial, engineering, environmental and railway construction, maintenance and operations practices.

(b) In the carrying out of the Project and operation of the Project facilities, the Borrower shall perform, or cause to be performed, all obligations set forth in Schedule 5 to this Loan Agreement and the Project Agreement.

Section 4.02. The Borrower shall make available, or cause to be made available, promptly as needed, the funds, facilities, services and other resources, as required, in addition to the proceeds of the Loan, for the carrying out of the Project and for the operation and maintenance of the Goods.

Section 4.03. The Borrower shall ensure that the activities of its departments and agencies with respect to the carrying out of the Project and operation of the Goods are conducted and coordinated in accordance with sound administrative policies and procedures.

Section 4.04. The Borrower shall cause CRC to enable ADB's representatives to inspect the Project, the Goods and any records and documents relating to the Project.

Section 4.05. The Borrower shall take all actions which shall be necessary on its part to enable CRC to perform its obligations under the Project Agreement, and shall not take or permit any action which would interfere with the performance of such obligations.

Section 4.06. (a) The Borrower shall exercise its rights under the Onlending Agreement in such a manner as to protect the interests of the Borrower and ADB and to accomplish the purposes of the Loan.

(b) No rights or obligations under the Onlending Agreement shall be assigned, amended, abrogated or waived without the prior concurrence of ADB.

ARTICLE V

Effectiveness

Section 5.01. A date ninety (90) days after the date of this Loan Agreement is specified for the effectiveness of the Loan Agreement for the purposes of Section 10.04 of the Loan Regulations.

ARTICLE VI

Miscellaneous

Section 6.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 12.02 of the Loan Regulations.

Section 6.02. The following addresses are specified for the purposes of Section 12.01 of the Loan Regulations:

For the Borrower

Ministry of Finance
Sanlihe, Xicheng District
Beijing 100820
People's Republic of China

Facsimile Number:

(8610) 6855-1125.

For ADB

Asian Development Bank
6 ADB Avenue, Mandaluyong City
1550 Metro Manila
Philippines

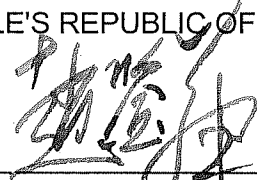
Facsimile Numbers:

(632) 636-2444
(632) 636-2426.

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be signed in their respective names as of the day and year first above written and to be delivered at the principal office of ADB.

PEOPLE'S REPUBLIC OF CHINA

By



ZHAO JIANHUA

Authorized Representative

ASIAN DEVELOPMENT BANK

By



AYUMI KONISHI

Director General
East Asia Department

SCHEDULE 1**Description of the Project**

1. The objective of the Investment Program is to improve in the southwestern region in the territory of the Borrower a railway transport system that is energy-efficient, safe, reliable, affordable and environment-friendly.
2. As part of the Investment Program, the Project aims to enhance environmental protection and safety in the railway transport system in the southwestern region of the Borrower.
3. The Project shall consist of procurement of equipment for (a) environmental protection, and (b) safety enhancement as more fully described in the Borrower's periodic financing request No. 4 dated 26 September 2013.
4. The Project is expected to be completed by 31 December 2018.

SCHEDULE 2

Amortization Schedule
(Railway Energy Efficiency and Safety Enhancement Investment Program - Tranche 4)

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (Installment Share). If the proceeds of the Loan shall have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by ADB by multiplying: (a) the total principal amount of the Loan withdrawn and outstanding as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayment amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

| Date Payment Due | Installment Share (Expressed as a % based on 10% annuity) |
|---------------------|--|
| 15 May 2019 | 0.827816 |
| 15 November 2019 | 0.869207 |
| 15 May 2020 | 0.912667 |
| 15 November 2020 | 0.958301 |
| 15 May 2021 | 1.006216 |
| 15 November 2021 | 1.056526 |
| 15 May 2022 | 1.109353 |
| 15 November 2022 | 1.164820 |
| 15 May 2023 | 1.223061 |
| 15 November 2023 | 1.284214 |
| 15 May 2024 | 1.348425 |
| 15 November 2024 | 1.415846 |
| 15 May 2025 | 1.486639 |
| 15 November 2025 | 1.560971 |
| 15 May 2026 | 1.639019 |
| 15 November 2026 | 1.720970 |
| 15 May 2027 | 1.807019 |
| 15 November 2027 | 1.897369 |
| 15 May 2028 | 1.992238 |
| 15 November 2028 | 2.091850 |
| 15 May 2029 | 2.196442 |
| 15 November 2029 | 2.306264 |
| 15 May 2030 | 2.421578 |
| 15 November 2030 | 2.542657 |
| 15 May 2031 | 2.669789 |
| 15 November 2031 | 2.803279 |
| 15 May 2032 | 2.943443 |
| 15 November 2032 | 3.090615 |

| | |
|------------------|------------|
| 15 May 2033 | 3.245146 |
| 15 November 2033 | 3.407403 |
| 15 May 2034 | 3.577773 |
| 15 November 2034 | 3.756662 |
| 15 May 2035 | 3.944495 |
| 15 November 2035 | 4.141720 |
| 15 May 2036 | 4.348806 |
| 15 November 2036 | 4.566246 |
| 15 May 2037 | 4.794558 |
| 15 November 2037 | 5.034286 |
| 15 May 2038 | 5.286000 |
| 15 November 2038 | 5.550311 |
| Total | 100.000000 |

2. If the proceeds of the Loan shall not have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:

(a) To the extent that any proceeds of the Loan shall have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the amount withdrawn and outstanding as of such date in accordance with paragraph 1 of this Schedule.

(b) Any withdrawal made after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by ADB by multiplying the amount of each such withdrawal by a fraction, the numerator of which shall be the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (the Original Installment Share) and the denominator of which shall be the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such repayment amounts to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. Withdrawals made within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the withdrawn principal amount of the Loan to an Approved Currency, the amount so converted in said Approved Currency that shall be repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by ADB by multiplying such amount in its currency of denomination immediately prior to said Conversion by either: (i) the exchange rate that reflects the amounts of principal in said Approved Currency payable by ADB under the Currency Hedge Transaction relating to said Conversion; or (ii) if ADB so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

5. If the principal amount of the Loan withdrawn and outstanding from time to time shall be denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.

SCHEDULE 3

Allocation and Withdrawal of Loan Proceeds

General

1. The table attached to this Schedule sets forth the Categories of items of expenditure to be financed out of the proceeds of the Loan and the allocation of amounts of the Loan to each such Category (hereinafter called the Table). (Reference to "Category" in this Schedule is to a Category or Subcategory of the Table).

Percentages of ADB Financing

2. Except as ADB may otherwise agree, the proceeds of the Loan shall be disbursed on the basis of the withdrawal percentage for each item of expenditure set forth in the Table.

Disbursement Procedures

3. Except as ADB may otherwise agree, the Loan proceeds shall be disbursed in accordance with the Loan Disbursement Handbook.

Imprest Account; Statement of Expenditures

4. (a) Except as ADB may otherwise agree, the Borrower shall cause CRC to establish an imprest account at a bank acceptable to ADB after the Loan becomes effective. The currency of the imprest account shall be the Dollar. The maximum ceiling for the imprest account shall not exceed the equivalent of 10% of the Loan amount. The imprest account is to be used exclusively for ADB's share of eligible expenditures for the Project.

(b) The statement of expenditures (SOE) procedure may be used in liquidating and replenishing the imprest account and reimbursing eligible expenditures of not more than \$100,000 per payment. The imprest account will be established, managed, and liquidated in accordance with ADB's Loan Disbursement Handbook and detailed arrangements agreed upon between the Borrower and ADB.

Retroactive Financing

5. Withdrawals from the Loan Account may be made for reimbursement of eligible expenditures incurred under the Project before the Effective Date, but not earlier than 12 months before the date of this Loan Agreement subject to a maximum amount equivalent to 20% of the Loan amount.

Condition for Withdrawals from Loan Account

6. Notwithstanding any other provision of this Loan Agreement, no withdrawals shall be made from the Loan Account until the Borrower shall have certified that the Onlending Agreement shall have been duly executed and delivered, and all conditions precedent to its effectiveness (other than a condition requiring the effectiveness of this Loan Agreement) shall have been fulfilled.

TABLE

| ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Railway Energy Efficiency and Safety Enhancement Investment Program - Tranche 4) | | | |
|---|-------------|---|--|
| CATEGORY | | | ADB FINANCING |
| Number | Item | Total Amount Allocated for ADB Financing (\$) Category | Percentage of ADB Financing from the Loan Account |
| 1 | Goods | 180,000,000 | 100% of total expenditure claimed* ** |
| | Total | 180,000,000 | |

*Exclusive of taxes and duties imposed within the territory of the Borrower.

** Including insurance and transportation cost.

SCHEDULE 4**Procurement of Goods**General

1. The procurement of Goods to be financed out of the proceeds of the Loan shall be subject to and governed by the Procurement Guidelines.
2. All terms used in this Schedule and not otherwise defined in this Loan Agreement have the meanings provided in the Procurement Guidelines.

Goods

3. Except as ADB may otherwise agree, Goods shall only be procured on the basis of International Competitive Bidding.
4. The methods of procurement are subject to, among other things, the detailed arrangements and threshold values set forth in the Procurement Plan. The Borrower may only modify the methods of procurement or threshold values with the prior agreement of ADB, and modifications must be set out in updates to the Procurement Plan.

Domestic Preference

5. The Borrower, through CRC, may grant a margin of preference in the evaluation of bids under international competitive bidding in accordance with paragraphs 2.55(a) and 2.56 of the Procurement Guidelines for domestically manufactured Goods.

Industrial or Intellectual Property Rights

6. (a) The Borrower shall cause CRC to ensure that all Goods procured (including without limitation all computer hardware, software and systems, whether separately procured or incorporated within other goods and services procured) do not violate or infringe any industrial property or intellectual property right or claim of any third party.

(b) The Borrower shall cause CRC to ensure that all contracts for the procurement of Goods contain appropriate representations, warranties and, if appropriate, indemnities from the contractor or supplier with respect to the matters referred to in subparagraph (a) of this paragraph.

ADB's Review of Procurement Decisions

7. Contracts procured under international competitive bidding procedures shall be subject to prior review by ADB, unless otherwise agreed between the Borrower and ADB and set forth in the Procurement Plan.

SCHEDULE 5**Execution of Project; Financial Matters**Implementation Arrangements

1. The Borrower shall cause CRC to ensure that the Project is implemented in accordance with the detailed arrangements set forth in the FFA and the FAM. Any subsequent change to the FAM shall become effective only after the approval of such change by CRC and ADB. In the event of any discrepancy between the FAM and this Loan Agreement, the provision of this Loan Agreement shall prevail.

Counterpart Funds

2. The Borrower shall cause CRC to ensure that counterpart funds and domestic commercial loan proceeds are provided in a timely manner, including any additional counterpart funds, as and when required, to meet any Project shortfall or cost overruns. The Borrower shall cause CRC to maintain adequate annual funding for the operation and maintenance of the Project facilities.