

Signed at Beijing June 15, 2001
Entered into force June 15, 2001

**ARRANGEMENT BETWEEN THE GOVERNMENT OF THE REPUBLIC OF KOREA AND THE
GOVERNMENT OF THE PEOPLE ' S REPUBLIC OF CHINA CONCERNING THE FIRST
PHASE-FIFTH LOAN FROM THE ECONOMIC DEVELOPMENT COOPERATION FUND**

The Government of the Republic of Korea and the Government of the People ' s
Republic of China,

in accordance with the Agreement between the Government of the Republic of Korea
and the Government of the People ' s Republic of China concerning Loans from the
Economic Development Cooperation Fund signed on November 14, 1995,

have agreed as follows:

Article 1

- (1) The Government of the Republic of Korea shall enable the Government of the
People ' s Republic of China to obtain three loans (hereinafter referred to as "the
Loans" collectively and the "Loan" singularly) from the Export-Import Bank of
Korea (hereinafter referred to as "the Bank"), the government agency for the
Economic Development Cooperation Fund (hereinafter referred to as "the EDCF")
for the implementation of following three projects (hereinafter referred to as "the
Projects").

Project A Mudanjiang-Jixi Highway Construction Project

Project B Ecological Project for Desertification Control in Yikezhao League Inner
Mongolia Autonomous Region

Project C Haikou City, Meishe River Comprehensive Renovation Project

- (2) The Government of the People ' s Republic of China, acting through the Ministry
of Finance, hereby designates as the Borrower the Industrial and Commercial
Bank of China for the Project A, the Export-Import Bank of China for Project B
and C, and guarantees the due and punctual repayment of the principal of the
Loan and payment of the accrued interest thereon as well as all other amounts
due and payable by the relevant Borrower under the Loans. However, any change
of such bank may be made by the prior notice of the Ministry of Finance to the
Bank.

- (3) The Loans shall be denominated in Korean Won. The amount of the Loans
denominated in Korean Won shall not exceed the equivalence of Thirty Two
Million US dollars (US\$32,000,000) for Project A, Four Million Nine Hundred Eighty
Thousand US dollars (US\$4,980,000) for Project B and Four Million Nine Hundred
Fifty Thousand US dollars (US\$4,950,000) for Project C respectively, and shall be
fixed at the average of the telegraphic transfer selling rates of Korean Won
against US Dollar as quoted by the Bank during the one month period from the
16th day of two months prior to the month when the first Procurement Contract
is signed, to the 15th day of one month prior thereto, in accordance with the

Loan Agreement to be concluded between the Borrower and the Bank (hereinafter referred to as “the Loan Agreement”).

Article 2

The terms and conditions of the Loans, as well as the procedures for its utilization will be governed by the Loan Agreement, which will contain, inter alia, the following principles:

- (1) The repayment period will be Thirty (30) years including a grace period of Ten (10) years;
- (2) The interest rate will be Two percent (2.0%) per annum;
- (3) A service charge of One-tenth of One percent (0.1%) of the amount of each disbursement in case of direct payment procedure, or of the amount specified in the letter of commitment in case of commitment procedure, shall be collected by the Bank. All banking charges and/or costs for services rendered by commercial banks in connection with disbursements of the proceeds of the Loan, repayment of principal or payment of interest payable to the Bank under the Loan Agreement shall be subject to a banking arrangement to be concluded between the Borrower and Korean commercial bank designated by the Bank.
- (4) In the event the Borrower fails to make payment of all or any portion of the principal of the Loan or any other amount when due under the Loan Agreement, the unpaid amount shall bear an overdue charge at the rate to be specified in the Loan Agreement.

Article 3

- (1) The eligible source country for the procurement of goods and services required for the Project shall be the Republic of Korea. Procurement from China and/or any third country may be allowed, with the prior consent of the Bank, within Seven Million Two Hundred Thousand US dollars (US\$7,200,000) of the Loan amount for the Project A, within One Million One Hundred Thousand US dollars (US\$1,100,000) of the Loan amount for the Project B and within One Million Four Hundred Fifty Thousand US dollars (US\$1,450,000) of the Loan amount for the Project C if it is neither available nor economical to purchase any goods and services from the eligible source country.
- (2) The suppliers of goods and services necessary for the implementation of the Project A shall be selected through limited international bidding among companies of the eligible source country, and for the implementation of Project B and C shall be selected by direct contracting with suppliers of the eligible source country.
- (3) The goods which contain materials imported from countries other than the eligible source country may be eligible for financing under the Loan, if the imported portion comprises less than Fifty percent (50%) of the contract price of such goods. A formula for calculating the ratio of such imported portion will be prescribed in the Loan Agreement.

Article 4

In the event the funds available from the proceeds of the Loan are insufficient for the full implementation of the Project, the Government of the People ' s Republic of China shall promptly make arrangements to provide such funds as shall be needed.

Article 5

The proceeds of the Loan shall be disbursed by the Bank to the Borrower or, to the Supplier on behalf of the Borrower in accordance with the progress of the Project, up to the amount of the Loan, and within the disbursement period specified in the Loan Agreement and in accordance with disbursement procedure under the Loan Agreement.

Article 6

Other terms and conditions to be specified in the Loan Agreement shall be determined through negotiations between the Borrower and the Bank.

Article 7

This Arrangement shall enter into force on the date of signing and shall remain effective, unless otherwise agreed upon, until the Borrower performs all the obligations under the Loan Agreement.

Done in duplicate at Beijing this 15th day of June 2001 in the English language, two copies being equally authentic.

FOR THE GOVERNMENT OF
THE REPUBLIC OF KOREA

FOR THE GOVERNMENT OF
THE PEOPLE ' S REPUBLIC OF CHINA