

Signed at Beijing December 30, 2005
Entered into force December 30, 2005

**ARRANGEMENT BETWEEN THE GOVERNMENT OF THE REPUBLIC OF KOREA AND THE
GOVERNMENT OF THE PEOPLE ' S REPUBLIC OF CHINA CONCERNING THE SEVENTH
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 two 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 the following two projects (hereinafter referred to as "the Projects" collectively and "the Project" singularly):

Project A: Chenzhou Municipal Solid Waste Landfill Site Project, Hunan Province;
Project B: Qufu Sewage Recycle and Reuse Plant Project, Shandong Province.

2. The Government of the People's Republic of China, acting through the Ministry of Finance, hereby designates as the Borrowers Industrial and Commercial Bank of China for Project A and China Construction Bank for Project B and guarantees the due and punctual repayment of the principal of the Loans 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 banks may be made with the prior written notice by the Ministry of Finance to the Bank.

3. The Loans shall be denominated in Korean Won. The amount of the Loans shall not exceed the equivalent of four million nine hundred thousand US dollars (US\$4,900,000) for Project A and two million seven hundred thousand US dollars (US\$2,700,000) for Project B, and shall be fixed in Korean Won in accordance with each of the loan agreements to be concluded between the Borrower and the Bank (hereinafter referred to as "the Loan Agreements" collectively and "the Loan Agreement" singularly).

Article 2

The terms and conditions of the Loans, as well as the procedures for their utilization,

shall be governed by the Loan Agreements, each of which shall contain, inter alia, the following principles:

- (a) The repayment period shall be thirty (30) years, including a grace period of ten (10) years;
- (b) The interest rate shall be one point five percent (1.5%) per annum;
- (c) The disbursement period shall be thirty-six (36) months from the effective date of the Loan Agreement or such other period as the Borrower and the Bank agree upon;
- (d) A service charge of one-tenth of one percent (0.1%) of the amount of each disbursement in case of a direct payment procedure, or of one tenth of one percent (0.1%) of the amount specified in the letter of commitment in case of commitment procedure, shall be collected by the Bank;
- (e) All banking charges and/or costs for services rendered by commercial banks in connection with disbursements of the proceeds of the Loan, or 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 the Korean commercial bank designated by the Bank; and
- (f) 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 Projects shall be the Republic of Korea. However, any goods and services which are impossible or uneconomical to be purchased from the eligible source country, may, with the prior consent of the Bank, be procured from the People's Republic of China and/or third countries for Project A for up to One Million Four Hundred Seventy Thousand US dollars (US\$1,470,000) of the Loan amount, and be procured from the People's Republic of China for Project B for up to Eight Hundred Ten Thousand US dollars (US\$810,000) of the Loan amount.
2. The suppliers of the goods and services necessary for the implementation of the Projects shall be selected through competitive bidding among Korean companies.
3. The procurement contracts of each Project shall be concluded within eighteen (18) months after the effective date of the relevant Loan Agreement.
4. Detailed methods and procedures for procurement shall be set out in the Loan Agreements.

Article 4

In the event the funds available from the proceeds of the Loan are insufficient for the full implementation of the relevant 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 Loans shall be disbursed by the Bank to the Borrowers, or to the supplier on behalf of the Borrowers, in accordance with the progress of the Projects, up to the amount of the Loans, and within the disbursement period specified in the Loan Agreements and in accordance with disbursement procedure under the Loan Agreements.

Article 6

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

Article 7

This Arrangement shall enter into force on the date of signature and shall remain effective, unless otherwise agreed upon, until the Borrowers perform all the obligations under the Loan Agreements.

IN WITNESS WHEREOF the undersigned, duly authorized thereto by their respective Governments, have signed this Arrangement.

Done in duplicate at Beijing, on this 30th day of December, 2005, in the English language.

FOR THE GOVERNMENT OF
THE REPUBLIC OF KOREA

FOR THE GOVERNMENT OF
THE PEOPLE'S REPUBLIC OF CHINA