

ANNEX III

MEMORANDUM OF UNDERSTANDING

On

Kenya Mombasa-Nairobi Standard Gauge Railway Project

Between

The Government of the Republic of Kenya

Represented by

The National Treasury

And

The Export-Import Bank of China

Dated August 19, 2013

Handwritten signature

**MEMORANDUM OF UNDERSTANDING ON FINANCIAL
SUPPORT FOR MOMBASA-NAIROBI STANDARD GAUGE
RAILWAY PROJECT BETWEEN THE GOVERNMENT OF THE
REPUBLIC OF KENYA REPRESENTED BY THE NATIONAL
TREASURY AND THE EXPORT-IMPORT BANK OF CHINA**

This Memorandum of Understanding on financial support for Mombasa-Nairobi Standard Gauge Railway Project (hereinafter referred to as the "MOU") is entered into between the Government of the Republic of Kenya represented by the National Treasury (hereinafter referred to as the "National Treasury") and the Export-Import Bank of China (hereinafter referred to as the "China Eximbank").

WHEREAS

Kenya Railways Corporation (hereinafter referred to as the "KRC") and China Road and Bridge Corporation (hereinafter referred to as the "CRBC") have entered into on July 11 and October 4, 2012 the Commercial Contracts on civil works and supply and installation of the facilities, locomotives and rolling stocks for Mombasa-Nairobi Standard Gauge Railway Project (hereinafter referred to as "the Project") with a total amount of USD 3.804 billion for the purpose of implementation of the Project.

The Government of the Republic of Kenya is desirous to request for financing support of China Eximbank, which is conscious of the significance of the Project to social and economic development of the Republic of Kenya, and is willing to provide a financial support to implement the Project after conducting a preliminary review.

NOW THEREFORE, in order to further enhance the bilateral good relations between the Republic of Kenya and the People's Republic of China, National Treasury and China Eximbank hereby agree as follows:

1. National Treasury undertakes to take necessary legal procedures to conclude the internal approval procedure for the Project and to provide necessary documents, which China Eximbank may reasonably request, for the final approval of the loan and signing of the Loan Agreement for the Project at its earliest convenience.

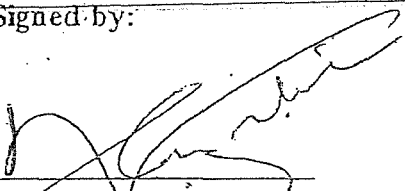
2. The financing portion is 85% of the Commercial Contract amount, and the self-raised portion by Kenya Government will be 15%. The financing package for the Project would comprise of Preferential Buyer Credit Loan and Buyer Credit Loan. The facility amount and terms of Preferential Buyer Credit Loan will be mutually decided by China Eximbank and Chinese Government, and the balance of financing portion will be provided by Buyer Credit Loan. For the terms of Buyer Credit Loan, the interest rate will be six months Libor plus 360bp per annum, each rate of management fee and commitment fee will be 0.75%, the tenor will be 15 years with 5 years grace period, and the facility of Buyer Credit is to be insured by the insurance provided by China Export and Credit Insurance Corporation (Sinosure).
3. The Loan Agreements for the Project shall only be signed between China Eximbank and National Treasury subject to the Loan approval by the Evaluation Committee of China Eximbank and the consent by the relative authority and/or institution of China and the other conditions as may request by the Evaluation Committee of China Eximbank are satisfied. China Eximbank and National Treasury will make joint efforts to expedite the evaluation process with respect to the Project, and facilitate the final signing of the loan agreements.
4. Each party shall keep all the terms and conditions in connection with this MOU strictly confidential. Without the prior written consent of one party to this MOU, the other party shall not disclose any information hereunder or in connection with this MOU to any third party or the public unless required by applicable law.

For avoidance of doubt, this MOU is intended only to serve as a guide for further discussion of the terms of the loans and the loan agreements, and is NOT legally binding under any jurisdiction. Neither National Treasury nor China Eximbank shall initiate any legal process against each other based upon this MOU.

IN WITNESS WHEREOF, the undersigned being the duly authorized representatives of the Parties have signed this MOU in two originals in English language. Both sides will keep one thereof.

Done at Beijing on this 19th day of August 2013.

Signed by:



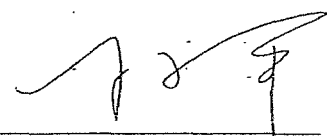
Mr. Henry Rotich

Cabinet Secretary/National Treasury
of the Republic of Kenya

On behalf of:

The Government of the Republic of
Kenya

Signed by:



Mr. Sun Ping

Vice President of the Export-Import
Bank of China

On behalf of:

The Export-Import Bank of China