
LOAN NUMBER 2474-PRC

LOAN AGREEMENT
(Ordinary Operations)
(Dryland Sustainable Agriculture Project)

between

PEOPLE'S REPUBLIC OF CHINA

and

ASIAN DEVELOPMENT BANK

DATED 3 FEBRUARY 2009

LAL:PRC 38301

LOAN AGREEMENT (Ordinary Operations)

LOAN AGREEMENT dated 3 February 2009 between PEOPLE'S REPUBLIC OF CHINA (hereinafter called the Borrower) and ASIAN DEVELOPMENT BANK (hereinafter called ADB).

WHEREAS

(A) the Borrower has applied to ADB for a loan for the purposes of the Project described in Schedule 1 to this Loan Agreement;

(B) the Borrower has also applied for a grant from the Spanish Cooperation Fund for Technical Assistance in the amount equivalent to \$350,000 to be administered by ADB;

(C) the Project will be carried out by the Gansu Provincial Government (hereinafter called GPG), Henan Provincial Government (hereinafter called HPG) and Shandong Provincial Government (hereinafter called SPG), and for this purpose the Borrower will make available to GPG, HPG and SPG the proceeds of the Loan provided for herein upon terms and conditions acceptable to ADB; and

(D) ADB has agreed to make a loan to the Borrower from ADB's ordinary capital resources upon the terms and conditions set forth herein and in the Project Agreement of even date herewith between ADB of one part and GPG, HPG and SPG of the other part;

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, 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 thereof (said Ordinary Operations Loan Regulations as so modified being hereinafter called the Loan Regulations):

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

Commitment Charge; Credit. (aa) The Borrower shall pay a commitment charge on the unwithdrawn amount of

the Loan at the rate and on the terms specified in the Loan Agreement.

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

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

(aa) 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 will 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.

(bb) 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:

(aa) 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 will 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 will be applied to new Loans.

(bb) 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, unless the context otherwise requires, the several terms defined in the Loan Regulations have the respective meanings therein set forth, and the following additional terms have the following meanings:

(a) "Consulting Guidelines" means ADB's Guidelines on the Use of Consultants by Asian Development Bank and its Borrowers dated February 2007, as amended from time to time;

(b) "EIA" means any of the environmental impact assessments for the Project dated December 2007;

(c) "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;

(d) "GPG" means the Gansu Provincial Government or any successor thereto;

(e) "HPG" means the Henan Provincial Government or any successor thereto;

(f) "IEE" means initial environmental examination prepared for the Project;

(g) "Implementing Agency" or "IA" means any of the governments of the following counties/cities/districts:

(i) in Henan Province - Anyang County, Ruzhou City, Jiaozuo City, Dancheng County, Shanxian County, Changge City, Zhecheng County, Luoyang City, Luyi County, Linying County, Zhengzhou City, Xuchang County;

- (ii) in Shandong Province - Zhucheng City, Boxing County, Gaomi City, Linshu County, Qingzhou City, Tancheng County, Wudi County, Yishui County;
- (iii) in Gansu Province - Gangu County, Qin'an County, Qinzhou District, Wushan County, Maiji District, Zhangjiachuan County, and Qingshui County;

as more fully described in paragraph 3 of Schedule 5 to this Loan Agreement;

(h) "MOA" means the Borrower's Ministry of Agriculture or any successor thereto;

(i) "Onlending Agreement(s)" means the onlending agreement(s) referred to in Section 3.01 (e) of this Loan Agreement;

(j) "onlending loan(s)" means the loans made to Participating Enterprise(s) under the relevant Onlending Agreement(s);

(k) "Participating Enterprises" means the following enterprises:

- (i) in Henan Province - Anyang Yuhe Agricultural Products Development Center; Dancheng Tianyu Economic & Trade Co., Ltd.; Fudamei Agricultural Production Co., Ltd. of Luoyang; Furen Medicine Group Co., Ltd.; Henan Mengxian Food Co., Ltd.; Henan Beixu Group Co., Ltd.; Henan Haofeng Machine Making Co., Ltd.; Henan Zhongpin Food Share Co., Ltd.; Jiaozuo City Yida Plant Oil Co., Ltd.; Sanmenxia Longfei Bio-engineering Co., Ltd.; Zhecheng Hongla Co. Ltd.; Zhengzhou Maozhuang Luyuan Industry Co., Ltd.;
- (ii) in Shandong Province - Zhucheng Zhongkang Vegetable Processing; Boxing Longsheng Vegetable Processing; Boxing Koufu Cotton Seed Oil Processing; Gaomi Mishui Grape Processing; Linshu Changlin Peanut Processing; Qingzhou Quancheng Fodder (Wheat and Maize) Processing; Tancheng Zhengde Starch Processing; Wudi Wandefu Date Processing; Yishui Yulong Peanut Processing; Yishui Zhenghang Wheat Processing;
- (iii) in Gansu Province - Gangu Sustainable Agriculture Partnership; Qin'an Sustainable Agriculture Partnership; Qinzhou Sustainable Agriculture Partnership; Wushan Sustainable Agriculture Partnership; Maiji Sustainable Agriculture Partnership; Zhangjiachuan Sustainable Agriculture Partnership; and Qingshui Sustainable Agriculture Partnership;

(l) "PMO" means any of the project management offices referred to in paragraph 1 and 4 of Schedule 5 to this Loan Agreement;

(m) “Procurement Guidelines” means ADB’s Procurement Guidelines dated February 2007, as amended from time to time;

(n) “Procurement Plan” means the procurement plan for the Project dated 21 October 2008 and agreed between the Borrower and ADB, as updated from time to time in accordance with Procurement Guidelines, Consulting Guidelines, and other arrangements agreed with ADB;

(o) “Project area” means Gansu, Henan and Shandong Provinces where the Project will be implemented;

(p) “Project Executing Agency” or “EA” for the purposes of, and within the meaning of, the Loan Regulations means any of MOA, GPG, HPG or SPG or any successor thereto acceptable to ADB, which is responsible for overall implementation of the Project;

(q) “Project facilities” means the equipment provided and facilities constructed under the Project;

(r) “SPG” means the Shandong Provincial Government or any successor thereto;

(s) “Subsidiary Loan Agreement(s)” means the agreement(s) referred to in Section 3.01(a), (b) and (c) of this Loan Agreement; and

(t) “Works” means construction or civil works to be financed out of the proceeds of the Loan, including services such as drilling or mapping, and project related services that are provided as part of a single responsibility or turnkey contract, but excluding consulting services.

ARTICLE II

The Loan

Section 2.01. (a) ADB agrees to lend to the Borrower from ADB's ordinary capital resources an amount of eighty three million Dollars (\$83,000,000), 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 paragraph (c) of this Section.

(c) The term “grace period” as used in paragraph (b) of this Section 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 of LIBOR and 0.60% as provided by Section 3.02 of the Loan Regulations, less a credit of 0.40% 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 paragraph (a) of this Section 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 make the portion of the proceeds of the Loan in the amount equivalent to twenty five million Dollars (\$25,000,000) available to GPG under the Subsidiary Loan Agreement upon terms and conditions acceptable to ADB. Except as ADB may otherwise agree, the terms of the Subsidiary Loan Agreement for the proceeds of the Loan made available to GPG shall include (i) commitment charge and interest at the rates identical to those applied to the Loan; (ii) a repayment period

including a grace period identical to that applied to the Loan; and (iii) GPG bearing the foreign exchange and interest rate variation risks of the proceeds of the Loan made available thereto.

(b) The Borrower shall make the portion of the proceeds of the Loan in the amount equivalent to thirty six million Dollars (\$36,000,000) available to HPG under the Subsidiary Loan Agreement upon terms and conditions acceptable to ADB. Except as ADB may otherwise agree, the terms of the Subsidiary Loan Agreement for the proceeds of the Loan made available to HPG shall include (i) commitment charge and interest at the rates identical to those applied to the Loan; (ii) a repayment period including a grace period identical to that applied to the Loan; and (iii) HPG bearing the foreign exchange and interest rate variation risks of the proceeds of the Loan made available thereto.

(c) The Borrower shall make the portion of the proceeds of the Loan in the amount equivalent to twenty two million Dollars (\$22,000,000) available to SPG under the Subsidiary Loan Agreement upon terms and conditions acceptable to ADB. Except as ADB may otherwise agree, the terms of the Subsidiary Loan Agreement for the proceeds of the Loan made available to SPG shall include (i) commitment charge and interest at the rates identical to those applied to the Loan; (ii) a repayment period including a grace period identical to that applied to the Loan; and (iii) SPG bearing the foreign exchange and interest rate variation risks of the proceeds of the Loan made available thereto.

(d) The Borrower shall cause GPG, HPG and SPG to make available the respective portions of the proceeds of the Loan to the IAs, in their respective provinces, for the purpose of making the loans described in subsection (e) below. Except as ADB may otherwise agree, the terms for the proceeds of the Loan made available to each of the IAs, shall include (i) commitment charge and interest at the rates identical to those applied to the Loan; (ii) a repayment period including a grace period identical to that applied to the Loan; and (iii) each of the IAs bearing the foreign exchange and interest rate variation risks relating to respective the portions of the process of the Loan made available to them.

(e) GPG, HPG and SPG shall cause each of the IAs to make the following onlending loans to the Participating Enterprises as below:

- (i) Anyang County shall onlend \$2,300,000 to Anyang Yuhe Agricultural Products Development Center under an Onlending Agreement between Anyang County and Anyang Yuhe Agricultural Products Development Center;
- (ii) Ruzhou City shall onlend \$4,000,000 to Henan Mengxian Food Co., Ltd. under an Onlending Agreement between Ruzhou City and Henan Mengxian Food Co., Ltd.;
- (iii) Jiaozuo City shall onlend \$4,000,000 to Jiaozuo City Yida Plant Oil Co., Ltd. under an Onlending Agreement between Jiaozuo City and Jiaozuo City Yida Plant Oil Co., Ltd.;
- (iv) Dancheng County shall onlend \$1,500,000 to Dancheng Tianyu Economic & Trade Co., Ltd. under an Onlending Agreement between Dancheng County and Dancheng Tianyu Economic & Trade Co., Ltd.;

- (v) Shanxian County shall onlend \$4,000,000 to Sanmenxia Longfei Bio-engineering Co., Ltd. under an Onlending Agreement between Shanxian County and Sanmenxia Longfei Bio-engineering Co., Ltd.;
- (vi) Changge City shall onlend \$3,900,000 to Henan Zhongpin Food Share Co., Ltd. under an Onlending Agreement between Changge City and Henan Zhongpin Food Share Co., Ltd.;
- (vii) Zhecheng County shall onlend \$2,000,000 to Zhecheng Hongla Co., Ltd. under an Onlending Agreement between Zhecheng County and Zhecheng Hongla Co., Ltd.;
- (viii) Luoyang City shall onlend \$3,000,000 to Fudamei Agricultural Production Co., Ltd. of Luoyang under an Onlending Agreement between Luoyang City and Fudamei Agricultural Production Co., Ltd. of Luoyang;
- (ix) Luyi County shall onlend \$3,800,000 to Furen Medicine Group Co., Ltd. under an Onlending Agreement between Luyi County and Furen Medicine Group Co., Ltd.;
- (x) Linying County shall onlend \$1,500,000 to Henan Beixu Group Co., Ltd. under an Onlending Agreement between Linying County and Henan Beixu Group Co., Ltd.;
- (xi) Zhengzhou City shall onlend \$4,000,000 to Zhengzhou Maozhuang Luyuan Industry Co., Ltd. under an Onlending Agreement between Zhengzhou City and Zhengzhou Maozhuang Luyuan Industry Co., Ltd.;
- (xii) Xuchang County shall onlend \$2,000,000 to Henan Haofeng Machine Making Co., Ltd. under an Onlending Agreement between Xuchang County and Henan Haofeng Machine Making Co., Ltd.;
- (xiii) Zhucheng City shall onlend \$2,050,000 to Zhucheng Zhongkang Vegetable Processing under an Onlending Agreement between Zhucheng City and Zhucheng Zhongkang Vegetable Processing;
- (xiv) Boxing County shall onlend \$1,000,000 to Boxing Longsheng Vegetable Processing under an Onlending Agreement between Boxing County and Boxing Longsheng Vegetable Processing;
- (xv) Boxing County shall onlend \$2,000,000 to Boxing Koufu Cotton Seed Oil Processing under an Onlending Agreement between Boxing County and Boxing Koufu Cotton Seed Oil Processing;

- (xvi) Gaomi City shall onlend \$3,000,000 to Gaomi Mishui Grape Processing under an Onlending Agreement between Gaomi City and Gaomi Mishui Grape Processing;
- (xvii) Linshu County shall onlend \$3,004,000 to Linshu Changlin Peanut Processing under an Onlending Agreement between Linshu County and Linshu Changlin Peanut Processing;
- (xviii) Qingzhou City shall onlend \$2,145,000 to Qingzhou Quancheng Fodder (Wheat and Maize) Processing under an Onlending Agreement between Qingzhou City and Qingzhou Quancheng Fodder (Wheat and Maize) Processing;
- (xix) Tancheng County shall onlend \$3,452,000 to Tancheng Zhengde Starch Processing under an Onlending Agreement between Tancheng County and Tancheng Zhengde Starch Processing;
- (xx) Wudi County shall onlend \$3,004,000 to Wudi Wandefu Date Processing under an Onlending Agreement between Wudi County and Wudi Wandefu Date Processing;
- (xxi) Yishui County shall onlend \$995,000 to Yishui Yulong Peanut Processing under an Onlending Agreement between Yishui County and Yishui Yulong Peanut Processing;
- (xxii) Yishui County shall onlend \$1,350,000 to Yishui Zhenghang Wheat Processing under an Onlending Agreement between Yishui County and Yishui Zhenghang Wheat Processing;
- (xxiii) Gangu County shall onlend \$3,060,000 to Gangu Sustainable Agriculture Partnership under an Onlending Agreement between Gangu County and Gangu Sustainable Agriculture Partnership;
- (xxiv) Qin'an County shall onlend \$2,630,000 to Qin'an Sustainable Agriculture Partnership under an Onlending Agreement between Qin'an County and Qin'an Sustainable Agriculture Partnership;
- (xxv) Qinzhou District shall onlend \$5,290,000 to Qinzhou Sustainable Agriculture Partnership under an Onlending Agreement between Qinzhou District and Qinzhou Sustainable Agriculture Partnership;
- (xxvi) Wushan County shall onlend \$2,738,000 to Wushan Sustainable Agriculture Partnership under an Onlending Agreement between Wushan County and Wushan Sustainable Agriculture Partnership;

- (xxvii) Maiji District shall onlend \$8,626,000 to Maiji Sustainable Agriculture Partnership under an Onlending Agreement between Maiji District and Maiji Sustainable Agriculture Partnership;
- (xxviii) Zhangjiachuan County shall onlend \$1,911,000 to Zhangjiachuan Sustainable Agriculture Partnership under an Onlending Agreement between Zhangjiachuan County and Zhangjiachuan Sustainable Agriculture Partnership; and
- (xxix) Qingshui County shall onlend \$745,000 to Qingshui Sustainable Agriculture Partnership under an Onlending Agreement between Qingshui County and Qingshui Sustainable Agriculture Partnership.

The terms and conditions of each Onlending Agreement shall include (A) financial terms as follows: (i) commitment charge identical to that applied to the Loan, (ii) interest at a rate identical to that applied to the Loan (and, as applicable, an additional interest rate spread on the onlending loan not exceeding 0.2% to cover the cost of delay in repayment and/or possible loss), (iii) a repayment period between 10 to 15 years including a grace period identical to that applied to the Loan, (iv) straight-line repayment of the principal of the onlending loan, and (v) each Participating Enterprise concerned bearing the foreign exchange and interest rate variation risks of the proceeds on-lent thereto; and (B) other requirements and obligations applicable to the Participating Enterprises as set out in the Project Agreement.

(f) The Borrower shall cause GPG, HPG, SPG and the Participating Enterprises to apply the proceeds of the Loan to the financing of expenditures on the Project in accordance with the provisions of this Loan Agreement, the Project Agreement and the Onlending Agreements.

Section 3.02. The Goods, Works and other items of expenditure to be financed out of the proceeds of the Loan and the allocation of amounts of the Loan among different categories of such Goods, Works and other items of expenditure shall be 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, all Goods, Works and consulting services to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Schedule 4 to this Loan Agreement. ADB may refuse to finance a contract where Goods, Works or consulting services have 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 satisfactory to ADB.

Section 3.04. Except as ADB may otherwise agree, the Borrower shall cause all Goods, Works and consulting services financed out of the proceeds of the Loan to be used exclusively in the carrying out of the Project.

Section 3.05. The closing date for withdrawals from the Loan Account for the purposes of Section 9.02 of the Loan Regulations shall be 31 December 2014 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 each of GPG, HPG and SPG to carry out the Project with due diligence and efficiency and in conformity with sound administrative, financial, engineering, environmental and agricultural 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 Schedule to the Project Agreement.

Section 4.02. The Borrower shall make available to GPG, HPG and SPG, promptly as needed and on terms and conditions acceptable to ADB, the funds, facilities, services, land and other resources which are required, in addition to the proceeds of the Loan, for the carrying out of the Project.

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 Project facilities are conducted and coordinated in accordance with sound administrative policies and procedures.

Section 4.04. The Borrower shall take all action which shall be necessary on its part to enable each of GPG, HPG and SPG 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 4.05. (a) The Borrower shall cause each of GPG, HPG and SPG to 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

Suspension; Acceleration of Maturity

Section 5.01. The following are specified as additional events for suspension of the right of the Borrower to make withdrawals from the Loan Account for the purposes of Section 9.01(l) of the Loan Regulations;

(a) Any party to an Onlending Agreement shall have failed to perform any material obligation under the Onlending Agreement.

(b) In particular, any Participating Enterprise shall have failed to perform any of its obligations under the Onlending Agreement as set out in paragraphs 12 to 17 of the Schedule to the Project Agreement.

(c) The Borrower, GPG, HPG or SPG, without obtaining prior agreement of ADB, shall have made material change in IA's or Participating Enterprise's legal character or ownership or control of the Project facilities, which may adversely affect its ability to perform obligations under the Project Agreement or Onlending Agreement.

Section 5.02. The following is specified as an additional event for acceleration of maturity for the purposes of Section 9.07(a)(iv) of the Loan Regulations: any of the events specified in Section 5.01 of this Loan Agreement shall have occurred.

ARTICLE VI

Effectiveness

Section 6.01. 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 VII

Miscellaneous

Section 7.01. 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 7.02. 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
P.O. Box 789
0980 Manila, Philippines

Facsimile Numbers:

(632) 636-2444
(632) 636-2534.

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 and to be delivered at the principal office of ADB, as of the day and year first above written.

PEOPLE'S REPUBLIC OF CHINA

By 
DENG XIJUN
Authorized Representative

ASIAN DEVELOPMENT BANK

By 
HARUHIKO KURODA
President

SCHEDULE 1

Description of the Project

1. The expected impact of the Project will be reduced rural poverty in the Project area with increased incomes and livelihood opportunities from sustainable use of land and water resources. The expected outcome of the Project will be increased agricultural productivity through adoption of sustainable farming practices in the Project area. The expected output of the Project is the promotion of financially- and environmentally-sustainable agriculture in dryland areas through partnerships between the Participating Enterprises and small farmers.

2. The Project consists of the following components:

Component 1: Agroenterprise and Farm Partnership Improvements

Subcomponent 1A: Enhancing Agricultural Production

Develop 29 partnerships between the Participating Enterprises and farmers to strengthen their food production, processing capacity, and competitiveness in Gansu, Henan, and Shandong provinces to take advantage of growing domestic and export markets. The Project will focus on 27 counties/cities/districts in the 3 provinces (7 in Gansu, 12 in Henan, and 8 in Shandong). The counties in Gansu are all located in Tianshui city/municipality.

Subcomponent 1B: Private Support Services to Farmers

- (i) Strengthen farmers' knowledge and capabilities to develop strong, business-oriented approaches that are provided directly from the Participating Enterprises;
- (ii) Provide advisory service, new technologies, infrastructure and inputs to farmers; and
- (iii) Establish 3 agricultural extension and technology transfer centers in Henan, 2 organic fertilizer mixing facilities in Henan and Shandong, 1 expanded manufacturing plant and 30 machinery service stations in Henan, 1 seed production center in Shandong, 3 agricultural produce information centers in Henan and Shandong, 1 agricultural product testing center in Henan, 4 expanded fruit and vegetable markets in Henan and Gansu, and 4 farmer associations in Henan and Shandong.

Component 2: Project Support and Management

Subcomponent 2A: Public Sector Support to Farmers

- (i) Provide support services from local governments to both Participating Enterprises and farmers in expanding environment-friendly farming practices;
- (ii) Improve access to advisory services and training for farmers operating on project production bases;

Schedule 1

- (iii) Provide training to farmers by the extension staff of provincial and county agriculture bureaus assisted by lead farmers selected from villages where production bases are located; and
- (iv) Provide training to the staff and lead farmers in improved practices relevant to (a) financially- and environmentally-sustainable crop cultivation techniques and farm management, and (b) developing advice and training delivery skills.

Subcomponent 2B: Demonstrating Sustainable Farming Practices

- (i) Strengthen the implementation capacity of the IAs and the project performance monitoring system required for the successful implementation of the Project;
- (ii) Improve existing office and training facilities, training materials and equipment to demonstrate improved agricultural technologies, and counterpart staff;
- (iii) Improve sustainable farming practices to increase farm productivity, reduce land degradation, and improve water conservation; and
- (iv) Support the delivery of support services to improve yields, agricultural productivity, and environment-friendly practices on individual household and farmer-group basis, including conservation agriculture, and water harvesting and collection technologies.

Subcomponent 2C: Project Management

- (i) Provide training on imprest account management, project implementation, and project performance management; and
- (ii) Provide awareness workshops for Project staff to mobilize farmers and disseminate information relating to the Project.

3. The Project is expected to be completed by 30 June 2014.

SCHEDULE 2

Amortization Schedule

(Dryland Sustainable Agriculture Project)

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.

<u>Payment Due</u>	<u>Installment Share</u> (Expressed as a % based on 10% annuity)
15 May 2014	0.827816
15 Nov 2014	0.869207
15 May 2015	0.912667
15 Nov 2015	0.958301
15 May 2016	1.006216
15 Nov 2016	1.056526
15 May 2017	1.109353
15 Nov 2017	1.164820
15 May 2018	1.223061
15 Nov 2018	1.284214
15 May 2019	1.348425
15 Nov 2019	1.415846
15 May 2020	1.486639
15 Nov 2020	1.560971
15 May 2021	1.639019
15 Nov 2021	1.720970
15 May 2022	1.807019
15 Nov 2022	1.897369
15 May 2023	1.992238
15 Nov 2023	2.091850
15 May 2024	2.196442
15 Nov 2024	2.306264
15 May 2025	2.421578
15 Nov 2025	2.542657

<u>Payment Due</u>	<u>Installment Share</u> (Expressed as a % based on 10% annuity)
15 May 2026	2.669789
15 Nov 2026	2.803279
15 May 2027	2.943443
15 Nov 2027	3.090615
15 May 2028	3.245146
15 Nov 2028	3.407403
15 May 2029	3.577773
15 Nov 2029	3.756662
15 May 2030	3.944495
15 Nov 2030	4.141720
15 May 2031	4.348806
15 Nov 2031	4.566246
15 May 2032	4.794558
15 Nov 2032	5.034286
15 May 2033	5.286000
15 Nov 2033	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.

Schedule 2

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 Goods, Works and other items 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" or "Categories" in this Schedule is to a Category or Categories of the Table, and reference to "Subcategory" or "Subcategories" in this Schedule is to a Subcategory or Subcategories of a Category.)

Percentages of ADB Financing

2. Except as ADB may otherwise agree, the items of the Categories and Subcategories listed in the Table shall be financed out of the proceeds of the Loan on the basis of the percentages set forth in the Table.

Reallocation

3. Notwithstanding the allocation of Loan proceeds and the withdrawal percentages set forth in the Table,

(a) if the amount of the Loan allocated to any Category appears to be insufficient to finance all agreed expenditures in that Category, ADB may, by notice to the Borrower, (i) reallocate to such Category, to the extent required to meet the estimated shortfall, amounts of the Loan which have been allocated to another Category but, in the opinion of ADB, are not needed to meet other expenditures, and (ii) if such reallocation cannot fully meet the estimated shortfall, reduce the withdrawal percentage applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made; and

(b) if the amount of the Loan then allocated to any Category appears to exceed all agreed expenditures in that Category, ADB may, by notice to the Borrower, reallocate such excess amount to any other Category.

Disbursement Procedures

4. Except as ADB may otherwise agree, the Loan proceeds for financing Goods, Works and other items shall be disbursed in accordance with ADB's "Loan Disbursement Handbook" dated January 2007 (ADB's Loan Disbursement Handbook), as amended from time to time.

Imprest Account: Statement of Expenditures

5. (a) Except as ADB may otherwise agree, the Borrower shall establish immediately after the Effective Date, 3 (three) imprest accounts at commercial banks acceptable to ADB. The imprest accounts shall be established, managed, replenished and liquidated in accordance with ADB's Loan Disbursement Handbook, and detailed arrangements agreed upon between the Borrower and ADB. The currency of the imprest accounts shall be Dollar. The initial amount to be deposited into the imprest account shall not exceed the lower of (i) the estimated expenditure for the first six (6) months of Project implementation, or (ii) the equivalent of ten (10) percent of the Loan amount.

(b) The statement of expenditures (SOE) procedure may be used for reimbursement of eligible expenditures for payments from the Participating Enterprise to supplier or contractor under Works and Goods contracts and to liquidate advances provided into the imprest accounts, in accordance with ADB's Loan Disbursement Handbook and detailed arrangements agreed upon between the Borrower and ADB. Any individual payment to be reimbursed or liquidated under the SOE procedure shall not exceed the equivalent of \$100,000.

Retroactive Financing

6. Withdrawals from the Loan Account may be made for reimbursement of reasonable eligible expenditures incurred under the Project before the Effective Date, but not earlier than 12 months before the date of this Loan Agreement in connection with items to be retroactively financed, subject to a maximum amount equivalent to 20 percent of the Loan amount.

Condition of Withdrawals from Loan Account

7. Notwithstanding any other provision of this Loan Agreement, no withdrawals shall be made from the Loan Account for the ultimate benefit of any activity until the Borrower shall have certified, in form and substance acceptable to ADB, that (i) the relevant IA and relevant Participating Enterprise have executed and delivered the Onlending Agreement related to such activity; and (ii) such Onlending Agreement includes terms and conditions as are required in Section 3.01(e) of this Loan Agreement and has become effective and binding upon the parties thereto in accordance with its terms.

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Dryland Sustainable Agriculture Project)				
CATEGORY				ADB FINANCING BASIS
Number	Item	Total Amount Allocated for ADB Financing		Percentage of ADB Financing from the Loan Account
		\$ Category	Subcategory	
1	Works	43,089,000		
1A	Gansu		9,785,000	51 percent of total expenditure
1B	Henan		16,974,000	50 percent of total expenditure
1C	Shandong		16,330,000	79 percent of total expenditure
2	Goods	39,911,000		
2A	Gansu		15,215,000	45 percent of total expenditure
2B	Henan		19,026,000	73 percent of total expenditure
2C	Shandong		5,670,000	33 percent of total expenditure
	Total	83,000,000		

SCHEDULE 4

Procurement of Goods and Works, and Consulting Services

A. General

1. All Goods, Works and consulting services to be financed out of the proceeds of the Loan shall be subject to and governed by the Procurement Guidelines, and the Consulting Guidelines, respectively.
2. All terms used and not otherwise defined in this Loan Agreement have the meanings provided in the Procurement Guidelines and/or the Consulting Guidelines, as applicable.

B. Procurement for Goods and Works

3. Except as ADB may otherwise agree, Goods and Works shall only be procured on the basis of the methods of procurement set forth below:

International Competitive Bidding
National Competitive Bidding
Shopping

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.

4. Domestic Preference. The Borrower 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.

5. National Competitive Bidding. The Borrower and ADB shall ensure that, prior to the commencement of any procurement activity under national competitive bidding, the Borrower's national competitive bidding procedures are consistent with the Procurement Guidelines. Any modifications or clarifications to such procedures agreed between the Borrower and ADB shall be set out in the Procurement Plan. Any subsequent change to the agreed modifications and clarifications shall become effective only after written approval of such change by the Borrower and ADB.

C. Selection of Consulting Services

6. Quality- and Cost-Based Selection. Except as ADB may otherwise agree, the Borrower shall apply quality- and cost-based selection for selecting and engaging consulting services.

D. Industrial or Intellectual Property Rights

7. (a) The Borrower shall ensure that all Goods and Works 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 ensure that all contracts for the procurement of Goods and Works 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.

8. The Borrower shall ensure that all ADB-financed contracts with consultants contain appropriate representations, warranties and, if appropriate, indemnities from the consultants to ensure that the consulting services provided do not violate or infringe any industrial property or intellectual property right or claim of any third party.

E. ADB's Review of Procurement Decisions

9. All contracts procured under international competitive bidding procedures and contracts for consulting services 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 and Operation of Project Facilities; Financial Matters

Executing and Implementing Agencies

1. MOA shall be the EA at the national level, responsible for (i) interfacing with ADB, the Ministry of Finance, and the National Development and Reform Commission; and (ii) overall coordination and monitoring of the Project. The Foreign Economic Cooperation Center shall be the central PMO for the Project. The National Project Coordination Committee, comprising representatives of MOA, the Ministry of Finance, and the National Development and Reform Commission, shall coordinate and supervise all implementation activities under the Project.
2. Each of GPG, HPG and SPG shall be the EA at the provincial level for supervision and monitoring of project activities. MOA shall provide technical guidance and support to the provincial EAs. Both the national and provincial EAs shall ensure that participating farmers receive the intended benefits in terms of productivity and income increases through favorable contracts and prices with the enterprises, and that poverty is reduced in the Project area.
3. The county/city/district governments shall be the IAs for all Project components and shall supervise implementation activities. The IAs shall be responsible for (i) overseeing the implementation of all Project components, outputs, and activities; (ii) drawing up the annual work programs and budgets in consultation with the EA; (iii) supervising compliance of procurement with the *Procurement Guidelines*; (iv) maintaining consolidated accounts, including developing a system to track all financial transactions with Participating Enterprises; (v) preparing and submitting to ADB withdrawal applications for funds from the Loan Account; (vi) monitoring physical and financial progress including benefit flows to intended beneficiaries, and submitting reports to provincial EAs; and (vii) ensuring adequate and timely counterpart financing.
4. Provincial EAs and IAs shall be assisted by provincial and county leading groups and the provincial and county PMOs. The provincial leading groups comprise staff of PMOs and finance, agriculture, environmental protection, and poverty reduction bureaus.

Counterpart Financing

5. The Borrower shall cause GPG, HPG and SPG to ensure that (i) all domestic financing necessary for the Project is provided in a timely manner, and (ii) additional counterpart financing is provided in the event of any shortfall of funds or cost overruns to complete the Project.

Change of Ownership

6. In the event that (i) any change in ownership of the Project facilities; or (ii) any sale, transfer, or assignment of the shares of any IA and Participating Enterprises is anticipated, the Borrower shall consult with ADB at least six (6) months prior to the implementation of such change. The Borrower through GPG, HPG and SPG shall cause the concerned IA to ensure that such change is carried out in a lawful and transparent manner.