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LOAN NUMBER 2420-PRC

LOAN AGREEMENT  
(Ordinary Operations)

(Xinjiang Municipal Infrastructure and Environmental Improvement Project)

between

PEOPLE'S REPUBLIC OF CHINA

and

ASIAN DEVELOPMENT BANK

DATED 23 JULY 2008

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LAL:PRC 39228

**LOAN AGREEMENT  
(Ordinary Operations)**

LOAN AGREEMENT dated 23 July 2008 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 Project will be carried out by Xinjiang Uygur Autonomous Region Government (hereinafter called XUARG), and for this purpose the Borrower will make available to XUARG the proceeds of the Loan provided for herein upon terms and conditions satisfactory to ADB; 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 and in the Project Agreement of even date herewith between ADB and XUARG;

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.** (a) 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.

(b) 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:

(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 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.

(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:

(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 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.

(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, 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) "ALPCC" means Alashankou Land Port Construction Co Ltd., a state owned company incorporated with a Company Registration License issued by Alashankou Administration of Industry and Commerce under Boertalal Prefecture;

(b) "APG" means Altay Prefecture Government;

(c) "BMAPG" means Boertala Mongolian Autonomous Prefecture Government;

(d) "Component" means either or any of, and "Components" means more than one of, the components of the Project, which are described in detail in paragraph 2 of Schedule 1 to this Loan Agreement;

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

(f) "EIAs" means the following Environmental Impact Assessments:

(i) Environmental Impact Assessments dated June 2007 prepared by Xinjiang Institute of Ecology and Geography of Chinese Academy of Sciences for the Yining Component;

(ii) Environmental Impact Assessments dated June 2007 prepared by Xinjiang Institute of Ecology and Geography of Chinese Academy of Sciences for the Alashankou Component; and

(iii) Environmental Impact Assessments dated June 2007 prepared by Xinjiang Institute of Ecology and Geography of Chinese Academy of Sciences for the Kanas Component;

(g) "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;

(h) "KSRMC" means Kanas Scenic Region Management Committee, an extended administrative unit under APG for Kanas Scenic Region;

(i) "Onlending Agreement" means the agreement referred to in Section 3.01 (b)(ii) of this Loan Agreement;

(j) "PMO" means the Project Management Office as more fully described in paragraph 1 of Schedule 5 to this Loan Agreement;

(k) "Project Implementing Agency" or "PIA" means each of the following entities:

(i) YMG, which shall undertake through its Construction Bureau the Yining Component and the associated institutional development activities under the Project;

(ii) ALPCC, which shall undertake the Alashankou Component and the associated institutional development activities under the Project; and

(iii) KSRMC, which shall undertake through its Environmental Protection Construction and Transportation Bureau the Kanas Component and the associated institutional development activities under the Project;

(l) "Project Executing Agency" for the purposes of, and within the meaning of, the Loan Regulations means XUARG or any successor thereto, which is responsible for the carrying out of the Project;

(m) "Project facilities" means the equipment to be provided and the facilities to be constructed under the Project;

(n) "Procurement Guidelines" means ADB's Procurement Guidelines (2007, as amended from time to time);

(o) "Procurement Plan" means the procurement plan for the Project dated 26 April 2008 and agreed between ADB and XUARG, as updated from time to time in accordance with Procurement Guidelines, Consulting Guidelines, and other arrangements agreed with ADB;

(p) "RPs" means the following Resettlement Plans which are acceptable to ADB:

(i) Resettlement Plan dated August 2007 prepared by YMG for the Yining Component; and

(ii) Resettlement Plan dated September 2007 prepared by KSRMC for the Kanas Component;

(q) "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;

- (r) "YMG" means Yining Municipal Government; and
- (s) "YKAPG" means Yili Kazak Autonomous Prefecture Government.

## **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 five million dollars (\$105,000,000), 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 of 15 October 2013 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 April and 15 October 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 proceeds of the Loan available to XUARG upon terms and conditions acceptable to ADB. Except as ADB may otherwise agree, the terms for the proceeds of the Loan made available to XUARG 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 those applied to the Loan; and (iii) XUARG bearing the foreign exchange and interest rate variation risks.

(b) The Borrower shall, through XUARG, cause the proceeds of the Loan to be made available to the PIAs under the following arrangements:

- (i) to YMG, through YKAPG in an amount of \$47,800,000 for the purpose of the Yining Component and the associated institutional development activities;
- (ii) to ALPCC in an amount of \$44,400,000 under an Onlending Agreement between BMAPG and ALPCC for the purpose of the Alashankou Component and the associated institutional development activities; and
- (iii) to KSRMC, through APG, in an amount of \$12,800,000 for the purpose of the Kanas Component and the associated institutional development activities.

The terms and conditions for the loan proceeds made available to the above mentioned PIAs shall be acceptable to ADB, which, among others, 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 those applied to the Loan; (iii) each concerned PIA bearing the foreign exchange and interest rate variation risks of the proceeds of the Loan made available thereto; and (iv) in respect to the ALashankou Component, ALPCC performing the

obligations to the extent applicable to itself as provided in the Project Agreement which shall be made an integral part of the Onlending Agreement.

Section 3.02. The Goods, Works and consulting services 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 consulting services 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 not consistent with ADB's policies and guidelines.

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 2013 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 XUARG and the PIAs to carry out the Project with due diligence and efficiency and in conformity with sound administrative, financial, engineering, environmental, water supply, wastewater treatment, solid waste management and road development 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 cause to be made available to XUARG and through XUARG to the PIAs, promptly as needed, 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 XUARG to perform its obligations under the Project Agreement, including the establishment and maintenance of tariffs as stipulated in paragraphs 12 and 13 of the Schedule to 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 ensure through XUARG that BMAPG 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) The Borrower shall ensure through XUARG that no rights or obligations under the Onlending Agreement shall be assigned, amended, abrogated or waived without the prior concurrence of ADB.

## ARTICLE V

### **Suspension; Cancellation; Acceleration of Maturity**

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

(i) any party to the Onlending Agreement shall have failed to perform any material obligation under any such Onlending Agreement.

(ii) XUARG or BMAPG, without obtaining the prior agreement of ADB, shall have made any material change to the BMAPG's ownership and control in APLCC, if any such change may adversely affect APLCC's ability to perform its obligations under the Onlending Agreement.

Section 5.02. The following are specified as additional events for acceleration of maturity for the Alashankou Component 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

Cable Address:

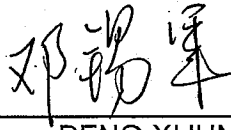
ASIANBANK  
MANILA

Facsimile Numbers:

(632) 636-2444  
(632) 636-2407.

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

#### Impact and Outcome

1. The impact of the Project is sustained socioeconomic growth and improved living standards in the border areas of north Xinjiang Uygur Autonomous Region (Altay Administrative District, Boertala Mongolian Autonomous Prefecture and Yili Kazak Autonomous Prefecture). The outcome of the Project is improved municipal infrastructure and a better living and ecological environment in Alashankou Land Port, Kanas Scenic Region and Yining City.

#### Outputs

2. The Project comprises the following components and activities:

I. Yining Component : Yining City Roads and Municipal Services

The Yining Component will improve the existing road infrastructure to assist commercial access to the cross-border trade and improve urban living conditions and expand roads and utility services into new development areas of the city to support industrial activity, improve the local economy and increase employment.

The Yining Component includes:

- (i) construction of 4 main roads, reconstruction of 33 local roads and improvement of associated infrastructure (water supply, wastewater treatment, heating, telecommunication and other municipal services); and
- (ii) construction and installation of environmental sanitation facilities (public toilets, garbage collection stations, dustbins, garbage collection containers, garbage trucks, street cleaning trucks and snow clearing trucks).

II. Alashankou Component: Alashankou Land Port Municipal Infrastructure and Environmental Protection

The Alashankou Component will develop new and upgrade existing infrastructure services to improve basic living conditions, encourage expansion of cross-border trade, expand the local economy and protect the local environment from pollution.

The Alashankou Component includes:

- (i) construction of 13 new roads and reconstruction of 6 existing roads;

- (ii) construction of a 60,000 cubic meter/day ( $m^3/d$ ) water treatment plant and associated raw water pipeline and water distribution pipelines;
- (iii) construction of a 21,000  $m^3/d$  wastewater treatment plant and associated effluent storage tank and collection pipeline;
- (iv) construction of heating stations and heating pipelines;
- (v) construction and installation of environmental sanitation and solid waste treatment facilities (public toilets, garbage collection points, dustbins and garbage trucks and a solid waste landfill site); and
- (vi) planting and irrigation of ecological protective forests.

### III. Kanas Component: Kanas Scenic Region infrastructure and Environmental Protection

The Kanas Component will provide first-time water supply, sanitation, solid waste management and road network to develop its local economy and tourism, improve the living conditions and health of ethnic minorities and protect the environment.

The Kanas Component includes:

- (i) construction of village roads and village parking areas;
- (ii) construction of a 300  $m^3/d$  water supply system and associated connection and distribution pipelines;
- (iii) construction of a 200  $m^3/d$  wastewater treatment system and associated connection and collection pipelines;
- (iv) construction and installation of environmental sanitation and solid waste treatment facilities (public toilets, garbage collection stations, dustbins, garbage trucks and a solid waste landfill site); and
- (v) rehabilitation of vegetation along roadsides.

### IV. Capacity Development Component

Assistance for institutional development and capacity building to ensure effective implementation of the Project and sustainable operation and maintenance (O&M) of the project facilities, including project management consulting services and training during Project implementation to help the PIAs to (i) become operationally efficient and financially sustainable entities; (ii) comply with relevant national policies for cost recovery, tariff and enterprise reforms; (iii) develop sound O&M plans for future service provisions; (iv) develop a public awareness training program on environmental protection and social impact monitoring and (v) improve the efficiency of traffic management.

3. The Project is expected to be completed by 30 June 2013.

## SCHEDULE 2

### Amortization Schedule

#### (Xinjiang Municipal Infrastructure and Environmental Improvement 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>Date Payment Due</u> |      | <u>Installment Share</u><br>(expressed in percentage) |
|-------------------------|------|---|
| 15 October              | 2013 | 0.83  |
| 15 April                | 2014 | 0.87  |
| 15 October              | 2014 | 0.91  |
| 15 April                | 2015 | 0.96  |
| 15 October              | 2015 | 1.01  |
| 15 April                | 2016 | 1.06  |
| 15 October              | 2016 | 1.11  |
| 15 April                | 2017 | 1.16  |
| 15 October              | 2017 | 1.22  |
| 15 April                | 2018 | 1.28  |
| 15 October              | 2018 | 1.35  |
| 15 April                | 2019 | 1.42  |
| 15 October              | 2019 | 1.49  |
| 15 April                | 2020 | 1.56  |
| 15 October              | 2020 | 1.64  |
| 15 April                | 2021 | 1.72  |
| 15 October              | 2021 | 1.81  |
| 15 April                | 2022 | 1.90  |
| 15 October              | 2022 | 1.99  |
| 15 April                | 2023 | 2.09  |
| 15 October              | 2023 | 2.20  |
| 15 April                | 2024 | 2.31  |
| 15 October              | 2024 | 2.42  |
| 15 April                | 2025 | 2.54  |
| 15 October              | 2025 | 2.67  |
| 15 April                | 2026 | 2.80  |
| 15 October              | 2026 | 2.94  |
| 15 April                | 2027 | 3.09  |
| 15 October              | 2027 | 3.25  |

|              |      |               |
|--------------|------|---------------|
| 15 April     | 2028 | 3.41          |
| 15 October   | 2028 | 3.58          |
| 15 April     | 2029 | 3.76          |
| 15 October   | 2029 | 3.94          |
| 15 April     | 2030 | 4.14          |
| 15 October   | 2030 | 4.35          |
| 15 April     | 2031 | 4.57          |
| 15 October   | 2031 | 4.79          |
| 15 April     | 2032 | 5.03          |
| 15 October   | 2032 | 5.29          |
| 15 April     | 2033 | 5.54          |
| <b>TOTAL</b> |      | <b>100.00</b> |

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 Goods, Works, services 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.

##### Interest and Commitment Charge

3. The amount allocated to Category 4 is for financing interest and commitment charge on the Loan during the implementation period of the Project. ADB shall be entitled to withdraw from the Loan Account and pay to itself, on behalf of the Borrower, the amounts required to meet payments, when due, of such interest and commitment charge.

##### Reallocation

4. 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, after consultation with and 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, after consultation with and by notice to the Borrower, reallocate such excess amount to any other Category.

##### Disbursement Procedures

5. Except as ADB may otherwise agree, the Loan proceeds for financing Goods, Works, and consulting services 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

6. (a) Except as ADB may otherwise agree, the Borrower shall establish immediately after the Effective Date, an imprest account at a bank acceptable to ADB. The imprest account 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 account 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 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 of the Project and to liquidate advances provided into the imprest account not to exceed \$200,000 per individual payment, in accordance with ADB's Loan Disbursement Handbook and detailed arrangements agreed upon between the Borrower and ADB.

Retroactive Financing

7. Withdrawals from the Loan Account may be made for reimbursement of reasonable 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

8. Notwithstanding any other provision of this Loan Agreement, no withdrawals shall be made from the Loan Account to the Alashankou Component until the following condition shall have been met: the Borrower shall have certified to ADB that the Onlending Agreement, which shall include the terms and conditions referred to in Section 3.01(b) above, shall have been duly executed by and delivered on behalf of the concerned parties and shall have become fully effective and binding upon such parties thereto in accordance with its terms.

TABLE

| <b>ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS</b><br>(Xinjiang Municipal Infrastructure and Environmental Improvement Project) |   |                        |             |   |
|--|---|------------------------|-------------|---|
| <b>CATEGORY</b>  |   |                        |             | <b>ADB FINANCING</b>  |
| Number   | Item  | Amount Allocated<br>\$ |             | Percentage and<br>Basis for<br>Withdrawal<br>from the Loan<br>Account |
|  |   | Category               | Subcategory |   |
| 1  | <b>Civil Works</b>  | 60,820,000             |             |   |
| 01A  | Yining Roads  |                        | 25,940,000  | 81 percent of total expenditure                                       |
| 01B  | Yining Environmental Sanitation                             |                        | 440,000     | 59 percent of total expenditure                                       |
| 01C  | Alashankou Roads  |                        | 13,630,000  | 71 percent of total expenditure                                       |
| 01D  | Alashankou Water Supply                                     |                        | 2,190,000   | 65 percent of total expenditure                                       |
| 01E  | Alashankou Wastewater                                       |                        | 4,430,000   | 71 percent of total expenditure                                       |
| 01F  | Alashankou Heating  |                        | 400,000     | 72 percent of total expenditure                                       |
| 01G  | Alashankou Environmental Sanitation & Solid Waste Treatment |                        | 1,540,000   | 64 percent of total expenditure                                       |
| 01H  | Alashankou Ecological Protective Forests                    |                        | 2,220,000   | 63 percent of total expenditure                                       |
| 01I  | Kanas Roads   |                        | 6,290,000   | 77 percent of total expenditure                                       |
| 01J  | Kanas Water Supply  |                        | 150,000     | 79 percent of total expenditure                                       |
| 01K  | Kanas Wastewater  |                        | 140,000     | 76 percent of total expenditure                                       |
| 01L  | Kanas Environmental Sanitation & Solid Waste Treatment      |                        | 900,000     | 72 percent of total expenditure                                       |
| 01M  | Kanas Vegetation Recovery                                   |                        | 2,550,000   | 76 percent of total expenditure                                       |
| 2  | <b>Equipment and Materials</b>                              | 24,570,000             |             |   |
| 02A  | Yining Roads  |                        | 11,280,000  | 100 percent of total expenditure                                      |
| 02B  | Yining Environmental Sanitation                             |                        | 830,000     | 100 percent of total expenditure                                      |

| <b>ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS</b><br>(Xinjiang Municipal Infrastructure and Environmental Improvement Project) |   |                  |             |   |
|--|---|------------------|-------------|---|
| <b>CATEGORY</b>  |   |                  |             | <b>ADB FINANCING</b>                                      |
| Number   | Item  | Amount Allocated |             | Percentage and Basis for Withdrawal from the Loan Account |
|  |   | Category         | Subcategory |   |
| 02C  | Alashankou Roads  |                  | 10,000      | 100 percent of total expenditure                          |
| 02D  | Alashankou Water Supply                                     |                  | 2,890,000   | 100 percent of total expenditure                          |
| 02E  | Alashankou Wastewater                                       |                  | 1,710,000   | 100 percent of total expenditure                          |
| 02F  | Alashankou Heating  |                  | 3,180,000   | 100 percent of total expenditure                          |
| 02G  | Alashankou Environmental Sanitation & Solid Waste Treatment |                  | 1,160,000   | 100 percentage of total expenditure                       |
| 02H  | Alashankou Ecological Protective Forests                    |                  | 2,990,000   | 100 percent of total expenditure                          |
| 02I  | Kanas Roads   |                  | 10,000      | 100 percent of total expenditure                          |
| 02J  | Kanas Water Supply  |                  | 40,000      | 100 percent of total expenditure                          |
| 02K  | Kanas Wastewater  |                  | 70,000      | 100 percent of total expenditure                          |
| 02L  | Kanas Environmental Sanitation & Solid Waste Treatment      |                  | 390,000     | 100 percent of total expenditure                          |
| 02M  | Kanas Vegetation Recovery                                   |                  | 10,000      | 100 percent of total expenditure                          |
| 3  | Institutional Strengthening & Training                      | 1,500,000        |             | 100 percent of total expenditure                          |
| 4  | Interest and Commitment Charge                              | 18,110,000       |             | 100 percent of amounts due                                |
| <b>Total</b>   |   | 105,000,000      |             |   |

## SCHEDULE 4

### Procurement of Goods and Works, and Consulting Services

#### A. General

1. All Goods and 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                          |
| Direct Contracting                |

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's *Law of Tendering and Bidding of the People's Republic of China* promulgated by Order No. 21 of the President of the People's Republic of China on August 30, 1999, shall be applied, together with the following clarifications as required for compliance with the Guidelines:
  - i. All invitations to prequalify or to bid shall be advertised in the national press, or official gazette, or a free and open access website in the Borrower's country. Such advertisement shall be made in sufficient time for prospective bidders to obtain prequalification or bidding documents and prepare and submit their responses. In any event, a minimum preparation period of thirty (30) days shall be given. The preparation period shall count (a) from the date of advertisement, or (b) when the documents are available for issue, whichever date is later. The advertisement and the prequalification and bidding documents shall specify the deadline for such submission.

- ii. Qualification requirements of bidders and the method of evaluating the qualification of each bidder shall be specified in detail in the bidding documents, and in the prequalification documents if the bidding is preceded by a prequalification process.
- iii. If bidding is preceded by a prequalification process, all bidders that meet the qualification criteria set out in the prequalification document shall be allowed to bid and there shall be no limit on the number of pre-qualified bidders.
- iv. All bidders shall be required to provide a performance security in an amount sufficient to protect the Borrower/Project Executing Agency in case of breach of contract by the contractor, and the bidding documents shall specify the required form and amount of such performance security.
- v. Bidders shall be allowed to submit bids by mail or by hand.
- vi. All bids shall be opened in public; all bidders shall be afforded an opportunity to be present (either in person or through their representatives) at the time of bid opening, but bidders shall not be required to be present at the bid opening.
- vii. All bid evaluation criteria shall be disclosed in the bidding documents and quantified in monetary terms or expressed in the form of pass/fail requirements.
- viii. No bid may be rejected solely on the basis that the bid price falls outside any standard contract estimate, or margin or bracket of average bids established by the Borrower/Project Executing Agency.
- ix. Each contract shall be awarded to the lowest evaluated responsive bidder, that is, the bidder who meets the appropriate standards of capability and resources and whose bid has been determined (a) to be substantially responsive to the bidding documents and (b) to offer the lowest evaluated cost. The winning bidder shall not be required, as a condition of award, to undertake responsibilities for work not stipulated in the bidding documents or otherwise to modify the bid as originally submitted.
- x. Each contract financed with the proceeds of the Loan shall provide that the suppliers and contractors shall permit ADB, at its request, to inspect their accounts and records relating to the performance of the contract and to have said accounts and records audited by auditors appointed by ADB.
- xi. Government owned enterprises in the Borrower's country may be permitted to bid if they can establish that they (a) are legally and

financially autonomous, (b) operate under commercial law and (c) are not a dependent agency of the Borrower/XUARG.

- xii. Re-bidding shall not be allowed solely because the number of bids is less than three (3).

#### 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.

#### 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.

#### 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

#### Implementation Arrangements

1. XUARG shall be the executing agency (EA) for the Project. A Project Leading Group (PLG), having established and comprising senior government officials in concerned bureaus and commissions in XUARG, provide overall guidance and support to the preparation and implementation of the Project. The Xinjiang PMO, which has been established at Construction Bureau of XUARG under the PLG, shall undertake and manage the day-to-day activities in connection with the Project. In each project city/area, the PLG and the PMO, which have been set up, shall liaise with the Xinjiang PMO, shall oversee and manage the work undertaken by the PIAs, overall project finance and project implementation.
2. The PIAs responsible for detailed implementation of the Components of the Project shall be the following:
  - (i) YMG, which shall undertake through its Construction Bureau the Yining Component and the associated institutional development activities under the Project;
  - (ii) ALPCC, which shall undertake the Alashankou Component and the associated institutional development activities under the Project; and
  - (iii) KSRMC, which shall undertake through its Environmental Protection Construction and Transportation Bureau the Kanas Component and the associated institutional development activities under the Project.

#### Counterpart Fund

3. The Borrower shall cause XUARG and each PIA to ensure that: (a) all local and foreign currency counterpart financing necessary for the Project, including equity contributions and cash advances, be provided in time to enable completion of Project activities; and (b) additional counterpart funding be provided for any shortfall of funds or cost overruns.

#### Change in Ownership

4. XUARG and BMAPG shall ensure that in the event that any change in ownership of the Project facilities under the Alashankou Component or any sale, transfer, or assignment thereof, or assignment of the operational and management rights thereof, or change of ownership of APLCC including sale, merger or acquisition of or by ALPCC, is anticipated, XUARG, BMAPG and ALPCC shall consult ADB at least 6 months prior to the implementation of such change. XUARG, BMAPG and ALPCC shall ensure that such change be carried out in a lawful and transparent manner.