
LOAN NUMBER ____-PRC

LOAN AGREEMENT
(Ordinary Operations)

(Shaanxi Qinling Biodiversity Conservation and Demonstration Project)

between

THE PEOPLE'S REPUBLIC OF CHINA

and

ASIAN DEVELOPMENT BANK

DATED _____

LAL:PRC 39321

**LOAN AGREEMENT
(Ordinary Operations)**

LOAN AGREEMENT dated _____ between THE 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 to the Global Environment Facility (hereinafter called the GEF) for a grant in the amount equivalent to four million two hundred seventy thousand Dollars (\$4,270,000) (hereinafter called GEF Grant) for the Project, to be administered by ADB;

(C) the Project will be carried out by Shaanxi Provincial Government (hereinafter called SPG), and for this purpose the Borrower will make available to SPG the proceeds of the Loan provided for herein upon terms and conditions satisfactory 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 and SPG;

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) “ADB’s Loan Disbursement Handbook” means ADB’s Loan Disbursement Handbook dated January 2007, as amended from time to time;

(b) “APs” means affected persons;

(c) “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);

(d) “EIAs” means the Environment Impact Assessment for the Project dated 7 September 2009, prepared by Xi’an Construction University and accepted by ADB;

(e) “GEF” has the meaning given in Recital B of this Loan Agreement;

(f) “GEF Grant” has the meaning given in Recital B of this Loan Agreement;

(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) “IA” or “Implementing Agency” means QNBG as described in paragraph 1 of Schedule 5 to this Loan Agreement;

(i) “NGO” means nongovernment organization;

(j) “Onlending Agreement” means an agreement between SPG and IA as referred to in paragraph 3.01 (b) of this Loan Agreement;

(k) "PMO" means the Project Management Office as described in paragraph 3 of Schedule 5 to this Loan Agreement;

(l) "PPMS" means the Project Performance Monitoring System;

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

(n) "Procurement Plan" means the procurement plan for the Project dated 27 August 2009 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 the area comprising around 458 kilometers and situated about 45 kilometers southwest of Xi'an on the north slope of the Qinling Mountain;

(p) "Project Executing Agency" or "EA" for the purposes of, and within the meaning of, the Loan Regulations means SPG or any successor thereto acceptable to ADB, which is responsible for the carrying out of the Project;

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

(r) "QBCDA" means the Qinling Biological Conservation Demonstration Area;

(s) "QM" means the Qinling Mountains;

(t) "QNBG" means the Qinling National Botanical Garden or any successor thereto acceptable to ADB;

(u) "RP" means any of the two (2) resettlement plans prepared for the Project and dated 1 October 2008;

(v) "SFB" means the Shaanxi Forest Bureau or any successor thereto;

(w) "SPG" means the Shaanxi Provincial Government; and

(x) "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 forty million Dollars (\$40,000,000), 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 April 2015 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 available the proceeds of the Loan to SPG upon terms and conditions satisfactory to ADB. Except as ADB may otherwise agree, the terms of making available to SPG the proceeds of the Loan 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) SPG bearing the foreign exchange and interest rate variation risks of the proceeds of the Loan made available thereto.

(b) The Borrower shall cause SPG through Shaanxi Provincial Finance Department, to make available the proceeds of the Loan to SFB upon terms and conditions acceptable to ADB, which 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) SFB bearing the foreign exchange and interest rate variation risks of the proceeds of the Loan made available thereto; then SFB shall make the proceeds of the Loan available to the IA under an Onlending Agreement upon terms and conditions acceptable to ADB. Except as ADB may otherwise agree, the terms for the proceeds of the Loan made available to the IA 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) the IA bearing the foreign exchange and interest rate variation risks of the proceeds of the Loan made available thereto.

(c) The Borrower shall cause SPG and the IA to apply the proceeds of the Loan to the financing of expenditures on the Project in accordance with the provisions of this Loan Agreement and the Project Agreement.

Section 3.02. The Goods, Works, 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, 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 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 October 2015 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 SPG and the IA to carry out the Project with due diligence and efficiency and in conformity with sound administrative, financial, engineering, environmental and biodiversity conservation 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 SPG to make available to the IA, 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 cause SPG to 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 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 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 the Onlending Agreement shall have failed to perform any material obligation under the Onlending Agreement.

(b) The Borrower or SPG, without obtaining prior agreement of ADB, shall have made material change in IA'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
The 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.

THE PEOPLE'S REPUBLIC OF CHINA

By _____
Authorized Representative

ASIAN DEVELOPMENT BANK

By _____

SCHEDULE 1

Description of the Project

1. The expected impact of the Project is sustainable biodiversity conservation to protect globally significant species and sustain economic growth. The expected outcome of the Project is improved and integrated biodiversity management providing sustainable livelihoods for the population of the Project area.

2. The Project scope includes the following:

Component 1: Participatory Biodiversity Management in the Mountainous Area

This component consists of the following subcomponents:

- (i) demonstrating conservation of biodiversity; and
- (ii) better village and forest-based livelihoods.

Subcomponent 1: Demonstrating Conservation of Biodiversity

This subcomponent will support:

- (i) restoration of about 2,000 ha of state forest land managed by SFB;
- (ii) preparation of a forest management plan; and
- (iii) development of endangered species management programs.

Subcomponent 2: Better Village and Forest-Based Livelihoods

This subcomponent will support:

- (i) development of about 5,000 ha of conservation forestry and agriculture on collective forest land in the mountainous area in cooperation with local inhabitants on a voluntary basis through the provision of technical support, planting materials, and site management technologies including but not limited to shade planting to enhance light penetration and intercropping;
- (ii) upgrade of community infrastructure including up to about 17.5 kilometers (km) of roads along the Tianyu river and about 100 km of mountain pathways to reduce travel time and ensure access during bad weather;
- (iii) promotion of home-stays and other income-generating activities, which will directly benefit residents and income-generating activities in several nature reserves in QM; and
- (iv) provision of training and technical advice to farmers to encourage the adoption of eco-friendly activities.

Component 2: Enhancing Biodiversity Conservation in the Plains Area

This component will (a) enhance public awareness on biodiversity conservation; (b) create off-farm jobs, especially for the poor population residing in and around the Project area; (c) expand and diversify the eco-tourism industry in Shaanxi Province; (d) transfer a portion of QNBG's revenues to support biodiversity conservation and alternative livelihood

development activities in QBCDA; and (e) support QBCDA activities through research and technological assistance. This component comprises the following subcomponents:

- (i) development of botanical gardens; and
- (ii) rehabilitation of the animal rescue center.

Subcomponent 1: Development of Botanical Gardens

This subcomponent will support:

- (i) development of gardens interlinked with walkways along which public education and awareness displays will inform the public on themes such as natural history, environment, and biodiversity;
- (ii) development of 18 contiguous botanical gardens and other infrastructure covering around 269 ha; and
- (iii) construction of a major exhibition hall to represent aspects of natural history and a service reception center.

Subcomponent 2: Animal Rescue Center

This subcomponent will support (a) an increase in the area of the rescue, breeding, research, and husbandry facilities; (b) development of satellite sites in more natural environments for the major endangered species; and (c) modernization of the existing animal rescue center.

Component 3: Project Management

This component will support capacity development for PMO and IA, including strengthening biodiversity safeguards.

3. The Project is expected to be completed by 30 April 2015.

SCHEDULE 2

Amortization Schedule

(Shaanxi Qinling Biodiversity Conservation and Demonstration 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 %)
15 Apr 2015	0.827816
15 Oct 2015	0.869207
15 Apr 2016	0.912667
15 Oct 2016	0.958301
15 Apr 2017	1.006216
15 Oct 2017	1.056526
15 Apr 2018	1.109353
15 Oct 2018	1.164820
15 Apr 2019	1.223061
15 Oct 2019	1.284214
15 Apr 2020	1.348425
15 Oct 2020	1.415846
15 Apr 2021	1.486639
15 Oct 2021	1.560971
15 Apr 2022	1.639019
15 Oct 2022	1.720970
15 Apr 2023	1.807019
15 Oct 2023	1.897369
15 Apr 2024	1.992238
15 Oct 2024	2.091850
15 Apr 2025	2.196442
15 Oct 2025	2.306264
15 Apr 2026	2.421578
15 Oct 2026	2.542657
15 Apr 2027	2.669789
15 Oct 2027	2.803279
15 Apr 2028	2.943443
15 Oct 2028	3.090615
15 Apr 2029	3.245146

Schedule 2

15 Oct 2029	3.407403
15 Apr 2030	3.577773
15 Oct 2030	3.756662
15 Apr 2031	3.944495
15 Oct 2031	4.141720
15 Apr 2032	4.348806
15 Oct 2032	4.566246
15 Apr 2033	4.794558
15 Oct 2033	5.034286
15 Apr 2034	5.286000
15 Oct 2034	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.

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, consulting 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.)

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, 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

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.

Imprest Account; Statement of Expenditures

6. (a) Except as ADB may otherwise agree, SPG shall establish immediately after the Effective Date, an imprest account at a commercial 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 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, 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

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 the eligible expenditures of the Project, 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 until the following condition shall have been met: the Borrower shall have certified to ADB, in form and substance satisfactory to ADB, that the Lending Agreement, which shall include the terms and conditions as referred to in Section 3.01(b) of this Loan Agreement, shall have been duly executed and delivered on behalf of SPG and the IA, and shall have become fully effective and binding upon the parties thereto in accordance with its terms.

TABLE

CATEGORY			ADB FINANCING BASIS
Number	Item	Total Amount Allocated for ADB Financing \$	Percentage of ADB Financing from the Loan Account
1	Works	23,285,000	36% of total expenditures
2	Goods		
2.1	Office Equipment and Vehicles	1,330,700	100% of total expenditures*
2.2	Construction Equipment and Materials	10,520,700	60% of total expenditures
3	Training	202,700	100% of total expenditures*
4	Interest and Commitment Charge	4,660,900	100% of amounts due
	Total	40,000,000	

*Excluding taxes and duties.

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.
6. Procurement Agent. The EA may appoint a Procurement Agent, which will be registered through Shaanxi Provincial Finance Department, to carry out international competitive bidding, national competitive bidding and shopping of Goods and Works in accordance with the terms and conditions set out in the Procurement Plan. The EA shall ensure that the Procurement Agent follows all of the requirements of this Schedule and the Procurement Plan.

C. Selection of Consulting Services

7. 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.

8. The Borrower shall recruit the individual consultants for the Project in accordance with procedures acceptable to ADB for recruiting individual consultants.

D. Industrial or Intellectual Property Rights

9. (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.

10. 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

11. 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

Implementation Arrangements

1. SPG shall be the EA, and shall, through the Project Leading Group set up in SPG, provide overall guidance and coordination, and through the PMO set up with Shaanxi Provincial Development and Reform Commission, carry out direct implementation of the Project. QNBG shall be the IA, responsible for day-to-day implementation of the Project.
2. The PLG shall be chaired by a Vice Governor, comprise representatives from Shaanxi Provincial Development and Reform Commission, Shaanxi Provincial Finance Department, SFB, Shaanxi Provincial Audit Department, Shaanxi Tourism Bureau, and Xi'an Municipal Government.
3. The PMO shall support the EA and shall be responsible for (a) overseeing all implementation matters; (b) preparing annual work plans and budgets in consultation with the EA and IA; (c) supervising procurement according to ADB policies and guidelines; (d) maintaining Project accounts; (e) preparing and submitting to ADB applications for withdrawals; (f) monitoring physical and financial progress including benefits and costs to beneficiaries; and (g) ensuring adequate and timely counterpart financing.

Counterpart Financing

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

Change of Ownership

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

Midterm Review

6. SPG and ADB shall undertake a midterm review prior to the end of the third year of the Project to assess implementation status and take appropriate measures including modification of scope and implementation arrangements, and reallocation of Loan proceeds, as appropriate, to achieve the Project's impact and outcomes.