



Technical Assistance Consultant's Report

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People's Republic of China: Hebei Elderly Care Development Project (Financed by the Technical Assistance Special Fund)

FINAL REPORT (Volume 3 of 3, Part 1)

Prepared by NAREE International Limited

For Hebei Provincial Government

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**Preparation
of
The Hebei Elderly Care Development Project**

Final Report

Volume 3

**Due Diligence and Technical Reports
Prepared by the Consulting Firm
(NAREE International Limited)**

December 2016

INTRODUCTION

This volume of the report contains the detailed assessment and due diligence reports prepared by the PPTA consulting firm who undertook project preparatory work as briefly described in Chapter 3, Section 3 of Volume 1 of this report.

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Hebei Elderly Care Development Project

Final Report

Volume Three

Document 3-A

Detailed Economic Analysis

ECONOMICS ANALYSIS AND PROJECT JUSTIFICATION

A. Background

1. The most significant demographic challenge facing the People's Republic of China (PRC) today is the aging of its population in such a rapid pace and enormous scale. The PRC's aging wave is coming and by the middle of this century, the PRC's elderly population will peak. In the year 2050, about 1/3 of the population will be over the age of 60 while 24% of them will be age 65 or older and 17% will be age 70 and over. In contrast, the fraction of Chinese people with age 60 and over was 10% in the year 2000 and 12% in 2010. Especially after the calendar year of 2025, the fraction of elderly in Chinese population will reach 20% and accelerate. Using ADL disability data from China Longitudinal Health Longevity Survey (2011) and UN population projection for China's elderly, an increasing trend of ADL disability distribution of the elderly is projected and reported in Table 1.

Table SD4.1: Population dynamics for China's elderly and elderly disability

Year	65~69	70~74	75~79	80~84	85+	# of Elderly	Mild Disability	Medium Disability	Severe Disability	Total Disabled	Disability Ratio (%)
2015	50,809	33,870	24,610	14,910	8,258	132,457	8,426	1,871	2,692	12,991	9.81
2020	70,576	44,164	26,743	16,372	9,845	167,691	10,321	2,211	3,179	15,712	9.37
2025	69,240	61,776	35,246	18,064	11,280	195,606	12,214	2,690	3,766	18,672	9.55
2030	87,260	61,028	49,795	24,191	12,809	235,083	14,709	3,238	4,561	22,508	9.58
2035	103,327	77,439	49,680	34,660	16,830	281,936	17,985	3,984	5,741	27,710	9.83
2040	101,447	92,278	63,674	35,078	24,249	316,726	21,154	4,983	7,115	33,253	10.50
2045	81,111	91,179	76,593	45,632	27,442	32,1957	2,2820	5,651	8,120	36,593	11.37
2050	91,163	73,332	76,395	55,653	34,772	331,315	24,669	6,296	9,337	40,303	12.17
2055	116,901	83,002	62,106	56,456	44,146	362,611	27,177	6,955	10,499	44,631	12.31
2060	95,016	107,156	71,048	46,653	48,978	368,851	28,255	7,485	11,030	46,770	12.68

Source: Population projection adapted from United Nations: World Population Prospects (<http://www.un.org/en/development/desa/population/theme/trends/index.shtml>); disability estimates by consultant's estimate based on China Longitudinal Health Longevity Survey (CLHLS) data on 2011 elderly disability distribution.

2. Combined with fast urbanization, internal migration of youth away from rural areas, and impact of the one child policy,¹ traditional family support systems are stressed and increasingly unable to meet the elderly care (EC) needs. In 2015, the elderly support ratio for elderly aged 60 and older in the PRC is 4.1 workers (defining 20 as the starting work age). This support ratio will fall to 1.4 workers per elderly (60 and older) by 2050. The implied tax rate for the working population, assuming retirement age remains to be 60 and the working population finances the retirees, will rise from 20% in 2015 to 41% in 2050. Along with the phenomenon of aging, the oldest old also increases in terms of total number and a ratio of all elderly. This will further drive the demand for long-term care upward.

3. Apart from the aging problem of Chinese population, two other factors place serious challenges to the EC in the PRC, i.e., internal migration, and the effects of one-child policy.

¹ First initiated in 1979. In October 2015, the government announced that the one child policy restriction will be lifted to allow all married couples up to two children.

As heavily influenced by the Confucian culture, the principle of filial piety has long been the cornerstone of the provision of EC in the PRC. Deeply rooted concept of filial piety requires family members to assume responsibility for the provision of care for one's parents at home. It has been long believed that elders who enter elderly care institutions, whether public or private, were either less fortunate, or childless elderly who had no other options.

4. However, due to the one-child policy, there is a harsh demographic dilemma in which the adult children available for direct family elderly care are decreasing, as the large number of Chinese baby-boomers enter into old age. The China Health and Retirement Longitudinal Study (CHARLS) data reveals that by the time of the survey, there are over 90% of elderly have a child living either with them or in the same county or city (38% have a co-resident child; 37% have a child in the same neighborhood, and 15% a child in the same county/city). But the age pattern of living arrangement shows a clear and drastic trend towards a lower fraction of living together or close. For instance, among Chinese 75 years and older, only 6% do not have access to their children; while this ratio is 18% for those around the age 55. The dramatic decline of fertility was due to the one child policy implemented since the early 1980s which affected the current 45-49 age group. To illustrate the decline, Chinese women older than 74 have an average of 4.6 children ever born, those between 60 to 75 have 3.4 while those between 45 and 59 have 2.2 children. However, economic development will also contribute to the lower fertility in the future. In other East Asian countries or regions where ethnic Chinese are the majority of the population, i.e., Taipei, China; Hong Kong, China; and Singapore, where no restriction on birth, fertility rate is lower than in the PRC. Hence, even though the PRC Government recently relaxed the one-child policy to allow second child, this is believed to have little impact on future Chinese fertility.

5. Historically, families assume the responsibility for providing care for their ill and frail elderly parents at home. State social welfare institutions only provide care for destitute older persons who fall into the categories of the "3 without's" (without family support (childless), source of income, and disabled) in urban areas and "5 guarantees" (those who rely on government provision of food, clothing, medical care, housing, and burial expenses) in rural areas. The formal elderly care began to rise by the 1990s. It then experienced a rapid development with the aid of a series of policies promulgated by the central and local governments. For instance, the bed numbers in institutional care centers grew from 29:1000 in the year 2010 in Beijing to 38:1000 by the end of 2015; and from 30:1000 to 40:10000 in Shanghai; from 22:1000 to 40:1000 in Guangzhou.

6. Studies show that in 2005, the market demand for the purchase of supplies and services for the elderly was CNY600 billion and by 2010, it reaches CNY1 trillion. The pension bills can increase to CNY2,815 billion by 2020, and to CNY7,322 billion by 2030. But the PRC now only offers CNY50 billion of services to the elderly population a year, leaving a huge gap between market demand and supply.²

7. However, though the demand for nursing home beds is surging, the occupancy rate has shown a 10% decrease, from 80.1% in 2008 to around 70% in 2012.³ Table 2 illustrates the development of long-term care (LTC) beds and occupancy rates in the PRC in recent years. This may due to the fact that most nursing homes' fees are too high for the poor elders, yet the service quality is low for the wealthy. Thus, although there are growing demands for formal elderly care services, it does not automatically translate into bed

² Dong, B and Q. Ding. 2009. *Aging in China: A Challenge or An Opportunity*. JAMDA. September.

³ China Philanthropy Research Institute. 2013. Monthly Report on National Elderly Service Trend.

occupancy. A careful study on the willingness-to-pay (WTP) for the proposed elderly care at local level is needed. The service quality standard and business model are of particular importance to the justification of the effective demand.

Table SD4.2: Long-term Care Beds and Occupancy Rates (2006–2013)

Year	Population >60, %	Population >65, %	Community Beds		Nursing Home Beds		Total	
			# Mil	Growth Rate %	# Mil	Growth Rate %	Occupancy %	No. of LTC Beds per 1000 Elderly Persons
2006	11.3	7.9			1.535	16.8	78.3	
2007	11.6	8.1			2.128	38.6	80.1	
2008	12	8.3			2.345	10.2	80.1	
2009	12.5	8.5			2.662	7.1	79.2	
2010	13.3	8.87			3.149	9	77	
2011	13.7	9.1			3.532	11.7	73.7	19.1
2012	14.3	9.4	0.198		3.967	12.3	70	21.5
2013	14.9	9.7	0.641	223	4.296	8.2	71.5	24.4

Source: Ministry of Civil Affairs. Statistical report on social service development, various years.

8. The growing demand for quality and affordable elderly care systems (ECSs) exceeds current supply and is an urgent issue that must be addressed.⁴ The PRC's Twelfth Five-Year Plan (FYP), 2011–2015 supports developing a three-tiered old age care system (home, community, and institutional);⁵ expanding grassroots associations; encouraging volunteerism for senior citizens; and improving geriatric care and health services. The 2013 Opinions of the State Council to accelerate the development of the EC service industry⁶ recognizes the progress made and significant challenges that remain, including improving services and human resources; developing the EC market; addressing unbalanced rural–urban development; and outlining responsibilities for public, private, and civil society stakeholders.

9. Hebei Province entered into an “aging society” status in 1999 when it passed the 10% threshold of population over the age of 60. By the end of 2015, it had risen to 16.33%, and will continue to rise annually. Within the province, there is great diversity in the distribution of elderly, their care needs, and capacity to pay for services. In some rural counties, there is a high density of elderly who are “left behind” after their children have moved to urban areas and in others few elderly remain making it difficult to provide decentralized services. The urban areas are also aging at different rates creating diversity in demand for services. In the adjacent cities of Beijing and Tianjin, EC services are limited and expensive. Several municipalities in Hebei are well placed to develop EC residential facilities catering to these populations.

⁴ The project is included in the country operations business plan for the PRC, 2016–2018. ADB. 2016. *Country Operations Business Plan: PRC, 2016–2018*. Manila.

⁵ Government of the PRC, State Council. 2011. *National Economy and Social Development Twelfth Five-Year Plan, 2011–2015*. Beijing.

⁶ Government of the PRC, State Council. 2013. *Opinions on Promoting the Development of Senior Care Service Industry (Circular No. 35)*. Beijing.

10. The province has been trying to respond to the increased demand for EC. In 2008, a model of mutual support communal homes for rural elderly called “Xingfu Yards” (translated as “Happiness Yards”) was developed, which since 2011 has been rolled out nationally by the Ministry of Civil Affairs. The PRC central government has identified Hebei as a demonstration province for EC due to its past history in developing care models, and because of its diversity of elderly, their care needs, and capacity to pay for services, it is representative of the challenges other provinces who have limited funds and growing elderly populations will face in the future. There is a strong desire in the province and nationally to identify models and partnerships which will provide quality and affordable EC and can be replicated.

11. Translating the national policies into programs on the ground is proving to be challenging. The increase in the elderly population is creating pressure to develop an ECS that expands coverage of services, can serve rural and urban populations and low- and middle-income households. At the institutional nursing care level, only 50% (210,000) of the projected need for beds is currently available. Public institutions, targeting and subsidizing the poorer older population, and affordable quality private sector institutional care are limited. Planning for expansion of EC services is not systematic, and home and community care services are underdeveloped. The private sector does not yet play a significant role and affordability of services is a key constraint to uptake and sustainability. The challenge is to develop a financially sustainable ECS that provides affordable and quality care. The proposed project will support development of care services and help establish the system for EC planning, human resources development and institutional capacity. A sound ECS can create significant employment and business opportunities.

12. The project supports the PRC’s Thirteenth FYP (2016–2020) and the Hebei Provincial Thirteenth FYP (2016–2020), which developed a three-tiered system of services, to stimulate investment in the sector, and define roles and responsibilities for government and the private sector. It will be aligned with the upcoming PRC Thirteenth Five-Year Plan as it supports developing and strengthening the elderly care system in the PRC. The project is aligned with ADB’s country partnership strategy (2016–2020) which prioritizes the development of the elderly care sector, the midterm review of Strategy 2020 which supports social protection and health, and the Operational Plan for Health (2015–2020), which has EC as a focus area.⁷

13. The proposed project is meant to address the aging problem in the PRC by financing selected elderly care facilities and geriatrics and gerontology education in Hebei province.

B. Project Rationale

14. The project will address the increasing demand for elderly care service due to growing aging in Hebei. The aging problem in Hebei Province is growing fast. By the end of 2015, the ratio of population with age over 60 had risen to 16.33% in 2015, and will continue to rise. In some rural counties of Hebei, there is a significant portion of elderly who are “left behind” after their adult children have migrated into urban areas. The urban areas are also aging at different rates creating diversity in demand for services. Hebei’s EC service infrastructure is limited and cannot meet the demand. For instance, for the capacity

⁷ ADB. 2016. *People's Republic of China: Country Partnership Strategy (2016–2020)*. Manila; ADB. 2014. *Midterm Review of Strategy 2020: Meeting the Challenges of a Transforming Asia and Pacific*. Manila; ADB. 2015. *Operational Plan for Health, 2015–2020*. Manila.

of institutional nursing care, only 50% (210,000) of the projected need for beds is currently available.

Table SD4. 3: Percentages of Elderly by Types of Long-term Care; Long-term Care Expenditure on Institutions and Home Care (as % of GDP); and Long-term Care Beds (per 1000 elderly aged 65+)

Country	Percentage of Elderly Living with Offspring	Percentage of Elderly Receiving Home Help	Expenditure on Institutions (2008)	Expenditure on Home care (2008)	Long-term Care Beds (1996)	Long-term Care Beds (2009)
Australia		7			104	57.7
Austria		3	0.6	0.7	47	40.5
Belgium			1.2	0.8		71.9
Canada		2	1.3	0.2	81	
Czech Republic			0.2			47.8
Denmark	4	17	0.8	1.2	57	51.2
Finland	14	24	0.9	0.1		74.8
France	17	7	0.9	0.3		72.5
Germany	14	1-3	0.8	0.5		50.3
Hungary			0.3			56.7
Iceland			1.7	0		69.3
Ireland	43	3				61.3
Italy	39	1				17.5
Japan	65	2	1.2			37.4
Korea			0.2			34.7
Luxembourg			0.9	0.4		48.8
New Zealand	18	1	0.7	0.8	63	60.9
Netherlands	8	8				68.5
Norway	11	14	1.4	0.8	71	62.9
Poland			0.1	0.3		19.8
Portugal			0.1			
Sweden		2	0.4	0.3	54	81.7
Slovenia			0.5	0.2		
Spain	30	13	0.5	0.4		31.1
Switzerland			1.8	0.3		67.8
UK	16	13			51	55.1
US	15	4	1.0		54	42.6

Source: OECD health data (1996, 2010, 2011).

15. Because LTC facilities are a newly emerging care option in the PRC, the workforce is poorly developed and under-prepared. Existing studies about Chinese nursing homes consistently report an extreme lack of qualified workers at all levels, including direct caregivers, administrators and nursing and medical professionals. Most direct caregivers in the formal care sector received little training in nursing and caregiving skills or no training at all. A recent literature survey that reviews 45 selected high quality academic articles found

that staff in Chinese NHs were older and had lower education levels in comparison with those in western countries.⁸ Most direct caregivers in urban areas were migratory workers from rural area. Chinese NHs had few qualification standards for staff preparation for their roles in NHs. The led to the fact that functional levels of residents in Chinese NHs were higher compared to NH residents in western countries. In addition, family members played important roles in caring for NH residents. Clearly, there is significant gap in the staffing of institutional caregiving facilities.

Table SD4.4: (Projected) Demand for Long-term Care and staff in the PRC

(2010–2050)						
Year	Aged 65+ (10,000)	Ratio of ADL loss (%)	Demand for Long-term Care (10,000)	Ratio of Dwelling at Nursing Homes (%)	Demand of Long-term Care Nurses (10,000)	Demand for Long-term Care Caregivers (10,000)
2010	10,985	8.9	978	N/A	N/A	N/A
2014	13,218	8.9	1,176	1.73	8.1	16.3
2020	16,642	8.9	1,481	2.34	13.9	27.7
2025	19,550	8.9	1,740	2.95	20.5	41.1
2030	22,945	8.9	2,042	3.56	29.1	58.2
2035	27,920	8.9	2,485	4.17	41.4	82.9
2040	31,709	8.9	2,822	4.78	54.0	107.9
2045	32,319	8.9	2,876	5.39	62.0	124.0
2050	33,120	8.9	2,948	6.00	70.8	141.5

Source: the number of aged 65+ is from UN 2010 data; ratio of elderly who lost ADL is from survey by National Bureau of Statistics; the ratio of dwellers at nursing homes is calculated from 2015 China Civil Affairs Yearbooks; the ratios of caregivers against total number of ADL lost elderly is assumed to be 0.8:1; the ratio between LTC nurses and caregivers is 1:2.

16. As shown in Table 4, the demand for LTC will nearly double by the year 2025 from 2010 level, and nearly triple by 2040. Although the LTC beds as a percentage of total number of elderly varies across countries in the developed countries sample, this percentage is generally above 6% with exceptions of some countries which has a culture of co-residence with offspring such as Japan. The small decrease of LTC beds as percentage of total elderly population in some countries over time may be explained by the improved independence of living at home. However, LTC beds per 1,000 elderly in most developed country reach about 60. Currently, for year 2014 where the latest data is available, the percentage of elderly who dwelled at nursing homes in China was only 1.73%, or 17.3 out of 1,000, which is well below OECD level. In Hebei, the situation is even worse, as there were only 14.9 out of 1,000 elderly lived in nursing homes. Although RC bed number is not the only target one should pursue, it nevertheless reflects the underdevelopment of EC sector. Assuming that the PRC will gradually catch up the developed countries in terms of LTC bed numbers in a 35 year span, there will be a very rapid growth of demand for LTC care workers, shown in Table 4. According to 2015 China Civil Affairs Yearbook, the percentage of staff in the EC sector with college associate degree and above, was 22.31%

⁸ Gu, Danan, M. Dupre and G. Liu (2014), Characteristics of the institutionalized and community-residing oldest-old in China, *Social Science and Medicine*, 64: 871-883.

for the PRC. But this percentage was only 10.36% for Hebei province. This means there is a strong demand for trained workers for the EC sector in Hebei.

17. The proposed project aims to build EC residential facilities and develop capacities to meet this growing demand. In particular, the project will develop an integrated ECS for home-, community-, and residential care (institutional) to cover both the urban and rural areas of selected cities and counties in Hebei in 5 locations: Chengde City, Julu, Lixian, Shexian, and Xinji. One subproject at Yanshan University will develop human resource of the EC industry to meet the gap in EC staffing.

C. Economic Costs, Benefits, and Methodology

18. **Costs.** The economic costs include: (1) Investment cost for all project components; and (2) Economic operational maintenance cost, other recurrent cost.⁹ Base costs plus physical contingencies of the Project and each of the subproject capital costs are estimated and apportioned on the basis of tradable, non-tradable (10% of civil works), and skilled and unskilled labor costs (20% of civil work, 20% of capacity building, and 10% of project management costs). Similarly, operation and maintenance costs for each subproject and the overall Project are estimated, apportioned on the basis of tradable and non-tradable works, consumables, services, equipment and machinery, and skilled (30%) and unskilled labor (70%) valued in economic prices. Transfer payments should be excluded in the valuation of the cost estimates in economic prices. World price was used for the calculation. Costs of non-traded goods were adjusted by a standard conversion factor (SCF) of 0.987. Unskilled labor cost was adjusted by a shadow wage rates factor (SWRF) of 0.67.¹⁰

19. **Benefits.** The project benefits will include (i) a possible increase in years of life gained (YLG); (ii) improved quality of life for the elderly by improving care services, better integration of EC and medical services, and the practical application of the “aging in place” concept, which is the preferred choice of the majority of elderly able to retain a degree of independent living;¹¹ (iii) released labor from informal care, such as the return of the elderly’s adult children to the formal sector labor market, which in general creates more value than informal care provision at home; (iv) medical cost savings, since formal EC is professional, it performs better in acute and chronic disease prevention so that it reduces the elderly’s morbidity and hospital admission; (v) falls prevention; (vi) time saving for informal caregivers; incremental number of employment opportunities and earning; (vii) various benefits generated by information and communications technology, such as administration cost savings and the increased possibility of independent living etc.; and (viii) the incremental number of trained caregivers, and EC personnel graduating with certificates from the new Yanshan University programs on EC and gerontology. All benefits are adjusted to world price by using the SCF.

⁹ Opportunity cost of students represented by the forgone earning while they are in the school/training was not included in the cost as it considered as minimal since most of them will be out of work requiring retraining.

⁹ Government of the People’s Republic of China. 2016. *The Thirteenth Five-Year Plan for National Economic and Social Development of the People’s Republic of China, 2016–2020*. Beijing.

¹⁰ SCF was obtained from recent ADB projects: ADB 46079 Guangdong Chaonan Water Resource Development and Protection Demonstration Project; ADB 8432-PRC Shandong Groundwater Allocation and Protection Project; and ADB 8363-PRC Xinjiang Tacheng Border Cities and Counties Development Project.

¹¹ A significant majority of elderly interviewed during the project preparatory technical assistance social assessment expressed a preference to “age in place” either living independently or with their siblings. This result mirrors similar preferences in many studies undertaken internationally.

20. Despite this extensive list of benefits, the quantification of many of them is a challenge due to (i) their close inter-relationships (Figure 1), (ii) some benefits derive from both health and EC investments, (iii) a lack of established methodologies for quantification, and (iv) a lack of data and/or the inherent unreliability of some data sets (such as WTP) and data collection constraints. These difficulties mean any economic income rate of return (EIRR) computation to establish the economic justification of the overall project is likely to prove contentious.

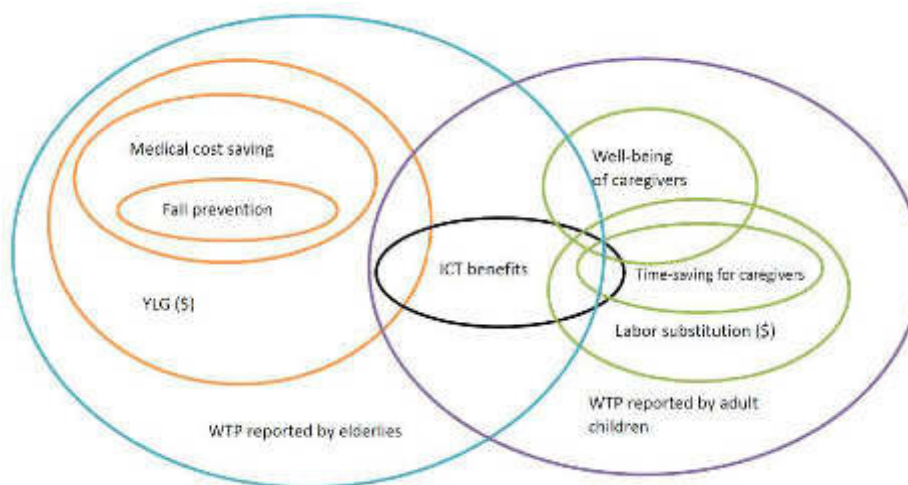


Figure 1: Venn Diagram for Different Types of Economic Benefits¹²

21. Nevertheless, during the project due diligence work, various attempts were made to quantify the more promising benefit streams to establish a quantified economic justification for the project as a whole. Therefore, only three streams of benefits were applied for the EIRR calculation: (i) Years of Life Gained from residential care, (ii) other benefits (revenues at elderly care center, community and home care centers, and rehabilitation centers), and (iii) wage premium from trained students at Yanshan University. The project economic benefits are elaborated and expanded as below.

22. **Years of Life Gained.** The YLG was estimated by the PRC's Longevity Health Longitudinal Survey (CLHLS) for all the subprojects providing EC residential services direct to elderly user. Thus this approach was adopted for all subprojects (in Chengde, Julu, Lixian, Sheian, and Xinji), except the Yanshan University subproject. This approach is in line with ADB Handbook for the Economic Analysis of Health Sector Projects,¹³ where the YLG approach is adopted.

23. To estimate the YLG due to residential care habitation, the Chinese Longitudinal Healthy Longevity Survey (CLHLS) data is used. The CLHLS data is a longitudinal data which contains six waves of surveys (1998, 2000, 2002, 2005, 2008-2009, and 2011-2012) randomly selected in 23 provinces with 9093 initial observations. The multilevel Logit regressions are used to fit the discrete-time survival model. By controlling social, health, family, and economic variables, as well as unobservable heterogeneity, the regressions yield statistically significant estimates of coefficients of residential care on the YLG. More

¹² Developed by PPTA consultant.

¹³ ADB Project Economic Evaluation Division, Handbook for the Economic Analysis of Health Sector Projects, Economics and Development Resource Center, 2000.

specifically, it is estimated that staying in a nursing home increases the elderly's survival probability by 9.0% annually.

24. Since the baseline survival rates for different ages differ, the 2011 life table (mortality table) for China is obtained to calculate the hazard reduction for each age of the elderly who stay in RC facilities. The YLG was converted to monetary values by multiplying the Value of Statistical Life (VSL). Benefit of YLG is estimated at 0.056 million (CYN). The benefit of YLG was multiplied by the number of available bed and input usage rates of 60% for Julu and 80% of Shexian and 100% of Chendge and Zuhua based on the actual usage.

25. **Willingness-to-Pay.** The WTP for EC services (residential care) can be obtained from both the elderly and their relatives such as their adult children. They may yield different results. The PPTA team conducted two social-economic surveys in the project counties and cities in which the questions regarding WTP were carefully designed and asked during the interviews. Theoretically, the WTP values obtained from CVM approach. However, possibly due to the asymmetric information regarding service quality, the reported WTPs for RC services were too low to justify the project. The aforementioned benefits are different (conservative) measures of the true (but unobservable) economic benefits. Simple aggregation of these benefits will lead to serious double counting. For instance, the years of life gained (YLG) or disability adjusted YLG, calculated in monetary terms, must include the medical cost savings (the fact that patients are willing to accept a costly treatment for a chronic disease implies that YLG is greater than the cost), and the latter must include the medical cost savings of falls prevention. Thus, the cost savings of falls prevention is a true subset of medical cost savings, and the medical cost savings must be a subset of YLG value.

26. **Revenues from Elderly Care Center, Community and Home Care and Rehabilitation Centers.** Since it is difficult to quantify the quality of life improvement by providing elderly care in community and home, the direct revenue by providing services were considered as the project benefits. Elder care center revenue consists of health examination, information service center revenue and rehabilitation clinic revenue. The revenue from health examination is calculated by the estimated number of health examination (400 for 1st year, 1800 for 2nd year, 2400 for 3rd year, 3000 per year for 4-20th years) multiplied by the cost per examination (300 CYN per examination). The information service center revenue is calculated by the estimated number of information services and remote monitoring services multiplied by the cost per service (2 CYN per month for each service) and utilization ratio of 60% for the 1st year, 80% of the 2nd year, 98% for 3rd-20th years. Rehabilitation clinic revenue was calculated by the estimated annual revenue (10,980,368 CYN per year) multiplied by the annual operating ratio of (60% for the 1st year, 80% of the 2nd year and 100% from the 3rd-20th years).¹⁴

27. **Wage Premium Benefits from Yanshan University Subproject.** The economic analysis performed for this sub-project has adopted the approach used for most technical vocational education and training projects supported by Asian Development Bank in the PRC. This approach assumes that the more skilled a worker is, then the more economically productive they are, and that this translates into a wage premium that can be used as a proxy for the enhanced economic output the newly trained worker delivers.

28. From the literature, wage premium is assumed that for management personnel for elderly care, information and communications technology talents, entry-level caregivers, intermediate caregivers, senior caregivers, IT management, the monthly wage premium

¹⁴ PPTA consultant estimates based on the current data.

would be CNY2,000, CNY1,000, CNY 500, CNY800, CNY1,200, and CNY1,000 respectively. The wage premium benefit was calculated by the estimated wage premium multiplied by the number of enrolments per year (management personnel for elderly care:20, ICT talents: 20, primary care staff:300, intermediate nursing staff: 200, senior nursing staff: 50 and network administrator: 30).¹⁵

29. **Labor substitution:** It is generally understood that by switching from informal care to formal care, the elderly's adult children will increase their participation to the labor market, thus creating more income net of the cost of the formal care, which constitutes a major part of the economic benefit. Qiao et al (2015)¹⁶ show that the presence of elderly family member decreases the income of women who work locally by 17% (US\$ 715 vs. US\$857). Using CHARLS data, Yang, Fu and Li (2016) find that co-residence with the elderly family members decreases women's labor force participation by 14% while it has no effect on men's labor supply. The implication of this result is thus very clear: if women were freed from elderly care responsibilities, their labor force participation would increase by about 14%.

30. While the aging and declining fertility in the PRC have a clear and straightforward implication on the PRC's demand for elderly care, many other factors such as rural-urban migration, grandparenting, and gender issues etc. have mixed impacts on elderly care. The rural to urban migration in the PRC is the largest movement of people in human history, e.g., some 163 million rural laborers migrated to urban areas for employment in 2012 alone (National Bureau of Statistics, 2012), or approximately half of the total number of the PRC's urban labor force. While in most countries it is found that having children negatively affects the mother's labor force participation since the mothers are the primary care providers for childcare, such effect is not found in the Chinese context in some studies (e.g., Zhao, 1997, Song et al., 2009)¹⁷. It is argued that the absence of a negative impact was mostly because of the presence of grandparents who were able and willing to take care of their grandchildren.

31. In particular, Maurer-Fazio et al (2011)¹⁸ show that the presence of the elderly significantly increases the likelihood of young laborers' working participation since the elderly are able to help in childcare. However, there are other studies, using slightly different concepts or databases, draw different or even opposite conclusions. For instance, Giles and Mu (2007) show that an ill parent has a significantly negative impact on the probability of adult children being engaged in migration.¹⁹ Pang et al (2004) show that migrant laborers often have to end their employment in city and return home when their parents became ill.²⁰ By distinguishing preschool children and school-aged children and

¹⁵ Wage premiums was obtained and estimated by using China Household Income Project (CHIP) data, together with Song (2013), Deng (2014), Han et al (2016), Wang et al (2015); for duration of the career and depreciation rate, see Huang (2012).

¹⁶ Qiao, F., S. Rozelle, L. Zhang, Y. Yao, J. Zhang (2015) Impact of childcare and eldercare on off-farm activities in rural China, *China and World Economy*, 23(2): 100-120.

¹⁷ Zhao, Y. H., 1997, Labor migration and return to rural education in China, *American Journal of Agricultural Economics*, 79(4): 1278-87; Song, Y., J. Zheng and W. Qian, 2009, To be, or not to be: rural women's migration decisions: a case study of the Yangtze River Delta, *The Chinese Economy*, 42(4): 63-74.

¹⁸ Maurer-Fazio, M., R Connelly, L. Chen, and L. Tang, (2011), Childcare, Eldercare, and Labor Force Participation of Married Women in Urban China: 1982-2000, *Journal of Human Resources*, 46(2): 261-294

¹⁹ Giles, J. and R. Mu, (2007), Elderly parent health and the migration decisions of adult children: evidence from rural China, *Demography*, 44(2): 265-88

²⁰ Pang, L., A. de Brauw and S. Rozelle, (2004), Working till you drop: the elderly of rural China, *The China Journal*, 52: 73-94

using a survey data done by Chinese Academy of Sciences between 2005 and 2008, Qiao et al (2015)²¹ find that the impact of having school-aged children on rural laborers' off-farm work participation decision is significant. This is due to two reasons, first is that when children enter school age, the grandparents get older and their health status becomes worse, and second is that most of the grandparents are less educated so they are incapable in assisting their grandchildren in school work. Overall, Qiao et al (2015) find no significant impact of elderly family members on rural laborers' off-farm work participation decisions.

32. More surprisingly, calculations by Qiao et al (2015) show that a male migrant with preschoolers at home earned US\$1231 a year, or 13% higher than those without preschoolers at home. This effect is 21% for female laborers, or US\$955 versus US\$792 a year. The reason might be increased financial pressure that comes from raising children. In regard to the presence of elderly at home, although no significant effect is found for migrants' income, the effect is significantly negative for women who work locally, i.e., the presence of elderly family member decreases the income of women who work locally by 17% (US\$ 715 vs. US\$857). Using CHARLS data, Yang, Fu and Li (2016) find that co-residence with the elderly family members decreases women's labor force participation by 14% while it has no effect on men's labor supply. The implication of this result is thus very clear: if women were freed from elderly care responsibilities, their labor force participation would increase by about 14%.

33. **Medical expense savings** (Reduced hospital admission etc.): In one recent report by Deloitte in 2012 on the British Red Cross (BRC)'s home care services, (The economic impact of care in the home services based on 45,500 service users: a report commissioned by the British Red Cross), it was found that the home care provision prevented hospital admission and reduced the length of stay in hospital for up to 3 days, reduced hospital readmission, and substituted expensive domiciliary and residential care. The result show that the return ranged between 40% to 280%, with an average of 149%. However, there does not exist similar data for the PRC, making quantification impossible. However, this story is not always one-sided. The European case²² shows that the savings to Medicare/Medicaid from intensive informal care by the adult children give margins ranged from \$300 to \$1,000 for caregivers not previously working, although the authors acknowledge the use of average cost only and the absence of cost benefit analysis.

34. **Falls prevention.** For falls prevention, the economic benefit can be very large. For instance, only the direct medical costs reported by WHO's Global Report on Falls Prevention reported that the average health system cost per one fall injury episode for people 65 year and older in Finland, Australia, Ireland, and USA were US\$ 3611 (originally AUS\$ 6500 in 2001-2002) and US\$ 1049 (originally in €944 in 1999), US\$ 6646, and US\$ 17 483 respectively. On top of the direct medical costs, there are indirect costs which are presumably larger.

35. **Time savings from informal care.** In a recent paper (Oliva-Moreno, Juan et al. (2015), An estimation of the value of informal care provided to dependent people in Spain, *Applied Health Economics and Health Policy*, 13: 223-231), it was estimated that the monetary value of informal caring hours was equivalent to 1.73-4.90% of the GDP. The informal care therefore represents a very high social cost. The institutional care provision

²¹ Qiao, F., S. Rozelle, L. Zhang, Y. Yao, J. Zhang (2015) Impact of childcare and eldercare on off-farm activities in rural China, *China and World Economy*, 23(2): 100-120

²² Van Houtven, C.H., Norton, E.C. (2004), Informal care and health care use of older adults. *J. Health Econ.* 23, 1159-1180.

can save caring hours substantially due to its economies of scale. Again, due to the lack of data, such estimate is difficult to obtain.

36. **Benefits from information and communications technology.** The literature does not focus on economic analysis of the ICT investment in EC sector, but rather just to identify the effects of use and implementation of ICT, which could include formation of networks and possibilities to develop online services, switching from payment per visit (PPS principle) to payment per episode of care, and the use of telehealth as a homecare business solution etc.

37. Storing and transmitting large volumes of information have become feasible, and hardware such as fiber optics, cables, satellites, ISDN, and safe and secure technologies are available. Residential broadband networks are becoming available to interconnect households in local communities world-wide, providing one common gateway for information exchange. The decreased costs in the technological front helps to make the diffusion of ICT in EC sector more economic viable.

38. Clearly, the economic benefits of ICT systems include improving inter-organizational networks, reducing costs, controlling resource allocation, and achieving higher quality, which eventually lead to an increase the possibility of independent living at home, promoting social integration, enhancing opportunities for learning to control chronic diseases at a distance, and training and increasing the availability and quality of care and technical assistance.

39. Albeit these benefits are important, there is a lack of data which can be used as a benchmark benefit. The quantification is thus difficult due to the lack of basic data as well as the large variation in the scale of the benefits.

40. **Improved well-being on informal caregivers.** One of the most concerned chronic disease for the elderly mental disorder such as Alzheimer and dementia. The prevalence of Alzheimer's disease and related degenerative dementia rose significantly due to increase in life expectancy. Recent literature has found the negative impact of such disease on the well-being of the caregivers, primarily informal caregivers often the elderly's adult children. This is partially due to the informal caregiver's lack of professional expertise. By admitting elderly with dementia to the RC facilities, or improved care via community and home based services, the project can improve the well-being of the informal caregivers.

41. **Incremental number of trained care givers:** medical personnel with certificates by the new university program on elderly care and gerontology, measured by their wage premium. Studies show that trained EC workers perform better and are more knowledgeable than their counterparts at work.

D. Economic Rate of Internal Return

42. The base case EIRR calculation for individual subprojects and the whole project are presented in the following tables. At a 12% discount rate, the whole project is found to be economically viable. The net present value (NPV) for the whole project is CNY544.3 million and the base case EIRR for the whole project is 18.6%, which exceeds the economic opportunity cost of capital (EOCC). The EIRRs for Chengde City, Julu, Lixian, Shexian, Xinji and YSU subprojects are 16.5%, 22.1%, 16.6%, 20.7%, 17.3%, and 20.8%, respectively.

Table SD4.5: Economic Internal Rate of Return for the project (million CNY)

Years	Benefits				Costs			Net Benefits
	Benefit of year life gained (YLG)	Other Revenues	Wage premium	Total	Investment Costs	O & M	Total	
2017	0.0	0.0	0.00	0.0	156.8	0.0	156.8	(156.8)
2018	0.0	0.0	0.00	0.0	318.5	0.0	318.5	(318.5)
2019	0.0	0.0	0.00	0.0	299.5	0.0	299.5	(299.5)
2020	31.6	17.0	0.00	48.6	164.0	15.0	179.0	(130.4)
2021	66.3	35.7	7.38	109.4	56.2	29.7	85.9	23.5
2022	140.2	60.8	20.42	221.4	0.0	57.2	57.2	164.1
2023	170.7	77.1	32.63	280.4	0.0	69.4	69.4	211.1
2024	194.5	89.0	39.20	322.7	0.0	79.0	79.0	243.7
2025	200.4	96.8	47.28	344.4	0.0	83.6	83.6	260.8
2026	206.4	102.2	55.19	363.8	0.0	87.4	87.4	276.4
2027	212.6	105.3	59.85	377.7	0.0	89.7	89.7	287.9
2028	218.7	108.4	61.65	388.8	0.0	92.2	92.2	296.6
2029	225.0	111.7	63.49	400.2	0.0	94.7	94.7	305.5
2030	231.6	115.0	65.40	412.0	0.0	97.2	97.2	314.7
2031	238.3	118.5	67.36	424.1	0.0	99.9	99.9	324.2
2032	245.2	122.0	69.38	436.6	0.0	102.6	102.6	334.0
2033	252.3	125.7	71.46	449.4	0.0	105.4	105.4	344.0
2034	259.6	129.5	73.61	462.7	0.0	108.3	108.3	354.4
2035	267.2	133.3	75.82	476.3	0.0	111.3	111.3	365.0
2036	275.0	137.3	78.09	490.4	0.0	114.4	114.4	376.0
2037	283.0	141.5	80.43	504.9	0.0	117.6	117.6	387.3
2038	291.2	145.7	82.85	519.8	0.0	120.8	120.8	399.0
2039	299.7	150.1	85.33	535.1	0.0	124.2	124.2	411.0
2040	308.5	154.6	87.89	551.0	0.0	127.7	127.7	423.3
2041	317.5	159.2	90.53	567.3	0.0	131.2	131.2	436.0
2042	326.8	164.0	93.24	584.0	0.0	134.9	134.9	449.1
NPV	1,698.0				743.2	410.5	1,153.7	544.3
EIRR								18.6%

EIRR = economic internal rate of return, NPV = net present value.

Source: PPTA consultant estimates.

E. Sensitivity Analysis

43. The sensitivity analysis shows that the project's economic return is robust against negative impacts from benefit reduction, cost overrun and project implementation delay. The results of the sensitivity analysis, EIRR for each subproject, as well as the whole project, are presented below.

Table SD4.6: Sensitivity Analysis

Change Variable	Percent Change in Variable	Recalculated EIRR	ENPV (12%) (CNY million)	Switching Value
1. Benefit reduction	10%	16.7%	374.5	31.2%
2. Capital cost overrun	10%	17.7%	470.0	73.3%
3. Delay in benefits by one year	1 year	17.1%	455.1	2 years
4. O&M cost overrun	10%	18.1%	503.3	
5. Combination of 1, 2, 3, and 4		13.8%	161.1	
Base EIRR =		18.6%		
Base NPV @12% =		544.3 CNY million		

Source: PPTA consultant estimates.

F. Distribution Analysis

44. As a result of the project, some participants lose and others gain. At a discount rate of 12%, the government will gain CNY119.7 million by means of taxes and duties. Laborers will gain CNY21.5 million because the project pays wages in excess of the economic opportunity cost of labor. The receptors of the services provided by the project, i.e., medium to low-income elderly in Hebei, will gain CNY914.3 million from better elderly care, measured mainly by the years of life gained.

Table SD4.7: Distribution of the Whole Project Benefits

	Accounts			Beneficiaries			
	Financial Accounts	Economic Accounts	Difference	Government			
				Consumers	Economy	Labor	Total
Benefits	783.7	1698.0	914.3	914.3			
Total benefits	783.7	1698.0	914.3	914.3			
Costs							
Capital Costs	780.3	743.2	(37.1)		37.1		
Labor	432.0	410.5	(21.5)		21.5		
Income Taxes	669.8	550.1	(119.7)			119.7	
O & M	0.0		0.0		0.0		
Total Costs	1212.3	1153.7	(58.7)				
Net Benefits	(428.7)	544.3	973.0	914.3	58.7	119.7	1092.7

G. Conclusion

45. The phenomenon of an aging population presents a major socio-economic challenge for the PRC government and this is recognized in the country's most recent economic development plan and an increasing number of government policy statements made on the topic in recent years. It is self-evident that increased investment in the sector

is essential and that benefit streams from investment in EC are numerous, but also it is apparent that these benefits are closely inter-related and potentially overlap or EC investments compete for benefit streams claimed for health sector investments. Whilst individual services provided within the EC system might be quantified and justified in economic terms, the quantification of system wide investment that the project will make is not easy to quantify, and remains a topic subject to ongoing research.

Hebei Elderly Care Development Project

Final Report

Volume Three

Document 3-B

Detailed Financial Analysis

DETAILED FINANCIAL ANALYSIS

I. Cost Estimates and Financing Plan

A. Cost Estimates

1. The project investment cost is estimated at \$ 180.11 million, including taxes and duties of \$6.54 million. The total cost includes physical and price contingencies and financial charges during implementation.

2. Cost estimates were prepared by local design institutes and compiled by the project preparatory TA consultant. During implementation, costs will be updated in the procurement plan by ADB Project Officer at least once a year to reflect the actual contract prices, contract variations, and updated cost estimates.

3. **Key assumptions.** The following key assumptions underpin the cost estimates and financing plan:

- (i) Exchange rate: CNY6.65 = \$1.00 (as of September 2016).
- (ii) Physical contingencies computed at 10% of base cost. Price contingencies based on expected cumulative inflation over the implementation period are presented in Table 1. Contingencies include provision for potential exchange rate fluctuation under the assumption of the purchasing power parity exchange rate.

Table 1: Escalation Rates for Price Contingency Calculation

Item	2016	2017	2018	2019	2020	2021
Foreign rate of price inflation	1.5	1.4%	1.5%	1.5%	1.5%	1.5%
Domestic rate of price inflation	1.7	2.0%	2.1%	2.1%	2.1%	2.1%

- (iii) Interest during construction for ADB loan has been computed at the US dollar 5-year swap rate plus a spread of 0.5% and maturity premium of 0%. Commitment charges for an ADB loan are 0.15% per year to be charged on the undisbursed loan amount. Meanwhile interest during construction for local commercial bank loan has been computed at 6%.

4. The indicative project investment plan is summarized in Table 2 below.

Table 2: Project Investment Plan
(\$ million)

Item	Amount ^a
A. Base Cost ^b	
1. Community and home care services improved	10.62
2. Residential elderly care service capacity increased and quality improved	117.81
3. Elderly Care planning, development of human resources and industry capacity improved	17.02
4. Capacity of the Elderly Care Sector Organizations Improved	2.50
Subtotal (A)	147.94
B. Contingencies ^c	24.98
C. Financing Charges During Implementation ^d	7.19
Total (A+B+C)	180.11

^a Includes taxes and duties of \$6.54 million to be financed from government resources and ADB loan resources. ADB loan will cover taxes and duties on items financed by ADB. Financing of taxes and duties is proposed because the due diligence showed that (i) the amount of taxes and duties is within the reasonable threshold identified in the country partnership strategy, (ii) the amount does not represent an excessive share of the investment plan, (iii) taxes and duties apply only in respect to ADB-financed expenditures, and (iv) financing of the taxes and duties is administratively expedient for the success of the project.

^b In second quarter 2016 prices.

^c Physical contingencies computed at 10% of base cost. Price contingencies computed at 1.5% for 2016, 1.4% for 2017, and 1.5% for 2018 and thereafter on foreign exchange costs, and 1.7% for 2016, 2.0% for 2017, 2.1% for 2018 and thereafter on local currency. Contingencies include provision for potential exchange rate fluctuation under the assumption of the purchasing power parity exchange rate.

^d Includes interest and commitment charges. Interest during construction for ADB loan has been computed at the \$ 5-year fixed swap rate plus a spread of 0.5% and the maturity premium of 0%. Commitment charges for the ADB loan are 0.15% per year to be charged on the undisbursed loan amount. Meanwhile interest during construction for local commercial bank loan has been computed at 6%.

Note: Numbers may not sum precisely because of rounding.

B. Financing Plan

5. The Government of the PRC has requested a loan of \$100 million from ADB's ordinary capital resources to help finance the project. The loan will have a 20-year term including a grace period of 5 years, an interest rate determined in accordance with ADB's London interbank offered rate (LIBOR)-based lending facility, a commitment charge of 0.15% per year, the interest rate and other charges during construction will be capitalized in the loan, and such other terms and conditions set forth in the loan and project agreements. The government has requested that repayment will follow the straight-line commitment-linked repayment option. The loan will also finance taxes and duties on items financed by ADB. The local county government, local commercial bank loan and ownerships of the project will finance the remaining \$80.11 million of project cost. Based on the above loan terms and this repayment option, the average loan maturity is 12.75 years and the maturity premium payable to ADB is 0% per annum. The Controller's Department in ADB will provide the final confirmation and issue the amortization schedule at loan negotiations.

6. The Hebei Provincial Government will assume the foreign exchange and interest rate risks for the ADB loan. The Borrower has provided ADB with (i) the reasons for its decision to borrow under

ADB's LIBOR-based lending facility based on these terms and conditions, and (ii) assurances that these choices were its own independent decision and not made in reliance on any communication or advice from ADB.

7. The financing plan is in Table 3 and is further detailed in the project administration manual (PAM).

Table 3: Financing Plan

Source	Amount (\$ million)	Share of Total (%)
Asian Development Bank	100.00	56%
County Government Contribution	25.22	14%
Local Bank Loan	10.53	6%
Ownership Contribution	44.37	25%
Total	180.11	100%

Note: Numbers may not sum precisely because of rounding.

Sources: PPTA Consultant

8. **Relending arrangement.** The Borrower is the PRC. The loan proceeds will be entirely made available to the Hebei Provincial Government (HPG) under its relending arrangements upon terms and conditions satisfactory to ADB. The HPG will make the loan proceeds available to the relative city/county. The onlending terms and conditions of the loan proceeds will be the same as those of ADB loan. The indicative flow of funds and relending arrangements are shown in the project administration manual (PAM).

9. In addition to the \$100 million loan requested from ADB, HPG confirmed that county government and the owners of local IAs will contribute counterpart funding for the project activities. To give assurance of availability of counterpart funds, the Li county, Julu county governments, 3 private owners and Yanshan University will provide commitment letters to ADB through HPMO.

10. The Borrower shall cause the HPG, and HPG shall cause all IAs, to apply the proceeds of the loan to the financing of expenditures on the project in accordance with the provisions of the Loan Agreement and the Project Agreement.

11. Counterpart funding comes from Li county and Julu county fiscal budgets, local commercial bank loans and the IAs' own contributions to the project.

12. The total project detailed cost estimates by expenditure category is shown in Table 4 while the overall detailed costs by financier, by output and by year is shown in Table 5, Table 6 and Table 7 respectively.

13. Allocation and withdrawal of loan proceeds is shown in Table 8.

14. Contract awards, disbursement and its s-curve is shown in Table 9, Table 10 and Figure 1.

Detailed Cost Estimates by Expenditure Category

Table 4: Detailed Cost Estimates by Expenditure Category

No.	Item	CNY Million			\$ Million			% of Base Cost	% of Total Cost
		Foreign Exchange Costs	Local Currency Costs	Total Cost	Foreign Exchange Costs	Local Currency Costs	Total Cost		
A.	Base Cost								
	1. Civil Works	148.11	444.34	592.45	22.27	66.82	89.09	60%	49%
	2. Equipment & Materials	180.80	45.20	226.00	27.19	6.80	33.99	23%	19%
	3.Capacity Building	16.63	0.00	16.63	2.50	0.00	2.50	2%	1%
	4.Land Acquisition and Resettlement	0.00	25.87	25.87	0.00	3.89	3.89	3%	2%
	5.Project Management Fee	0.00	103.65	103.65	0.00	15.59	15.59	11%	9%
	6.Environmental Management Fee	0.00	1.20	1.20	0.00	0.18	0.18	0%	0%
	7.Management and Teacher's Training	0.00	8.50	8.50	0.00	1.28	1.28	1%	1%
	8.Curriculum and Science Development	0.00	6.20	6.20	0.00	0.93	0.93	1%	1%
	9.Initial Working Capital	0.00	3.32	3.32	0.00	0.50	0.50	0%	0%
	Sub-total (A)	345.54	638.28	983.82	51.96	95.98	147.94	100%	82%
B.	Contingencies								
	1. Physical	34.55	63.83	98.38	5.20	9.60	14.79	10%	8%
	2. Price	21.29	46.43	67.72	3.20	6.98	10.18	7%	6%
	Sub-total (B)	55.85	110.26	166.10	8.40	16.58	24.98	17%	14%
C.	Financing Charges During Implementation								
	1. Interest during construction	38.88	7.19	46.08	5.85	1.08	6.93	5%	4%
	2. Commitment charges	1.76	0.00	1.76	0.26	0.00	0.26	0%	0%
	Sub-total (C)	40.64	7.19	47.84	6.11	1.08	7.19	5%	4%
	Total Project Cost (A+B+C)	442.03	755.73	1197.76	66.47	113.64	180.11	122%	100%

Source: PPTA consultant.

Note: Numbers may not sum precisely because of rounding errors.

Detailed Cost Estimates by Financier

Table 5: Detailed Cost Estimates by Financier

No	Item	Total Costs	ADB		County Government		Local Bank Loan		Shareholder	
			Amount	% of Cost	Amount	% of Cost	Amount	% of Cost	Amount	% of Cost
				Category		Category		Category		Category
A. Base Cost										
	1. Civil Works	89.09	58.08	65%	10.46	12%	10.53	12%	10.02	11%
	2. Equipment & Materials	33.99	32.03	94%	0.26	1%	0.00	0%	1.70	5%
	3.Capacity Building	2.50	2.50	100%	0.00	0%	0.00	0%	0.00	0%
	4.Land Acquisition and Resettlement	3.89	0.00	0%	1.32	34%	0.00	0%	2.57	66%
	5.Project Management Fee	15.59	0.00	0%	4.64	30%	0.00	0%	10.95	70%
	6.Environmental Management Fee	0.18	0.00	0%	0.06	33%	0.00	0%	0.12	67%
	7.Management and Teacher's Trainir	1.28	1.28	100%	0.00	0%	0.00	0%	0.00	0%
	8.Curriculum and Science Developme	0.93	0.00	0%	0.00	0%	0.00	0%	0.93	100%
	9.Initial Working Capital	0.50	0.00	0%	0.14	28%	0.00	0%	0.36	72%
	Sub-total (A)	147.94	93.89	63%	16.88	11%	10.53	7%	26.65	18%
B. Contingencies										
	1. Physical	14.79	0.00	0%	4.76	32%	0.00	0%	10.04	68%
	2. Price	10.18	0.00	0%	3.58	35%	0.00	0%	6.60	65%
	Sub-total (B)	24.98	0.00	0%	8.34	33%	0.00	0%	16.64	67%
Financing Charges During										
C. Implementation										
	1. Interest during construction	6.93	5.85	84%	0.00	0%	0.00	0%	1.08	16%
	2. Commitment charges	0.26	0.26	100%	0.00	0%	0.00	0%	0.00	0%
	Sub-total (C)	7.19	6.11	85%	0.00	0%	0.00	0%	1.08	15%
	Total Project Cost (A+B+C)	180.11	100.00	56%	25.22	14%	10.53	6%	44.37	25%
	% of Total Project Cost	100%	56%		14%		6%		25%	

Note: Numbers may not sum precisely because of rounding.

Source: PPTA consultant.

Detailed Cost Estimates by Outputs

Table 6 : Detailed Cost Estimates by Outputs
(\$ million)

Item	Total Cost	Community and home care services improved		Residential elderly care service capacity increased and quality improved		Impact evaluation conducted and project implementation capacity improved		Capacity of the Elderly Care Sector Organizations Improved	
		Amount	% of Cost Category	Amount	% of Cost Category	Amount	% of Cost Category	Amount	% of Cost Category
A. Base Cost									
1. Civil Works	89.09	6.72	100%	71.87	0%	10.50	0%		
2. Equipment & Materials	33.99	3.90	0%	26.83	0%	3.26	0%		
3.Capacity Building	2.50		0%	0.00	100%	0.00	0%	2.50	100%
4.Land Acquisition and Resettlement	3.89		100%	3.89	0%	0.00	0%		
5.Project Management Fee	15.59		100%	14.57	0%	1.02	0%		
6.Environmental Management Fee	0.18		100%	0.15	0%	0.03	0%		
7.Management and Teacher's Training	1.28					1.28	0%		
8.Curriculum and Science Development	0.93					0.93	0%		
9.Initial Working Capital	0.50		100%	0.50	0%	0.00	0%		
Sub-total (A)	147.94	10.62	99%	117.81	0%	17.02	1%	2.50	2%
B. Contingencies									
1. Physical	14.79	1.06	100%	11.78	0%	1.70	0%	0.25	2%
2. Price	10.18	0.73	100%	8.11	0%	1.17	0%	0.17	2%
Sub-total (B)	24.98	1.79	100%	19.89	0%	2.87	0%	0.42	2%
C. Financing Charges During Implementation									
1. Interest during construction	6.93	0.50	98%	5.52	1%	0.80	2%	0.12	2%
2. Commitment charges	0.26	0.02	98%	0.21	1%	0.03	1%	0.00	2%
Sub-total (C)	7.19	0.52	98%	5.73	1%	0.83	2%	0.12	2%
Total Project Cost (A+B+C)	180.11	12.93	99%	143.42	0%	20.72	1%	3.04	2%

Note: Numbers may not sum precisely because of rounding.

Source: PPTA consultant.

Detailed Cost Estimates by Year

Table 7: Detailed Cost Estimates by Year
(\$ million)

Item	Total Cost	2017	2018	2019	2020	2021	2022
A. Base Cost							
1. Civil Works	89.09	10.78	39.42	27.08	10.53	1.28	0.00
2. Equipment & Materials	33.99	0.00	2.64	13.20	10.07	8.08	0.00
3. Capacity Building	2.50	0.40	0.84	0.73	0.38	0.15	0.00
4. Land Acquisition and Resettlement	3.89	3.89	0.00	0.00	0.00	0.00	0.00
5. Project Management Fee	15.59	7.21	3.27	2.97	1.76	0.38	0.00
6. Environmental Management Fee	0.18	0.01	0.07	0.07	0.02	0.01	0.00
7. Management and Teacher's Training	1.28	0.13	0.38	0.26	0.26	0.26	0.00
8. Curriculum and Science Development	0.93	0.09	0.28	0.19	0.19	0.19	0.00
9. Initial Working Capital	0.50	0.00	0.00	0.20	0.14	0.16	0.00
Sub-total (A)	147.94	22.51	46.91	44.68	23.35	10.50	0.00
B. Contingencies							
1. Physical	14.79	2.25	4.69	4.47	2.33	1.05	0.00
2. Price	10.18	0.82	2.64	3.36	2.21	1.14	0.00
Sub-total (B)	24.98	3.07	7.33	7.83	4.55	2.19	0.00
C. Financing Charges During Implementation							
1. Interest during construction	6.93	0.04	0.58	1.43	2.11	1.81	0.96
2. Commitment charges	0.26	0.07	0.11	0.06	0.03	0.01	0.00
Sub-total (C)	7.19	0.11	0.69	1.49	2.13	1.81	0.96
Total Project Cost (A+B+C)	180.11	25.69	54.93	54.00	30.03	14.51	0.96
Percentage	100.00%	14.26%	30.50%	29.98%	16.67%	8.05%	0.53%

Note: Numbers may not sum precisely because of rounding.

Source: PPTA consultant.

Allocation and Withdrawal of Loan Proceeds**Table 1: Allocation and Withdrawal of Loan Proceeds**

No.	Category	Total Amount Allocated for ADB Financing (\$ million)	Percentage and Basis for Withdrawal from Loan Account
1	Civil Works	58.08	
A	Julu County	7.20	70% of Total Amount Expenditure Claimed
B	Li County	13.67	68% of Total Amount Expenditure Claimed
C	Chengde City	11.57	69% of Total Amount Expenditure Claimed
D	Shexian	6.96	59% of Total Amount Expenditure Claimed
E	Xinji	9.88	57% of Total Amount Expenditure Claimed
G	Yanshan	8.81	84% of Total Amount Expenditure Claimed
2	Goods	32.03	100% of Total Amount Expenditure Claimed
3	Capacity Improvement and Training	3.78	100% of Total Amount Expenditure Claimed
3.1	Capacity Improvement	2.50	100% of Total Amount Expenditure Claimed
3.2	Yanshan University Training	1.28	100% of Total Amount Expenditure Claimed
4	Financial Charges During Implementation	6.11	100% of Total Amount Expenditure Claimed
Total		100.00	

Source: ADB estimates

Contract and Disbursement S-Curve**Table 9 : Project Contract Awards and Disbursements**
(by quarter)

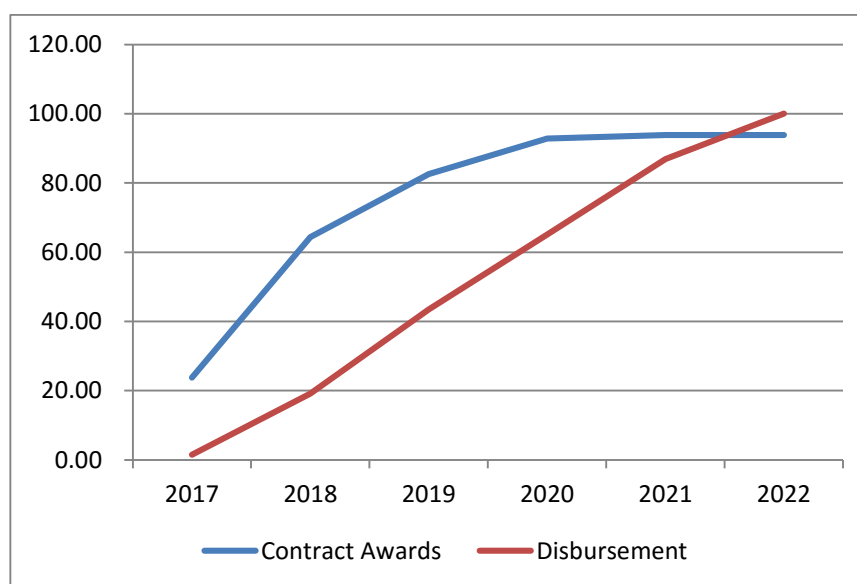
Year	Projected Contract Awards (\$ million)					Projected Disbursement (\$ million)				
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
2017	0.00	0.00	18.51	5.22	23.73	0	0	0	1.49	1.49
2018	15.09	0.00	2.45	23.10	40.64	3.10	3.72	4.64	6.19	17.65
2019	0.00	9.98	4.12	4.07	18.18	4.26	5.11	6.39	8.52	24.28
2020	4.42	0.00	5.88	0.00	10.30	3.81	4.57	5.71	7.62	21.71
2021	1.04	0.00	0.00	0.00	1.04	3.39	4.24	5.65	8.48	21.76
2022					0.00	6.56	6.56			13.11
Total	20.55	9.98	30.96	32.39	93.89	21.11	24.19	22.40	32.30	100.00

Source: Asian Development Bank.

Table 10: Project Contract Awards and Disbursements
(cumulative)

Item	2017	2018	2019	2020	2021	2022
Contract Awards	23.73	64.37	82.55	92.85	93.89	93.89
Disbursement	1.49	19.14	43.42	65.13	86.89	100.00

Source: Asian Development Bank.

Figure 1: Contract Awards and Disbursements Projections
(\$ million)

II. Financing Analysis of the Project

A. Introduction

15. The financial analysis of the proposed project was carried out in accordance with the Asian Development Bank's (ADB) Guidelines for the Financial Management and Analysis of Projects and Financial Due Diligence: A Methodology Note¹. The analysis includes assessments of the current financial performance and future viability of the revenue generating sub-projects, and fiscal impact of the non-revenue generating sub-project (Yanshan University).

B. Project Scope and Outputs

16. The project has 4 outputs : (1) community and home care services improved; (2) residential elderly care service capacity increased and quality improved; (3) elderly Care planning, development of human resources and industry capacity improved; and (4) capacity of the Elderly Care Sector Organizations Improved.

17. There are 5 elder care service subprojects and 1 elder care human resource development subproject to support the above 4 outputs. The subprojects are described in 错误!未找到引用源。1.

Table 11: Project Subproject and Outputs

Subproject	Output	Detail Content
Chengde Shuangluan District	Community and home care services improved	25 (22 community and 3 street level) HCBS centers will established by rehabilitating existing buildings in 25 local communities (rehabilitation area is 7,400 m ²); Connect with ICT platform
	Institutional elderly care service capacity increased and quality improved	A new EC center and a rehabilitation hospital will be constructed (with a construction floor area of 25,008.72 m ² , with a total of 430 beds, including 100 beds for rehabilitation hospital); ICT platform; Palliative care rooms
	Development of human resources and industry capacity improved	396 staff (including caregivers, management staff and administrative staff) for the EC center, rehabilitation hospital, and HCBS centers; Training to caregivers and management staff
	Capacity of the EC Sector Stakeholders Improved	Piloting of: EC Assessment; using ICT in assessment of client needs Community based care
Julu County	Community and home care services improved	Four HCBS centers will be rehabilitated (rehabilitation area is 3,309 m ² , with capacity of 110 beds); Establish information center

¹ ADB. 2005. *Financial Management and Analysis of Projects*. Manila; ADB. 2009. *Financial Due Diligence: A Methodology Note*. Manila.

Subproject	Output	Detail Content
Li County	Institutional elderly care service capacity increased and quality improved	A new EC center with a total construction floor area of 20,945 m ² will be constructed with a capacity of 403 beds including; Rehabilitation center; recuperation, dementia Palliative care rooms;
	Development of human resources and industry capacity improved	249 (64+185) staff (including caregivers, management staff and administrative staff) for the EC center and HCBS centers; Training to caregivers and management staff
	Capacity of the EC Sector Stakeholders Improved	Piloting of vertical health and elderly care integration
	Community and home care services improved	Ten HCBS centers will be established by rehabilitating four existing buildings and constructing six new centers in local towns/townships (rehabilitation area is 7,285.9 m ² , with capacity of 400 beds); Establish call/response center
	Institutional elderly care service capacity increased and quality improved	A new residential EC center will be built (total construction floor area of 38,455.79 m ² with a capacity of 425 beds); Health checking center; Rehabilitation center; Call/response service center; Palliative care rooms
She County	Development of human resources and industry capacity improved	276 staff (including caregivers, management staff and administrative staff) for the EC center and HCBS centers; Training to caregivers and management staff
	Capacity of the EC Sector Stakeholders Improved	Piloting for: EC and HCBS development strategy and planning
	Community and home care services improved	Three HCBS centers will established (rehabilitation area is 3,100 m ² , with capacity of 80 beds); Connect with ICT platform
	Institutional elderly care service capacity increased and quality improved	A new EC center with a construction floor area of 25,850 m ² providing 360 beds will be built; Rehabilitation center; An ICT center; Palliative care rooms
	Development of human resources and industry capacity improved	174 staff (including caregivers, management staff and administrative staff) for the EC center and HCBS centers; Training to caregivers and management staff
She County	Capacity of the EC Sector Stakeholders Improved	Piloting for: EC Quality management; Use of ICT in the administration, needs assessment and record-keeping of residential care and HCBC systems

Subproject	Output	Detail Content
Xinji County	Community and home care services improved	Eight HCBS centers serving 5 townships will be established by renovating existing buildings (rehabilitation* area is 7,900 m ² , with capacity of 130 beds); Connect with ICT platform
	Institutional elderly care service capacity increased and quality improved	A new EC center and a small geriatric hospital ² will be constructed (total construction area is 22,000 m ² , with a total of 438 beds, including 60 geriatric hospital beds – 50 geriatric/10 palliative); An ICT center; Rehabilitation center; Palliative care rooms
	Development of human resources and industry capacity improved	232 staff (including caregivers, management staff and administrative staff) for the EC center, geriatric hospital (60), and HCBS centers; Training to caregivers and management staff
	Capacity of the EC Sector Stakeholders Improved	Piloting of horizontal medical care and EC integration through cooperation with Xinji No. 1 Municipal Hospital;
	Development of human resources and industry capacity improved	A new EC training center inside the YSU campus will be constructed with a construction floor area of 13,985 m ² will be built; 91 new faculty will be newly engaged
Yanshan University	Capacity of the EC Sector Stakeholders Improved	EC management. YSU will develop a range of training courses in EC management; ICT for EC. YSU will design courses on ICT for EC to respond to the fast growing human resources needs in this area; Occupational therapy for EC

C. FINANCIAL SUSTAINABILITY OF NON-REVENUE GENERATING COMPONENTS

18. Yanshan University (YSU) is a government institution unit and the YSU subproject is a non-revenue generating component. YSU, as the end borrower of ADB loan, will service the ADB loan for the subproject and are also responsible for counterpart funding during the construction period and incremental recurrent operation and maintenance (O&M) costs during operating period.

C1. YANSHAN UNIVERSITY HISTORICAL REVENUE AND EXPENDITURE

19. Revenue collected by YSU is student tuition fee, student accommodation fee, student examination fee and social service fee collected. Student tuition fee, student accommodation fee, student examination fee collected by YSU will be transferred to special bank account of Hebei Provincial Finance Department (HPFD). Those will be allocated to the YSU based on YSU budget. However, social service fee³ collected by YSU will be kept in the bank account under YSU control, which is a small part of the funding source.

² Level 1 hospital = 20 to 99 beds (smallest hospital type).

³ Social service fee includes science studying fee from companies, training fee and others fee.

20. Therefore, fund sources of YUS are three parts: (1) HPFD real budget allocation, (2) return revenue of student tuition fee, student accommodation fee and student examination fee and (3) social service revenue. HPFD real budget allocation includes (1) fiscal special fund which will be only used for the designated purpose expenditure, (2) fund allocated based on the student numbers and (3) fund allocated for personal expenditure and other expenditure.

21. The historical financial performances of the YSU for the last 3 years (2013–2015) were reviewed to determine whether the YSU will be able to provide the required counterpart funds during the construction period as well as debt service and necessary funds for O&M during the operating period. YSU historical revenue and expenditure is shown in Table 12.

Table 12: YSU Historical Revenue and Expenditure

			Unit: Yuan
Item	2013	2014	2015
Revenue	977,545,639.01	1,109,567,026.75	1,360,925,544.43
1. Revenue in Current Year	958,310,611.53	1,017,002,000.41	1,176,900,344.99
1.1 Fiscal Allocation Revenue	540,280,000.00	630,838,332.44	715,813,400.00
1.2 Institution Revenue	381,585,690.60	364,052,230.62	422,635,565.59
1.3 Other Revenue	36,444,920.93	22,111,437.35	38,451,379.40
2. Institutional Fund to Make up the Gap between Revenue and Expenditure		30,980,070.38	80,522,059.50
3. Last Year's Fund Carried Forward and Surplus	19,235,027.48	61,584,955.96	103,503,139.94
3.1 Recurrent Expenditure Carried Forward and Surplus			
3.2 Project Expenditure Carried Forward and Surplus	19,235,027.48	61,584,955.96	103,503,139.94
Recurrent and Project Expenditure	831,957,969.61	1,006,063,886.81	1,215,286,649.26
1. Salary and Welfare	230,579,729.78	320,593,620.43	414,587,790.50
2. Commodity and Service Expenditure	234,137,951.46	283,741,546.45	282,231,093.28
3. Subsidy Expenditure for Individual and Family	113,248,438.18	149,543,374.74	221,422,996.68
4. Subsidy Expenditure for Entities	39,972,319.81	37,401,166.52	44,545,436.88
5. Debt Interest Expenditure	37,369,009.24	29,577,313.76	21,562,830.78
6. Capital Expenditure		40,000,000.00	71,630,000.00
7. Other Capital Expenditure	176,650,521.14	145,206,864.91	159,306,501.14
Surplus and Fund Carried Forward	145,587,669.40	103,503,139.94	145,638,895.17
1. Surplus	84,002,713.44		
1.1 Transferred into Institutional Fund	84,002,713.44		
2. Recurrent and Project Expenditure Carried Forward and Surplus	61,584,955.96	103,503,139.94	145,638,895.17
2.1 Recurrent Expenditure Carried Forward and Surplus			
2.2 Project Expenditure Carried Forward and Surplus	61,584,955.96	103,503,139.94	145,638,895.17

22. YSU maintains a balance of revenue and balance in the last 3 years. It is said by the YSU, the disposable fund sources are from (1) fiscal return of student tuition fee, student accommodation fee and student examination fee, (2) fiscal fund allocated based on the per student, and (3) social service revenue. The surplus from the disposable fund source will be as source of counterpart fund, debt service and necessary funds for O&M during the operating period.

C2. YANSHAN UNIVERSITY FINANCIAL PROJECTION

23. Financial Projection Assumptions.

- (i) Estimated student numbers are based on the expected student enrollment in the relevant years. Expected student numbers are shown in Table 13.

Table 13: Estimated Student Numbers

Student Number (Person/Year)	2016	2017	2018	2019	2020-2023
Undergraduate	20733	21933	23133	24333	24333
Postgraduate	5971	6034	6097	6160	6160
Doctor	712	716	720	724	724
Total	27416	28683	29950	31217	31217

- (ii) Fiscal fund allocated standard per student is 12000 yuan/student for undergraduate student, 18000 yuan/student for postgraduate student and 24000 yuan/student for doctoral student. The standard will be reached to 16000 yuan/student for undergraduate student, 2400 yuan/student for postgraduate student and 32000 yuan/student for doctoral student at the end of 2016. Fiscal fund allocated per student is calculated based on fiscal fund allocated per student in 2015, and the added fiscal fund allocated standard per student and the planning enroll student number.
- (iii) Student tuition fee standard is shown in the Table 14. Accommodation fee standard collected is from 800 yuan/year to 1200 yuan/year based on the bed number in a room.

Table 14: Tuition Fee

Item	Tuition Fee (Yuan/Year)
Undergraduate	5000-17000
Postgraduate	7000-37500
Foreign Student	26000-34000
Adult Education	900-1500

- (iv) Fiscal special fund is increased by additional 80 million in 2016 due to high-class majors construction.
- (v) All expenditure items are calculated based on that of 2015 and considering planning additional student number.

24. Projections of revenue and expenditure are shown in Table 15 based on the above assumption.

Table 15: Projection of Revenue and Expenditure
(CNY Million)

Item	2015	2016	2017	2018	2019	2020	2021	2022	2023
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Revenue									
Fiscal Special Fund	91.43	165.60	168.00	170.00	175.00	180.00	185.00	185.00	185.00
Fiscal Fund Allocated per Student	245.43	369.88	375.09	380.30	385.51	385.51	385.51	385.51	385.51
Fiscal Fund Allocated for Person	455.07	472.44	485.53	498.62	511.71	524.80	537.89	537.89	537.89
Fee Collected by YSU	302.25	313.71	321.53	329.64	337.44	338.04	353.55	353.55	353.55
Other Revenue	82.72	89.72	96.72	96.72	96.72	96.72	96.72	96.72	96.72
Previous Year Special Carried Forward	184.02	145.63	145.63	145.63	145.63	145.63	145.63	145.63	145.63
Total	1360.92	1556.98	1592.51	1620.91	1652.01	1670.70	1704.30	1704.30	1704.30
Expenditure									
Special Expenditure	91.43	165.60	168.00	170.00	175.00	180.00	185.00	185.00	185.00
Salary and Welfare	419.58	427.58	435.58	443.58	451.58	459.58	467.58	467.58	467.58
Other Recurrent Cost	657.00	662.00	667.00	672.00	677.00	682.00	687.00	687.00	687.00
Other Expenditure	24.56	24.60	25.00	25.00	26.00	26.00	26.00	26.00	26.00
Total	1192.57	1279.78	1295.58	1310.58	1329.58	1347.58	1365.58	1365.58	1365.58
Special Carried Forward	145.63	145.63	145.63	145.63	145.63	145.63	145.63	145.63	145.63
Net Disposable Surplus	22.72	131.57	151.30	164.70	176.80	177.49	193.09	193.09	193.09

C3. RESULT OF THE ANALYSIS.

25. Yanshan University subproject will produce revenue from training fee. It is estimated that annual training revenue is CNY 9.53 million and annual incremental O&M expenditure is CNY 2.86 million. Project revenue can meet with the requirement of O&M expenditure.

26. However for the purpose of this analysis it is assumed that there is no subproject training revenue, and then it is assessed whether or not Yanshan University's overall net disposable fiscal surplus can meet requirement of counterpart funds during the construction period as well as debt service and necessary funds for O&M during the operating period.

27. The comparison of net disposable surplus and project fund requirement is shown in Table 16. Net disposable surplus can meet requirement of counterpart funds during the construction period as well as debt service and necessary funds for O&M during the operating period.

Table 16: Comparison of Net Disposable Surplus and Project Fund Requirement (CNY Million)

Item	2015	2016	2017	2018	2019	2020	2021	2022	2023
Net Disposable Surplus of Yanshan University	22.72	131.57	151.30	164.70	176.80	177.49	193.09	193.09	193.09
Project Fund Requirement			15.64	14.79	8.59	6.34	4.79	7.74	10.75
Construction cost			15.64	14.79	8.59	6.34	1.98	0.00	
Principle Repayment								3.10	6.21
Interest Repayment								1.78	1.69
Incremental O&M							2.81	2.86	2.86

D. FINANCIAL EVALUATION OF REVENUE GENERATING SUBPROJECTS

28. The subprojects of Chengde Shuangluan District, Julu county, Li county, Shexian and Xinji are revenue generating components. Financial evaluation was carried out to ascertain

financial viability of the subprojects.

D1. METHODOLOGY

29. Financial internal rates of return (FIRR) were estimated for the five subprojects. Cost streams that will be used for calculating FIRR are capital investment and operation and maintenance costs. Revenue streams are revenues from elderly care services and rehabilitation services. The weighted average cost of capital (WACC) of each subproject, based on the financing assumptions made, is compared with the FIRR to ascertain the financial viability of the components.

30. Sensitivity tests were undertaken to test the robustness of the FIRRs to changes in the underlying parameters, namely, increases in capital and operating costs and reduction in revenues, or delays in the components' implementation. Also specific project risks or sensitivities were identified and examined.

D2. FINANCIAL ASSUMPTION

31. **Beds.** Beds of each subproject were set based on the local market demand and PPTA consultant team suggestions. The beds setting of each subproject is shown in Table 17

Table 17: Beds Setting of Each Subproject

	Chengde	Julu	Li	She	Xinji
Residential Care Center	330	403	393	360	378 ⁴
Independent	46		38		
Semi-dependent	144	210	78	288	208
Dependent	140	120	234	18	150
Demented Elderly		32	38	24	
Focus Care		1	5	18	
Family Bed				12	
Daily Care Bed		40			20
Community Care Center	370	110	400	80	130
Fixed Bed	370	30	100	66	130
Non-fixed Bed		80	300	14	

32. **Tariff Setting.** Julu County Hospital is already providing a similar elderly care service. Currently there are 58 beds. Occupancy rate is 100%. The existing tariff is CNY 1000/month for independent, CNY 2600/month for semi-dependent and CNY 3000/month for dependent meal fee and medical expenses are not included in the tariff. Therefore, each subproject tariff⁵ setting of elder care service in residential care center and community care center is considered reasonable base on the elder care service quality and facility. The tariff setting of each subproject is shown in Table 18.

Table 18: Tariff of Elder Care Service

	Chengde	Julu	Li	She	Xinji
Residential Care Center (Yuan/Month. Bed)					

⁴ Excluding 60beds which will be rent to hospital.

⁵ Tariff includes meal fee of 500 yuan/month.

Self-care Elderly	1800		2800		
Semi Disabled Elderly	3350	3000/3500 ⁶	3300	2200	3300
Disabled Elderly	3750	3300/3800	3400/3500/3600 ⁷	2800	3800
Demented Elderly		3900/4000	3800/3900	3000	3800
Focus Care		3800		6000	
Family Accompany				2800	
Community Care Center					
Fixed Bed (Yuan/Month. Bed)	1500	1500	1500	1500	1500
Non-fixed Bed (Yuan/Day. Bed)	50	50	50	50	50

33. **Other financial assumptions.** Other financial assumptions are as follows:

- The analysis is a 20 year period excluding the construction period. Construction period of each subproject is 3 to 5 years based on their implementation plan;
- All data are expressed in second quarter 2016 prices.
- Rehabilitation exercise revenue is calculated based on the daily working number of facility and standard tariff per time; however, Xinji subproject will rent the rehabilitation center to the hospital with the tariff of 120 yuan/m2/month;
- Other revenue items include health examination, information service, entertainment revenue, home care service revenue and canteen operating revenue;
- Subsidy⁸ revenue includes “one time” construction subsidy of 4000 yuan/bed and an operating subsidy of 100 yuan/bed/month;
- Capital costs include the base cost of all the proposed facilities, physical contingencies of 10% but exclude price contingencies and interest during construction;
- Operation and maintenance (O&M) costs are based on specific operating characteristics of individual components according to the revised FSRs. O&M costs include personnel salaries and welfare, water cost, electricity cost, heating cost, natural gas cost, equipment maintenance costs, employee training, rental cost for community centers, food materials cost and other expenses;
- The depreciation is calculated at 5% and 6.67% of fixed assets of building and land using right, and equipment respectively. No residual value is assumed;
- ADB loan Interest expense is assumed at five-year swap rate of 1.94% per annum and a 15-year repayment period with straight-line repayment. Local commercial loan interest expense is assumed at 6% per annum and a 5-year straight-lining repayment.
- The business⁹ tax and income tax¹⁰ is calculated at 0%.
- Net cash flows from the Project are determined after deduction of income taxes.

34. **Financial Internal Rate of Return.** Based on the above financial assumption, the FIRR calculated for Chengde, Julu, Li, She and Xinji subproject are 4.85%, 7.53%, 4.87%, 5.73% and 5.74% respectively. The whole project FIRR is 5.52%. The detail FIRR calculation of each subproject and the whole project is shown in Appendix 1.

⁶ Room with single bed and 2 beds.

⁷ Room with 8 beds, 6 beds and 2 beds.

⁸ Suggestions on Elderly Care Institution Reward and Subsidy (Number 81, Jimin [2012]) issued by Hebei Provincial Civil Affair Bureau and Finance Bureau.

⁹ Business tax is free for elder care project according to the business taxes temporary regulation of PRC.

¹⁰ Income tax is temporarily free for elder care service institution according to the document of Number 97, Caishui [2000].

35. **Weighted average cost of capital.** The WACC was computed based on the proposed financing plan of the each subproject. ADB loan Interest expense is assumed at five-year swap rate of 1.94% per annum and a 15-year repayment period with straight-line repayment. Local commercial loan interest expense is assumed at 6% per annum and a 5-year straight-line repayment. The cost of equity is calculated at 8%, assuming a risk free rate of return of 6% plus a 2.0% margin. Income tax is assumed at 0%, with the WACC calculated on an after tax basis. The other assumptions are domestic inflation rate of 1.7% and international inflation rate of 1.5%. The real WACC for Chengde, Julu, Li, She and Xinji subproject is 3.02%, 2.74%, 2.89%, 2.71% and 2.75% respectively. The overall project WACC is 2.84%.

36. **Financial Evaluation Result.** The FIRR of each subproject and the whole project are more than the respective WACCs. The individual subprojects and the whole project are therefore considered financially viable. The comparison of FIRRs and WACCs is shown in Table 19.

Table 19: Comparison of FIRRs and WACCs

	Chengde	Julu	Li	She	Xinji	Whole
FIRR	4.85%	7.53%	4.87%	5.73%	5.74%	5.52%
WACC	3.02%	2.74%	2.89%	2.71%	2.75%	2.84%

37. **Sensitivity Analyses.** The variables considered for the sensitivity analyses were a 10% increase in capital costs, a 10% increase in operating costs, a 1-year delay in implementation and a 10% decrease in revenues. The Table 20 below demonstrates that the results are especially sensitive to a reduction in revenue. With respect to revenues it is necessary to establish tariffs mechanism based on sound market research and to provide high quality elderly care services that are compatible with the needs and expectations of elderly people. Sensitivity analysis shows that the FIRR is robust under various adverse scenarios except for the decrease in revenues for the Chengde subproject.

Table 20: Sensitivity Analysis of Each Subproject and Wholly Project

Item	Chengde		Julu		Li		She		Xinji		Whole	
	FIRR	SI	FIRR	SI	FIRR	SI	FIRR	SI	FIRR	SI	FIRR	SI
I.Base Case	4.85%		7.53%		4.87%		5.73%		5.74%		5.52%	
II.Capital Cost plus 10%	4.00%	1.76	6.48%	1.40	4.01%	1.77	4.71%	1.78	4.81%	1.62	4.60%	1.67
III.Operating Cost Plus 10%	3.96%	1.84	6.29%	1.65	4.18%	1.42	4.82%	1.59	5.19%	0.96	4.71%	1.47
IV.Implementation delayed by one year	4.54%		7.21%		4.54%		5.38%		5.42%		5.19%	
V.Revenue decreasing by 10%	2.94%	3.93	5.03%	3.32	3.17%	3.49	3.64%	3.66	4.12%	2.81	3.63%	5.20
WACC	3.02%		2.74%		2.89%		2.71%		2.75%		2.84%	

E. FINANCIAL ANALYSIS OF ENTITIES

38. The following key financial performance indicators were determined to ascertain financial sustainability of entities: (1) a debt equity ratio not exceeding 2.33 (70:30) ; (2) a debt service coverage ratio of at least 1.2; (3) a current ratio of at least 1; and (4) cost recovery ratio of at least 1, namely total revenues exceeding O&M and greater of depreciation and debt service requirement.

E1. GOVERNMENT IMPLEMENTATION AGENCIES

39. **Julu and Li county subprojects' implementation agencies.** Julu and Li county subprojects will be constructed, operated and maintained by the Julu County Hospital and Li county Guangrongyuan which are governmental non-profit organizations. During the construction period, Julu county government and Li county government will provide counterpart funding required by the project. During the operating period and loan repayment period, Julu county government and Li county government will be responsible for providing gap funding when the revenue from the subproject can't meet the incremental operating and maintenance cost, and debt service requirement. Therefore it is assumed that subprojects are operated as independent entities in preparing 15-year financial projections including the construction period.

40. The ability of Julu county and Li county governments can provide enough counterpart funding during construction period has been assessed and the results are described in the fiscal affordability analysis.

E2. PRIVATE IMPLEMENTATION AGENCIES

41. **Chengde Suangluan subproject implementation agency.** Jinluan International Hotel Co., Ltd (JIHC) was chosen by Chengde Suangluan District to implement ADB loan elder care subproject. JIHC has established a subsidiary company, namely Chengde Haoren Elder Care Co. Ltd. (CHECC), to construct, operate and maintain ADB loan elder care subproject. CHECC was formally established on 25 July 2016. Registered capital is RMB 5 million and current capital received is RMB 0.00. There are two shareholders namely JIHC with a 51% share and 1 natural person with a 49% share.

42. **Xinji subproject implementation agency.** Xinji Dayu Group Co., Ltd. (XDGC) was chosen by Xinji county to implement ADB loan elder care subproject. XDGC established a subsidiary company, namely Xinji Juyouleyuan Elder Care Co. Ltd. (XJECC), to construct, operate and maintain ADB loan elder care subproject. XJECC was formally established on 12 August 2016. Registered capital is RMB 81 million and current capital received is RMB 0.00. There are nine shareholders namely XDGC with 51% share and 8 natural persons with a collective 49% share.

43. **She County subproject implementation agency.** Hebei Runqinyuan Elder Care Co. Ltd (HRECC) was chosen by She county to implement ADB loan elder care subproject. HRECC is responsible for construction, operation and maintenance of ADB loan elder care subproject, which was formally established on 1 September 2015. Registered capital is CNY100 million and current capital received is CNY13.25 million, of which CNY 3 million could be used for the ADB elder care project. There are 2 natural person shareholders with 60% and 40% shares respectively.

44. **Commercial bank loan.** XDGC has signed an intentional agreement with local commercial banks for loans of CNY 70 million. The agreement with local commercial banks are not legally enforceable documents. Therefore there is a potential risk that IA may not be able to get the local commercial bank loans when it is needed.

45. **Counterpart funding.** CHECC, XJECC and HRECC will be responsible for counterpart funding during construction period. Counterpart fund will be from shareholders' capital fund injection. For natural person shareholders, it is difficult to prove where the money

is from. For the parent companies in Chengde and Xinji subproject, historical financial statements of JIHC and XDGC are shown in Appendix 3.

46. In the last three years, JIHC kept a good operating performance. Net cash flow from operating activity of JIHC in 2013, 2014 and 2015 is RMB 3,461,353.68, RMB 3,651,188.42 and RMB 49,929,001.25 respectively. There is a big jump in 2015 because previous year's account receivable was collected and two new businesses, barbecue and buffet, were operated in 2015. Revenue from barbecue and buffet in 2015 was RMB 3.25 million and 5.30 million. JIHC estimates net cash flow from operating activity of RMB 20,221,580.92 in 2016. If JIHC can keep the current good operating performance, it is estimated that annual CNY 6 to 10 million from cash flow of operating activity can be used for the elder care project. The summary of Historical and estimated financial statements of 2013 to 2016 is shown in Table 21.

Table 21: Summary of Historical Financial Statement of JIHC with 2016 estimate
Unit: RMB Yuan

Item	2013	2014	2015	2016
Main Operation Revenue	43,032,334.00	42,032,334.00	48,050,008.58	54,979,285.31
Main Operation Profit	22,727,074.93	23,475,615.25	22,568,734.81	26,349,806.76
Operation Profit	8,708,000.99	10,166,520.66	4,501,467.14	11,935,470.54
Net Profit	8,705,994.99	8,164,515.49	5,116,365.71	9,429,502.90
Net Cash flow from Operation Activities	3,461,353.68	3,651,188.42	49,929,001.25	20,221,580.92
Net Cash flow from investing activities	-	802,764.80	540,000.00	-15,908,922.20
Net Cash from financing activities	-	-4,425,698.68	49,929,001.25	-3,115,000.00
Net Increase of Cash	1,348,995.81	28,254.54	-	-
Cash balance at Year End	1,985,760.16	2,014,014.70	729,560.05	1,197,658.72
Total of Current Assets	59,583,477.64	73,448,758.98	57,758,659.89	62,972,911.20
Total of Fixed Assets	36,192,399.96	31,815,510.11	67,350,833.94	64,939,982.59
Total of Assets	109,685,552.22	118,187,479.91	132,159,690.45	135,532,893.79
Total of Current Liabilities	44,040,551.64	44,377,963.84	17,489,799.70	11,433,500.14
Total of Long Term Liabilities	-	-	35,744,008.97	35,744,008.97
Total of Liabilities	44,040,551.64	44,377,963.84	53,233,808.67	47,177,509.11
Total of Owners' Equity	65,645,000.58	73,809,516.07	78,925,881.78	88,355,384.68
Total of Liabilities and Owners' Equity	109,685,552.22	118,187,479.91	132,159,690.45	135,532,893.79

Note: :2016 is estimated based on first half year out-turn

47. Cash flow statements were not prepared by XDGC. Net profit of XDGC in 2013, 2014 and 2015 was RMB 3,375,276.07, RMB 3,150,339.02 and RMB 4,575,327.84 respectively. It is reported by the XDGC the major source for the counterpart funding will be from the selling of raw materials and finished stock. The book value of raw materials and stock product in 2015 was CNY 19,487,302.41 and CNY 76,667,862.74, however it is difficult to estimate the current value of raw materials and stock product. The summary of XDGC historical financial statements is shown in Table 22.

Table 22: Summary of Historical Financial Statement of XDGC

Item	2013	2014	2015
Main Operation Revenue	95,004,604.01	90,004,361.82	108,004,631.93
Operation Profit	4,500,368.09	4,200,452.03	6,100,437.12
Net Profit	3,375,276.07	3,150,339.02	4,575,327.84
Total of Current Assets	109,774,484.52	111,446,549.88	130,137,281.69
Total of Non Current Assets	30,965,706.48	28,882,944.11	26,800,181.74
Total of Assets	138,412,512.75	138,657,428.63	138,246,731.62
Total of Current Liabilities	48,666,982.45	45,105,946.42	3,591,348.52
Total of Non Current Liabilities	-	-	-
Total of Liabilities	48,666,982.45	45,105,946.42	3,591,348.52
Total of Owners' Equity	89,990,446.18	93,140,785.20	167,716,113.04
Total of Liabilities and Owners' Equi	138,657,428.63	138,246,731.62	171,307,461.56

48. The detailed historical financial statements of JIHC and XDGC are shown in Appendix 2.

49. It is suggested that all shareholders will inject counterpart funds along with the project construction. In order to ensure counterpart fund adequately and timely for the project construction, the substantial actions and supporting documents will be implemented and provided before loan negotiation. The substantial action and supporting documents required of the IAs are listed in Appendix 3.

50. If commercial loans can be obtained and the shareholders can inject funds according to agreement reached and the construction implementation plan, then the above three private subprojects can be constructed in accordance with the project implementation plans in their respective feasibility study reports.

E2. PROJECTED FINANCIAL STATEMENTS AND INDICATOR

51. Based on the construction plan, financing plan and financial assumptions listed in Section D2 of this analysis, the projected financial statements including income statement, cash flow statement and balance sheet are prepared for the above 2 government IAs and 3 private IAs over the next 20 years. The projected financial statements of all IAs are shown in Appendix 4. Financial performance indicators of all IAs are summarized in Table 23.

Table 23: Summary of Financial Performance Indicators

Financial Indicator	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Chengde Subproject															
Cost Recovery Ratio						0.91	1.14	1.22	1.23	1.23	1.23	1.23	1.23	1.23	1.23
Current Ratio						0.60	1.31	2.38	3.50	4.65	5.81	7.00	8.20	9.43	10.67
Debt Service Coverage Ratio						1.93	1.55	1.85	1.91	1.94	1.98	2.01	2.04	2.08	2.11
Debt Equity Ratio	0.48	0.78	0.89	1.05	1.09	1.06	0.97	0.85	0.74	0.64	0.55	0.47	0.39	0.31	0.25
Julu Subproject															
Cost Recovery Ratio					1.20	1.18	1.24	1.31	1.31	1.31	1.31	1.31	1.31	1.31	1.31
Current Ratio					6.56	4.63	5.70	7.12	8.57	10.04	11.53	13.03	14.56	16.11	17.67
Debt Service Coverage Ratio						3.11	1.84	2.14	2.18	2.21	2.25	2.28	2.32	2.36	2.40
Debt Equity Ratio	1.13	1.26	1.33	1.35	1.25	1.13	0.99	0.84	0.71	0.60	0.50	0.41	0.34	0.27	0.21
Li Subproject															
Cost Recovery Ratio						0.80	1.16	1.16	1.24	1.28	1.28	1.28	1.28	1.28	1.28
Current Ratio						0.31	1.03	1.77	2.66	3.74	4.83	5.95	7.09	8.24	9.42
Debt Service Coverage Ratio						1.49	1.63	1.66	1.72	1.89	1.92	1.95	1.98	2.02	2.05
Debt Equity Ratio	0.02	0.59	0.80	1.09	1.19	1.18	1.07	0.96	0.84	0.72	0.61	0.52	0.43	0.34	0.27
She Subproject															
Cost Recovery Ratio				0.86	1.13	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
Current Ratio					5.63	4.33	5.24	6.16	7.10	8.07	9.05	10.05	11.07	12.11	13.17
Debt Service Coverage Ratio						3.36	1.71	1.74	1.76	1.79	1.82	1.85	1.88	1.92	1.95
Debt Equity Ratio	0.07	0.81	1.36	1.42	1.35	1.19	1.06	0.93	0.81	0.71	0.61	0.51	0.43	0.35	0.27
Xinji Subproject															
Cost Recovery Ratio					0.89	0.89	0.79	0.84	0.93	1.35	1.35	1.35	1.35	1.35	1.35
Current Ratio					-0.16	-0.29	-0.64	-0.90	-2.82	-1.32	0.20	1.73	3.29	4.87	6.46
Debt Service Coverage Ratio					0.84	0.84	0.70	0.77	0.89	2.23	2.27	2.31	2.35	2.39	2.43
Debt Equity Ratio	0.01	1.57	2.79	3.00	2.82	2.38	1.96	1.50	1.24	1.02	0.83	0.68	0.54	0.42	0.32

52. It is expected that full capacity operation with 98% occupancy rate of IAs can meet with the above key financial performance indicators requirement. It is estimated that full capacity operation time for Chengde, Julu, Li, She and Xinji is 2024, 2024, 2026, 2022 and 2025 respectively. When full capacity operation of IAs, all financial performance indicator can meet with requirement listed in the above except Xinji IAs from 2021 to 2025. Major reason is that Xinji IAs has commercial loan with amount of CNY 70 million which would be repaid during 2021 to 2025. During repayment period of commercial loan, net cash flow from

operating activity cannot meet with debt service requirement. Shareholders of Xinji IA still need to pay part of debt service requirement. Annual debt service requirement burdened by the shareholders of Xinji IA during the debt repayment period is shown in Table 24. Debt repayment burden will be ended until the debt service coverage ratio of IA is more than 1. Whether the shareholders of Xinji IA can pay the debt service requirement of operating period will be another operating risk.

Table 24: Shareholder's Debt Burden of Xinji IA

Item	2021	2022	2023	2024	2025	Total
Shareholder of Xinji IA	2.79	3.59	7.77	5.70	2.65	22.50

53. These financial indicators should be monitored during the construction and operation period. The necessary measures should be taken to solve the cash flow problems when the financial indicators show any gradually deterioration.

F. FISCAL AFFORDABILITY ANALYSIS FOR ALL SUBPROJECT

54. A fiscal affordability analyses has been completed for all subprojects in order to assess the fiscal sustainability and debt repayment capacity of Julu county, Li county, Chengde Shuanglan District, She County and Xinji County. The objectives of this assessment are: (i) to review the fiscal historical revenues and expenditure during 2013-2015; (ii) based on historical revenue-generating capacity to estimate the fiscal future revenue and expenditure, to assess the financial capacity of the County government to finance counterpart funding during project construction and O&M during operation period and debt service requirement during over the loan payback period. In this analysis a fiscal cost burden exceeding 2% of total revenues is assumed to be problematic as it may crowd out other programs or delay the provision of counterpart funds.

55. Julu county and Li county government will finance counterpart fund during construction, and also finance incremental O&M cost and debt service requirement when the revenue from Li county and Julu county subproject cannot meet with recurrent O&M cost and debt service requirement.

56. Chengde Shuangluan District, She county and Xinji county don't provide counterpart fund for private IAs during the construction period and only guarantee to pay ADB debt service requirement when the IAs cannot repay the principal and interest of ADB loan.

57. Although Chengde Shuangluan District, She county and Xinji county don't provide counterpart fund for private IAs, it may expected by ADB that they can provide counterpart fund when the private IAs can't finance the enough counterpart fund during the construction period. Therefore their financial capacity to meet any such obligation was assessed.

58. **Historical revenue and expenditure.** The historical financial performance of the local government for the last 3 years (2013–2015) were reviewed to determine whether they would be able to provide the required counterpart funds during the construction period as well as debt service and necessary funds for O&M during the operating period. Historical financial data is shown in Table 25.

Table 25 : Historical Financial Data of the Local Government
(CNY million)

Item	2013	2014	2015	AAGR
------	------	------	------	------

Julu County				
Fiscal Revenue	1316.53	1475.25	2462.02	37%
Fiscal Expenditure	1191.30	1126.36	1767.09	22%
Li County				
Fiscal Revenue	1292.87	1431.85	1632.00	12%
Fiscal Expenditure	1292.87	1431.85	1632.00	12%
Chengde Shuanglan District				
Fiscal Revenue	1312.16	1120.54	1021.13	-12%
Fiscal Expenditure	1312.16	1120.54	1021.13	-12%
She County				
Fiscal Revenue	1959.41	2012.17	3190.26	28%
Fiscal Expenditure	1959.41	2012.17	3190.26	28%
Xinji County				
Fiscal Revenue	1,880.90	2,377.27	3,126.41	32%
Fiscal Expenditure	1,880.90	2,377.27	3,126.41	32%
Hebei Province Level				
Fiscal Revenue	44,250.00	44,110.00	48,510.00	5%
Fiscal Expenditure	71,540.00	69,570.00	75,460.00	3%

59. Each local government adheres to a balance fiscal policy. Except for Chengde Shuanglan District and the Hebei Provincial Level, average annual growth rate (AAGR) of fiscal revenue and expenditure in each case is more than 10% in the recent three years.

60. **Projection of revenue and expenditure.** The future revenue and expenditure are projected based on the revenue and expenditure in 2015 indicated above and future growth prospects. It is conservatively estimated that local fiscal revenue will at least maintain a growth rate of 6.5%, this is in line with the national economic growth forecast expected during the 13th Five-Year Plan (13FYP) period.

61. **Results of the analysis.** The fiscal cost burden for the subprojects include annual counterpart funding during project construction period, incremental O&M cost during operation period and debt service requirement during the loan payback period. When each subproject starts to operate, the fiscal cost burden exceeds the revenue and the IAs cannot meet the O&M and debt service requirements. The fiscal cost burden as percentage of the projected fiscal revenue is shown in Table 26. It shows that each county can afford the counterpart fund, O&M cost and debt service of ADB loan.

Table 26: Fiscal Cost Burden as percentage of Fiscal Revenue Projection

Hebei Elderly Care Development Project

Item	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Julu County																
Fiscal Revenue	2622.05	2792.48	2974.00	3167.31	3373.18	3592.44	3825.95	4074.63	4339.48	4621.55	4921.95	5241.88	5582.60	5945.47	6331.92	6743.50
Fiscal Expenditure	1881.95	2004.28	2134.56	2273.30	2421.07	2578.44	2746.03	2924.53	3114.62	3317.07	3532.68	3762.30	4006.85	4267.30	4544.67	4840.08
Annual counterpart fund		4.62	23.22	24.35	0.89	0.02	0.00									
O&M		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Debt Service		0.00	0.00	0.00	0.00	0.00	3.14	6.20	6.11	6.01	5.92	5.82	5.73	5.63	5.54	5.44
Total Cost burden		4.62	23.22	24.35	0.89	0.02	3.14	6.20	6.11	6.01	5.92	5.82	5.73	5.63	5.54	5.44
Total Cost Burden as Percentage of Revenue		0.17%	0.78%	0.77%	0.03%	0.00%	0.08%	0.15%	0.14%	0.13%	0.12%	0.11%	0.10%	0.09%	0.09%	0.08%
Li County																
Fiscal Revenue	1738.08	1851.06	1971.37	2099.51	2235.98	2381.32	2536.11	2700.95	2876.51	3063.49	3262.62	3474.69	3700.54	3941.07	4197.24	4470.07
Fiscal Expenditure	1738.08	1851.06	1971.37	2099.51	2235.98	2381.32	2536.11	2700.95	2876.51	3063.49	3262.62	3474.69	3700.54	3941.07	4197.24	4470.07
Annual counterpart fund		20.88	22.33	29.21	35.69	6.49	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
O&M		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Debt Service		0.00	0.00	0.00	0.00	0.00	6.13	10.83	10.73	11.75	11.57	11.38	11.20	11.01	10.83	10.64
Total Cost burden		20.88	22.33	29.21	35.69	6.49	6.13	10.83	10.73	11.75	11.57	11.38	11.20	11.01	10.83	10.64
Total Cost Burden as Percentage of Revenue		1.13%	1.13%	1.39%	1.60%	0.27%	0.24%	0.40%	0.37%	0.38%	0.35%	0.33%	0.30%	0.28%	0.26%	0.24%
Chengde Shuanglan District																
Fiscal Revenue	1087.50	1158.19	1233.47	1313.65	1399.04	1489.97	1586.82	1689.97	1799.81	1916.80	2041.39	2174.08	2315.40	2465.90	2626.18	2796.89
Fiscal Expenditure	1087.50	1158.19	1233.47	1313.65	1399.04	1489.97	1586.82	1689.97	1799.81	1916.80	2041.39	2174.08	2315.40	2465.90	2626.18	2796.89
Annual counterpart fund		33.89	24.40	25.68	13.46	22.03	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
O&M		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Debt Service		0.00	0.00	0.00	0.00	0.00	5.85	11.56	11.38	11.21	11.03	10.85	10.68	10.50	10.32	10.15
Total Cost burden		33.89	24.40	25.68	13.46	22.03	5.85	11.56	11.38	11.21	11.03	10.85	10.68	10.50	10.32	10.15
Total Cost Burden as Percentage of Revenue		2.93%	1.98%	1.95%	0.96%	1.48%	0.37%	0.68%	0.63%	0.58%	0.54%	0.50%	0.46%	0.43%	0.39%	0.36%
She County																
Fiscal Revenue	3397.63	3618.47	3853.67	4104.16	4370.93	4655.04	4957.62	5279.87	5623.06	5988.56	6377.81	6792.37	7233.87	7704.08	8204.84	8738.16
Fiscal Expenditure	3397.63	3618.47	3853.67	4104.16	4370.93	4655.04	4957.62	5279.87	5623.06	5988.56	6377.81	6792.37	7233.87	7704.08	8204.84	8738.16
Annual counterpart fund		7.93	32.62	29.00	1.22	0.02	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
O&M		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Debt Service		0.00	0.00	0.00	0.00	0.00	4.28	8.46	8.33	8.20	8.07	7.94	7.81	7.68	7.55	7.42
Total Cost burden		7.93	32.62	29.00	1.22	0.02	4.28	8.46	8.33	8.20	8.07	7.94	7.81	7.68	7.55	7.42
Total Cost Burden as Percentage of Revenue		0.22%	0.85%	0.71%	0.03%	0.00%	0.09%	0.16%	0.15%	0.14%	0.13%	0.12%	0.11%	0.10%	0.09%	0.08%
Xinji County																
Fiscal Revenue	3,329.63	3,546.05	3,776.55	4,022.02	4,283.45	4,561.88	4,858.40	5,174.20	5,510.52	5,868.70	6,250.17	6,656.43	7,089.10	7,549.89	8,040.63	8,563.27
Fiscal Expenditure	3,329.63	3,546.05	3,776.55	4,022.02	4,283.45	4,561.88	4,858.40	5,174.20	5,510.52	5,868.70	6,250.17	6,656.43	7,089.10	7,549.89	8,040.63	8,563.27
Annual counterpart fund		28.32	50.48	32.03	16.63	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
O&M		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Debt Service		0.00	0.00	0.00	0.00	0.00	5.13	10.15	9.99	9.84	9.68	9.53	9.37	9.22	9.06	8.91
Total Cost burden		28.32	50.48	32.03	16.63	0.00	5.13	10.15	9.99	9.84	9.68	9.53	9.37	9.22	9.06	8.91
Total Cost Burden as Percentage of Revenue		0.80%	1.34%	0.80%	0.39%	0.00%	0.11%	0.20%	0.18%	0.17%	0.15%	0.14%	0.13%	0.12%	0.11%	0.10%
Hebei Provincial Level																
Fiscal Revenue	80,364.90	85,588.62	91,151.88	97,076.75	103,386.74	110,106.88	117,263.82	124,885.97	133,003.56	141,648.79	150,855.96	160,661.60	171,104.61	182,226.41	194,071.12	206,685.75
Fiscal Expenditure	80,364.90	85,588.62	91,151.88	97,076.75	103,386.74	110,106.88	117,263.82	124,885.97	133,003.56	141,648.79	150,855.96	160,661.60	171,104.61	182,226.41	194,071.12	206,685.75
Annual counterpart fund		15.64	14.79	8.59	6.34	1.98	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
O&M		0.00	0.00	0.00	0.00	2.81	2.86	2.86	2.86	2.86	2.86	2.86	2.86	2.86	2.86	2.86
Debt Service		0.00	0.00	0.00	0.00	0.00	4.88	7.89	7.77	7.65	7.53	7.41	7.29	7.17	7.05	6.93
Total Cost burden		15.64	14.79	8.59	6.34	4.79	7.74	10.75	10.63	10.51	10.39	10.27	10.15	10.03	9.91	9.79
Total Cost Burden as Percentage of Revenue		0.02%	0.02%	0.01%	0.01%	0.00%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	0.00%

G. FINANCIAL MANAGEMENT ASSESSMENT

62. The financial management assessment (FMA) was conducted in accordance with ADB's Guidelines for the Financial Management and Analysis of Projects, Financial Due Diligence: a Methodology Note, and Technical Guidance Note: Financial Management Assessment. The FMA considered the financial management capacity of Hebei Provincial Finance Bureau, 5 Counties' Finance Bureau and 6 IAs. The assessment covered funds-flow

arrangements, staffing, accounting and financial reporting systems, internal and external auditing arrangements, and financial information systems.

63. The assessment identified the main financial management risks as: (i) implementation risk - lack of familiarity with ADB disbursement procedures and requirements which could delay project implementation, (ii) compliance risk - lack of familiarity with ADB financial management requirements, particularly relating to accounting, reporting and auditing, which may delay project reporting and the identification of issues on the use of loan proceeds, (iii) financing risk – delays in provision of, or inadequate counterpart funding which could delay project implementation, and (iv) construction and operational risk - inadequate experience in construction and operating management, which will impact project progress and quality of the services to be provided after project completion. The overall financial management risk-rating of the project before considering mitigating measures is substantial. The identified financial management risks and the implementation of agreed mitigation measures will need to be closely monitored during project implementation. The proposed financial management action plan is shown in Table 27 and this should be made in the relevant project documents – notably the loan and project agreements and the project administration manual.

Table 27: Proposed Action Plan for Financial Management

Action	Responsibility	Timing
1. Covenants to be included in the legal agreements to ensure adequate counterpart funds to support capital, operating and maintenance, and debt repayment requirements.	ADB	Loan negotiation
2. Training on ADB disbursement procedures and requirements	HPFD/HPMO with consulting support as needed	1 month before first disbursement and any other time as needed
3. Training on ADB financial management requirements, specifically accounting and reporting, auditing	HPFD/ HPMO with consulting support as needed	3 months before loan effectiveness and any other time as needed.
4. Close monitoring to quickly identify potential issues in counterpart funding	HPFD, HPMO and County Finance Bureaus	At least once a quarter during project implementation
5. A financial expert requirement and some professional engineers to be included in the capacity building package in output 4 of the project. They will provide professional financial management and engineering support and training for the financial and relative staff in the project entities including financial management manual development.	HPFD/HPFD/HPMO	ASAP after loan effectiveness

ADB = Asian Development Bank, HPFD=Hebei Provincial Finance Department, HPMO= Hebei Project Management Office.

64. It was agreed that the EA and IAs will further enhance their capabilities by undertaking more training, particularly on ADB policy and procedures. Therefore, despite the

substantial level of inherent risk, the project's financial management arrangements with appropriate mitigation measures are considered satisfactory. The full details of the financial management assessment have been compiled as a separate freestanding supplementary document.

Appendix 1: FIRR of each subproject and wholly project

FIRR of Chengde Subproject

Year	Cash Flow (Million)			
	Capital Costs	O&M Costs	Revenue	Net Cash Flow
2017	48.35	0.00	0.00	-48.35
2018	50.11	0.00	0.00	-50.11
2019	50.02	0.00	0.00	-50.02
2020	36.27	0.00	0.00	-36.27
2021	47.95	0.00	0.00	-47.95
2022	0.00	13.41	24.22	10.81
2023		16.53	34.50	17.97
2024		20.12	41.23	21.11
2025		20.12	41.57	21.44
2026		20.12	41.57	21.44
2027		20.12	41.57	21.44
2028		20.12	41.57	21.44
2029		20.12	41.57	21.44
2030		20.12	41.57	21.44
2031		20.12	41.57	21.44
2032		20.12	41.57	21.44
2033		20.12	41.57	21.44
2034		20.12	41.57	21.44
2035		20.12	41.57	21.44
2036		20.12	41.57	21.44
2037		20.12	41.57	21.44
2038		20.12	41.57	21.44
2039		20.12	41.57	21.44
2040		20.12	41.57	21.44
2041		20.12	42.14	22.01
NPV @ 3.02%				49.32
FIRR				4.85%

FIRR of Julu Subproject

Year	Cash Flow (Million)			
	Capital Costs	O&M Costs	Revenue	Net Cash Flow
2017	9.47	0.00	0.00	-9.47
2018	49.93	0.00	0.00	-49.93
2019	54.15	0.00	0.00	-54.15
2020	0.98	6.71	12.66	4.97

Hebei Elderly Care Development Project

2021	8.34	18.03	9.69
2022	10.40	20.15	9.74
2023	12.88	24.27	11.39
2024	14.10	27.14	13.04
2025	14.10	27.18	13.08
2026	14.10	27.18	13.08
2027	14.10	27.18	13.08
2028	14.10	27.18	13.08
2029	14.10	27.18	13.08
2030	14.10	27.18	13.08
2031	14.10	27.18	13.08
2032	14.10	27.18	13.08
2033	14.10	27.18	13.08
2034	14.10	27.18	13.08
2035	14.10	27.18	13.08
2036	14.10	27.18	13.08
2037	14.10	27.18	13.08
2038	14.10	27.18	13.08
2039	14.10	28.11	14.01
2040			
2041			
NPV @ 2.74%	59.97		
FIRR	7.53%		

FIRR of Li County Subproject

Year	Cash Flow (Million)			
	Capital Costs	O&M Costs	Revenue	Net Cash Flow
2017	20.52	0.00	0.00	-20.52
2018	44.69	0.00	0.00	-44.69
2019	56.33	0.00	0.00	-56.33
2020	86.58	0.00	0.00	-86.58
2021	25.14	0.00	0.00	-25.14
2022	0.00	8.81	17.36	8.55
2023	0.00	11.25	28.87	17.62
2024	0.00	13.23	31.10	17.87

Hebei Elderly Care Development Project

2025	14.68	34.86	20.18
2026	15.96	37.80	21.84
2027	15.96	37.80	21.84
2028	15.96	37.80	21.84
2029	15.96	37.80	21.84
2030	15.96	37.80	21.84
2031	15.96	37.80	21.84
2032	15.96	37.80	21.84
2033	15.96	37.80	21.84
2034	15.96	37.80	21.84
2035	15.96	37.80	21.84
2036	15.96	37.80	21.84
2037	15.96	37.80	21.84
2038	15.96	37.80	21.84
2039	15.96	37.80	21.84
2040	15.96	37.80	21.84
2041	15.96	38.94	22.98
NPV @ 2.89%	122		
FIRR	4.87%		

FIRR of She County Subproject

Year	Cash Flow (Million)			
	Capital Costs	O&M Costs	Revenue	Net Cash Flow
2017	8.16	0.00	0.00	-8.16
2018	61.29	0.00	0.00	-61.29
2019	84.26	0.00	0.00	-84.26
2020	1.23	9.62	15.52	4.67
2021		10.42	22.29	11.86
2022		11.34	25.73	14.39
2023		11.34	25.80	14.47
2024		11.34	25.81	14.47
2025		11.34	25.81	14.47
2026		11.34	25.81	14.47
2027		11.34	25.81	14.47

Hebei Elderly Care Development Project

2028	11.34	25.81	14.47
2029	11.34	25.81	14.47
2030	11.34	25.81	14.47
2031	11.34	25.81	14.47
2032	11.34	25.81	14.47
2033	11.34	25.81	14.47
2034	11.34	25.81	14.47
2035	11.34	25.81	14.47
2036	11.34	25.81	14.47
2037	11.34	25.81	14.47
2038	11.34	25.81	14.47
2039	11.34	26.38	15.04
NPV @ 2.71%	46.88		
FIRR	5.73%		

FIRR of Xinji County Subproject

Year	Cash Flow (Million)			
	Capital Costs	O&M Costs	Revenue	Net Cash Flow
2017	27.66	0.00	0.00	-27.66
2018	96.09	0.00	0.00	-96.09
2019	64.07	0.00	0.00	-64.07
2020	31.69	0.00	0.00	-31.69
2021	0.00	8.63	22.68	14.04
2022		9.28	27.77	18.49
2023		10.35	28.83	18.48
2024		10.87	30.42	19.55
2025		11.71	33.32	21.60
2026		11.71	33.35	21.64
2027		11.71	33.35	21.64
2028		11.71	33.35	21.64
2029		11.71	33.35	21.64
2030		11.71	33.35	21.64
2031		11.71	33.35	21.64
2032		11.71	33.35	21.64
2033		11.71	33.35	21.64

2034	11.71	33.35	21.64
2035	11.71	33.35	21.64
2036	11.71	33.35	21.64
2037	11.71	33.35	21.64
2038	11.71	33.35	21.64
2039	11.71	33.35	21.64
2040	11.71	34.30	22.59
NPV @ 2.75%			74.91
FIRR			5.74%

FIRR of Overall Project (excludes Yanshan University¹¹)

Year	Cash Flow (Million)			
	Capital Costs	O&M Costs	Revenue	Net Cash Flow
2017	114.17	0.00	0.00	-114.17
2018	302.12	0.00	0.00	-302.12
2019	308.82	0.00	0.00	-308.82
2020	156.74	16.34	28.18	-144.90
2021	73.09	27.40	62.99	-37.50
2022	0.00	53.23	115.21	61.98
2023		62.35	142.27	79.92
2024		69.66	155.70	86.04
2025		71.96	162.73	90.78
2026		73.23	165.71	92.47
2027		73.23	165.71	92.47
2028		73.23	165.71	92.47
2029		73.23	165.71	92.47
2030		73.23	165.71	92.47
2031		73.23	165.71	92.47
2032		73.23	165.71	92.47
2033		73.23	165.71	92.47
2034		73.23	165.71	92.47
2035		73.23	165.71	92.47
2036		73.23	165.71	92.47
2037		73.23	165.71	92.47
2038		73.23	165.71	92.47
2039		73.23	167.21	93.97
2040		47.80	113.67	65.87
2041		36.08	81.08	45.00

¹¹ The Yanshan subproject is non-revenue generating in nature and is therefore not taken into account in computing the overall FIRR for the Project.

NPV @ 2.84%	291.94
FIRR	5.52%

Appendix 2: Historical Financial Statements of JIHC and XDGC

Income Statement of JIHC

Unit :RMB Yuan

Item	2013	2014	2015	2016
I. Main Operation Revenue	43032334.00	42032334.00	48050008.58	54979285.31
Less : Main Operation Cost	18814782.18	16426908.05	17251592.73	28233627.70
Main Operation Taxation and Fees	1490476.89	2129810.70	8229681.04	395850.85
II. Main Operation Profit("-" means loss)	22727074.93	23475615.25	22568734.81	26349806.76
Add: Other Operation Profit("-" means loss)				
Less: Sales Expenses	5175233.84	4654173.70	6048078.36	5070401.18
Administrative Expenses	5465407.19	4944222.21	7926422.47	6123930.23
Financial Expenses	3378432.91	3710698.68	4092766.84	3220004.81
III. Operation Profit("-" means loss)	8708000.99	10166520.66	4501467.14	11935470.54
Add: Investment Revenue("-" means loss)		540000.00	540000.00	637200.00
Subsidy				
Revenue from non-operation activities			85000.00	
Less:Non-Operation Expenditure	2006.00	500.00	10101.43	
IV. Total of Profit("-" means total of loss)	8705994.99	10706020.66	5116365.71	12572670.54
Less:Income Taxation		2541505.17		3143167.64
Interest of minor stakeholders				
V. Net Profit("-" means net loss)	8705994.99	8164515.49	5116365.71	9429502.90
Add: Undistributed profit at Year Beginning:				35123181.78
Other transfer				
VI. Profit Distribution("-" means total of loss)				44552684.68
VII. Profit to be distributed by the investors				44552684.68
Add: Un-distributed Profit at Year Beginning	13136305.59	21842300.58	30006816.07	
Add;Other adjustment for previous years				
VII. Un-distributed Profit("-" means net loss)	21842300.58	30006816.07	35123181.78	44552684.68

Cash Flow Statement of JIHC

Unit: RMB Yuan

Item	2013	2014	2015	2016
I. Cash flow from Operation Activities				
Cash Received from selling products and rendering of services	42,158,146.72	39,875,611.62	52,929,281.24	64,642,783.67
Cash Received from other operation activities	815,841.72	-6,314,004.51	15,225,197.04	
Cash Paid for raw materials, goods and services	37,379,454.68	24,612,972.50	28,844,482.18	28,177,896.76
Cash to employees	637,250.15	672,250.15	4,309,996.00	2,887,697.32
Cash paid for sundry expenses	1,495,929.93	4,625,196.04	1,324,136.58	6,820,398.76
Cash paid for other operation activities	56,408,781.22	-	-16,253,137.73	6,535,209.91
Net Cash flow from Operation Activities	3,461,353.68	3,651,188.42	49,929,001.25	20,221,580.92
II. Cash flow from Investment Activities				
Cash received from short-term investment, Long term bonds and equity				
Cash received from investment revenue			-	
Net cash received from disposing fixed, intangible and other long-term assets	-			
Cash paid for purchasing fixed, long term bond investment and long-term equity invest	20,000,000.00			
Cash paid for fixed, intangible asset and other non-current asset	18,733,924.96	-802,764.80	41,580,689.06	
Net Cash flow from investing activities	-	802,764.80	540,000.00	-15,908,922.20
III. Cash from financing activities				
Cash received from introducing loan	40,000,000.00		35,000,000.00	
Cash received from introducing investment				-
Cash paid for repayment of capital				
Cash paid for repayment of interest		715,000.00		
Cash paid for profit distribution	3,378,432.91	3,710,698.68		
Net Cash from financing activities	-	-4,425,698.68	49,929,001.25	-3,115,000.00
IV. Net Increase of Cash	1,348,995.81	28,254.54		
Add: Cash at Year Beginning	636,764.35	1,985,760.16	2,014,014.70	
V. Cash balance at Year End	1,985,760.16	2,014,014.70	729,560.05	1,197,658.72

Balance Sheet of JIHC

Unit: RMB Yuan

Item	2012	2013	2014	2015	2016
Asset					
Current Asset					
Monetary Assets	636764.35	1985760.16	2014014.70	729,560.05	1,927,218.77
Short-term Investment					
Notes Receivable					
Dividend Receivable					
Interest Receivable					
Accounts Receivable	4930724.16	13010408.22	22312627.38	11,487,220.42	4,972,908.18
Other Accounts Receivable	4101989.14	32114528.43	31063358.99	16,463,161.95	27,223,097.76
Accounts Prepaid	2639250.00	1026270.00	6026270.00	26,204,712.00	26,570,401.18
Subsidies receivables					
Inventory	5069012.51	11446510.83	12032487.91	2,874,005.47	2,279,285.31
Expenses to be allocated					
Long-term Bond Investment matured within one year					
Other Current Assets					
Total of Current Assets	17377740.16	59583477.64	73448758.98	57758659.89	62,972,911.20
Long-term Investment:					
Of Which: Shares investment	6000000.00	6000000.00	6000000.00	6,540,000.00	7,620,000.00
Bonds investment					
Total of Long term Investment	6000000.00	6000000.00	6000000.00	6540000.00	7,620,000.00
Fixed Asset:					
Original Value of Fixed Assets	19967753.90	41338236.52	41521935.52	41,736,591.52	83,317,280.58
Less:Accumulated Depreciation	656728.05	5145836.56	9706425.41	15,966,446.64	18,377,297.99
Net Value of Fixed Assets	19311025.85	36192399.96	31815510.11	25770144.88	64,939,982.59
Less: Devaluation Provision of Fixed Assets					
Net Amount of Fixed Assets	19311025.85	36192399.96	31815510.11	25770144.88	64,939,982.59
Materials for works					
Works in Progress				41,580,689.06	
Disposal of Fixed Assets					
Total of Fixed Assets	19311025.85	36192399.96	31815510.11	67350833.94	64,939,982.59
Intangible Assets and Other Assets					
Intangible Assets					
Long term Expenses to be allocated	10546232.28	7909674.62	6923210.82	510,196.62	
Other Long Term Assets					
Total of Intangible Assets and Other Assets	10546232.28	7909674.62	6923210.82	510196.62	
Item of Deferred Taxation					
Debit Item of Deferred Taxation					
Total of Assets	53234998.29	109685552.22	118187479.91	132159690.45	135,532,893.79
Liabilities and Owner's Equity					
Current Liabilities:					
Short-term Loan		40000000.00	40000000.00		
Revenue deferred					
Accounts Payable	10392079.35	874612.86	1166715.96	1,626,273.98	1,452,973.94
Advance from customers	110000.00			149,571.00	
Salary payable					
Welfare Payable					
Interest Payable		715000.00			
Taxation Payable	100079.38	94626.34	64569.15	-17,376.85	
Other Payables				2,654.36	
Other Accounts Payable	19496533.97	2356312.44	2613078.73	15,728,677.21	9,980,526.20
Accrued expenses					
Liabilities predicted					
Long-term Liability matured within 1 year					
Other current liabilities			533600.00		
Total of Current Liabilities	30098692.70	44040551.64	44377963.84	17489799.70	11433500.14
Long Term Liabilities:					
Long Term Loan				35,000,000.00	35,000,000.00
Bonds payable				744,008.97	744,008.97
Long-term accounts payable					-
Specific accounts payable					
Other Long Term Liabilities					
Total of Long Term Liabilities	0.00	0.00	0.00	35744008.97	35744008.97
Item of Deferred Taxation:					
Credit Item of Deferred Taxation					
Total of Liabilities	30098692.70	44040551.64	44377963.84	53233808.67	47177509.11
Owners' Equity (or Stakeholders' Equity)					
Capital Paid-in (equity)	10000000.00	43800000.00	43800000.00	43,800,000.00	43800000.00
Less:Investment Returned					
Net Value of Capital Paid-in(equity)	10000000.00	43800000.00	43800000.00	43800000.00	43800000.00
Capital Reserve		2700.00	2700.00	2,700.00	2700.00
Surplus Reserve					
Of which: Legal Reserve					
Un-distributed Profit	13136305.59	21842300.58	30006816.07	35,123,181.78	44552684.68
Total of Owners'Equity(or Stakeholders' Equity)	23136305.59	65645000.58	73809516.07	78925881.78	88355384.68
Total of Liabilities and Owners' Equity(or Stakeholders' Equity)	53234998.29	109685552.22	118187479.91	132159690.45	135532893.79

Income Statement of XDGC

Unit: RMB Yuan

Item	2013	2014	2015
I. Operation Revenue	95,004,604.01	90,004,361.82	108,004,631.93
Less: Operation Cost	86,237,464.24	81,862,283.43	96,995,820.52
Operation Taxation and Fees	268,863.04	252,012.20	403,120.71
Of which:consumption tax	0.00	0.00	0.00
Operation tax	0.00	0.00	0.00
Urban maintenance and construction tax	120,180.82	112,505.45	217,053.62
Resources tax	0.00	0.00	0.00
Land added-value tax	0.00	0.00	0.00
Urban land use tax, property tax, vehicle and vessel tax, stamp duty	28,501.40	27,001.30	31,028.79
Education surtax, mineral resources compensation and sewage charge	120,180.82	112,505.45	155,038.30
Sales expenses	1,957,330.03	2,158,719.60	2,183,217.00
Of which: Product Maintenance	0.00	0.00	0.00
Advertising and business promotion expenses	1,957,330.03	2,158,719.60	2,183,217.00
Administrative expenses	2,063,962.06	1,549,836.77	2,346,398.97
Of which: start-up costs	0.00	0.00	0.00
Business entertainment costs	0.00	0.00	0.00
Study costs	0.00	0.00	0.00
Financial expenses	-23,383.45	-18,942.21	-24,362.39
Of which: Interest expenses("-" means revenue)	-27,185.96	-21,795.19	-28,165.22
Add:Investment Revenue("-" means loss)	0.00	0.00	0.00
II. Operation profits ("-" means loss)	4,500,368.09	4,200,452.03	6,100,437.12
Add: Revenue from non-operation activities	0.00	0.00	0.00
Of which: government subsidies	0.00	0.00	0.00
Less:Non-Operation Expenditure	0.00	0.00	0.00
Of which: Loss from bad debt	0.00	0.00	0.00
Loss from long-term bond investment	0.00	0.00	0.00
Loss from long-term shares investment	0.00	0.00	0.00
Loss from natural disasters	0.00	0.00	0.00
Tax late fees	0.00	0.00	0.00
III. Total of profit("-" means total of loss)	4,500,368.09	4,200,452.03	6,100,437.12
Less: Income taxation	1,125,092.02	1,050,113.01	1,525,109.28
IV. Net profit("-" means net loss)	3,375,276.07	3,150,339.02	4,575,327.84

Balance Sheet of XDGC

Unit: RMB Yuan

Item	2013	2014	2015
Asset			
Current Asset			
Monetary Assets	10,838,788.23	12,361,101.02	4,395,905.72
Short-term Investment	0.00	0.00	10,000,000.00
Notes Receivable	0.00	0.00	0.00
Accounts Receivable	11,212,983.46	10,300,414.53	12,285,607.03
Accounts Prepaid	0.00	0.00	0.00
Dividend Receivable	0.00	0.00	0.00
Interest Receivable	0.00	0.00	0.00
Other Accounts Receivable	5,544,785.06	4,470,928.81	7,300,603.79
Inventory	82,177,927.77	84,314,105.52	96,155,165.15
Of which: Raw materials	20,986,322.52	25,375,841.31	19,487,302.41
Goods	0.00	0.00	0.00
Stock goods	61,191,605.25	58,938,264.21	76,667,862.74
Turnover materials	0.00	0.00	0.00
Other Current Assets	0.00	0.00	0.00
Total of Current Assets	109,774,484.52	111,446,549.88	130,137,281.69
Non-Current Assets			
Long term bonds investment	0.00	0.00	0.00
Long term shares investment	0.00	0.00	0.00
Original Value of Fixed Assets	43,371,890.40	43,371,890.40	43,371,890.40
Less:Accumulated Depreciation	14,488,946.29	16,571,708.66	18,654,471.03
Book value of fixed assets	28,882,944.11	26,800,181.74	24,717,419.37
Works in Progress	0.00	0.00	16,452,760.50
Physical Materials	0.00	0.00	0.00
Disposal of Fixed Assets	0.00	0.00	0.00
Productive biological assets	0.00	0.00	0.00
Intangible Assets	0.00	0.00	0.00
Development expenditure	0.00	0.00	0.00
Long term Expenses to be allocated	0.00	0.00	0.00
Other non-current assets	0.00	0.00	0.00
Total of non-current assets	28,882,944.11	26,800,181.74	41,170,179.87
Total of assets	138,657,428.63	138,246,731.62	171,307,461.56
Liabilities and owners'equity			
Current Liabilities			
Short-term loan	0.00	0.00	0.00
Notes payable	0.00	0.00	0.00
Accounts Payable	3,645,704.29	3,426,651.08	2,116,891.75
Advance from customers	0.00	0.00	0.00
Salary payable	1,311,505.00	968,627.00	1,158,631.00
Taxation payable	709,773.16	710,668.34	315,825.77
Interest payable	0.00	0.00	0.00
Profit payable	0.00	0.00	0.00
Other payables	43,000,000.00	40,000,000.00	0.00
Other current liabilities	0.00	0.00	0.00
Total of current liabilities	48,666,982.45	45,105,946.42	3,591,348.52
Non-current liabilities			
Long term loan	0.00	0.00	0.00
Long-term accounts payable	0.00	0.00	0.00
Revenue deferred	0.00	0.00	0.00
Other non-current liabilities	0.00	0.00	0.00
Total of non-current liabilities	0.00	0.00	0.00
Total of liabilities	48,666,982.45	45,105,946.42	3,591,348.52
Owners' Equity (or Stakeholders' Equity)			
Capital Paid-in (equity)	30,000,000.00	30,000,000.00	100,000,000.00
Capital Reserve	1,724,295.75	1,724,295.75	1,724,295.75
Surplus Reserve	5,926,990.93	6,242,024.83	6,699,557.61
Un-distributed Profit	52,339,159.50	55,174,464.62	59,292,259.68
Total of Owners'Equity(or Stakeholders' Equity)	89,990,446.18	93,140,785.20	167,716,113.04
Total of Liabilities and Owners' Equity(or Stakeholders'	138,657,428.63	138,246,731.62	171,307,461.56

Appendix 3:

**Supporting Documents Required from the Private IAs of the Project
as Evidence that Adequate Counterpart Funds Exist**

As discussed with each elderly care subproject owner, the three private IAs have sourced the counterpart fund mainly from: capital injection of stakeholders, commercial bank loans and other funding channels. Hereby the following supporting documents are required in order to give ADB and relevant government authorities the necessary level of assurance that the IAs can meeting their funding obligations:

1. Capital injection of stakeholders¹²

- (i) As agreed, the three private IAs shall inject project capital fund at least 20% of the total investment cost by 10th November 2016 (See *Notice on the Adjustment and Improvement of the Capital System of Fixed Assets Investment Projects issued by the State Council ([2015] No. 51)* , which stipulates project capital fund is at least 20% of project total investment cost). The capital verification report issued by a qualified independent third party shall be provided;
- (ii) The Board decision of the three IAs shall be provided, indicating the funds injected shall only be utilized for the purposes of the elderly care project financed by ADB.

2. Loans from Commercial Banks¹³

- (i) The provisional agreement signed by the parent companies of the private companies and the commercial banks shall be provided.
- (ii) The Board decision of the parent companies of the private companies shall be provided, including: (a) an assurance that the commercial bank loans will be obtained in a timely manner in order to meet the financing needs of the project; (b) a confirmation that the proceeds of these commercial bank loans will be made available to the IAs, and on condition they are only allowed to be utilized by the elderly care project financed by the ADB.

Note: The board decisions of parent companies are required, because only the parent company is capable of obtaining the commercial bank loans which are needed to finance the project. It is necessary to ensure the commercial bank loans obtained by the parent company will only be used for elderly care project financed by ADB.

3. Commitment letter for all counterpart funding

The board decisions of the three private companies shall be provided, including: (1) A commitment that all counterpart funds required to implement the project shall be released in a timely manner to ensure the orderly progress of the project; (2) an assurance that the proceeds of any project loans(i.e. ADB loan, commercial bank loans and any other borrowings) used for counterpart funding will be applied in accordance with the terms and conditions they are made available; (3) an that assurance the principal, interest and commitment fees of any project loan funding the company receives will be repaid in a timely manner in accordance with the terms and conditions of the relevant loan.

¹² The required capital injections are (i) for Chengde Shuangluan subproject, CNY 52 million; (ii) for Shexian subproject, CNY 35 million; (iii) for Xinji subproject, CNY 50 million.

¹³ Based on current financing plans this only applies to the Xinji sub-project.

Appendix 4: Projected Financial Statements of IAs

Income Statement of Julu IA

Unit: RMB Million

Item	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039
Major Business Revenue				12.66	18.03	20.15	24.27	27.14	27.18	27.18	27.18	27.18	27.18	27.18	27.18	27.18	27.18	27.18	27.18	27.18	27.18	27.18	27.18
1. Elder Care Center Revenue				10.51	15.16	16.42	19.82	21.99	22.03	22.03	22.03	22.03	22.03	22.03	22.03	22.03	22.03	22.03	22.03	22.03	22.03	22.03	22.03
1.1 Nursing Revenue				5.61	7.77	9.86	12.68	13.80	13.80	13.80	13.80	13.80	13.80	13.80	13.80	13.80	13.80	13.80	13.80	13.80	13.80	13.80	13.80
1.1.1 Semi Dependent Elderly				3.05	4.26	5.44	6.94	7.57	7.57	7.57	7.57	7.57	7.57	7.57	7.57	7.57	7.57	7.57	7.57	7.57	7.57	7.57	7.57
1.1.2 Dependent Elderly				1.96	2.69	3.43	4.45	4.82	4.82	4.82	4.82	4.82	4.82	4.82	4.82	4.82	4.82	4.82	4.82	4.82	4.82	4.82	4.82
1.1.3 Demented Elderly				0.55	0.77	0.94	1.24	1.37	1.37	1.37	1.37	1.37	1.37	1.37	1.37	1.37	1.37	1.37	1.37	1.37	1.37	1.37	1.37
1.1.4 Focus Care				0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05
1.2 Health Examination				0.22	0.24	0.31	0.39	0.53	0.53	0.53	0.53	0.53	0.53	0.53	0.53	0.53	0.53	0.53	0.53	0.53	0.53	0.53	0.53
1.3 Recovery Exercise				4.46	5.20	5.57	5.94	6.69	6.69	6.69	6.69	6.69	6.69	6.69	6.69	6.69	6.69	6.69	6.69	6.69	6.69	6.69	6.69
1.4 Information Revenue				0.22	0.33	0.44	0.51	0.58	0.58	0.58	0.58	0.58	0.58	0.58	0.58	0.58	0.58	0.58	0.58	0.58	0.58	0.58	0.58
1.5 Subsidy Revenue					1.62	0.24	0.30	0.39	0.43	0.43	0.43	0.43	0.43	0.43	0.43	0.43	0.43	0.43	0.43	0.43	0.43	0.43	0.43
2.Community and Home Care Revenue				2.15	2.87	3.73	4.45	5.15	5.15	5.15	5.15	5.15	5.15	5.15	5.15	5.15	5.15	5.15	5.15	5.15	5.15	5.15	5.15
2.1 Nursing Revenue				0.49	0.58	0.76	0.85	0.97	0.97	0.97	0.97	0.97	0.97	0.97	0.97	0.97	0.97	0.97	0.97	0.97	0.97	0.97	0.97
2.2 Recovery Exercise				0.62	0.72	0.88	0.98	1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.03
2.3 Home Service Revenue				1.05	1.57	2.10	2.62	3.15	3.15	3.15	3.15	3.15	3.15	3.15	3.15	3.15	3.15	3.15	3.15	3.15	3.15	3.15	3.15
B. Major Business Cost				12.99	14.97	17.03	19.52	20.73	20.73	20.73	20.73	20.73	20.73	20.73	20.73	20.73	20.73	20.73	19.38	19.38	19.38	19.38	19.38
1. Water				0.28	0.38	0.49	0.63	0.68	0.68	0.68	0.68	0.68	0.68	0.68	0.68	0.68	0.68	0.68	0.68	0.68	0.68	0.68	0.68
2. Electricity				0.50	0.68	0.87	1.12	1.22	1.22	1.22	1.22	1.22	1.22	1.22	1.22	1.22	1.22	1.22	1.22	1.22	1.22	1.22	1.22
3. Gas				0.17	0.23	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29
4. Heating				0.38	0.38	0.38	0.38	0.38	0.38	0.38	0.38	0.38	0.38	0.38	0.38	0.38	0.38	0.38	0.38	0.38	0.38	0.38	0.38
4. Maintenance				0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
5. Salary and Welfare				3.91	5.22	6.61	8.29	9.16	9.16	9.16	9.16	9.16	9.16	9.16	9.16	9.16	9.16	9.16	9.16	9.16	9.16	9.16	9.16
6. Employee Training				0.06	0.08	0.11	0.13	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15
7. Rent Cost				0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
10. Materials Cost for Food				0.55	0.76	0.96	1.23	1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35
8. Other Operating Cost				0.30	0.40	0.50	0.61	0.67	0.67	0.67	0.67	0.67	0.67	0.67	0.67	0.67	0.67	0.67	0.67	0.67	0.67	0.67	0.67
12. Depreciation and Amortization				6.63	6.63	6.63	6.63	6.63	6.63	6.63	6.63	6.63	6.63	6.63	6.63	6.63	6.63	6.63	5.28	5.28	5.28	5.28	5.28
C. Business Profit				-0.33	3.06	3.11	4.76	6.41	6.45	6.45	6.45	6.45	6.45	6.45	6.45	6.45	6.45	6.45	7.80	7.80	7.80	7.80	7.80
Financial Charges				0.00	0.00	0.70	1.33	1.23	1.14	1.04	0.95	0.85	0.76	0.66	0.57	0.47	0.38	0.28	0.19	0.09	0.02	0.00	0.00
D. Profit before Tax				-0.33	3.06	2.41	3.43	5.18	5.31	5.41	5.50	5.60	5.69	5.79	5.88	5.98	6.07	6.16	7.61	7.70	7.77	7.80	7.80
Income Taxes				0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
E. Net Profit				-0.33	3.06	2.41	3.43	5.18	5.31	5.41	5.50	5.60	5.69	5.79	5.88	5.98	6.07	6.16	7.61	7.70	7.77	7.80	7.80

Cash Flow Statement of Julu IA

Unit: RMB Million

Item	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039
Operation Activities																							
Net Income	0.00	0.00	0.00	-0.33	3.06	2.41	3.43	5.18	5.31	5.41	5.50	5.60	5.69	5.79	5.88	5.98	6.07	6.16	7.61	7.70	7.77	7.80	7.80
Add: Operating Interest Expenses	0.00	0.00	0.00	0.00	0.00	0.70	1.33	1.23	1.14	1.04	0.95	0.85	0.76	0.66	0.57	0.47	0.38	0.28	0.19	0.09	0.02	0.00	0.00
Depreciation	0.00	0.00	0.00	6.63	6.63	6.63	6.63	6.63	6.63	6.63	6.63	6.63	6.63	6.63	6.63	6.63	6.63	6.63	5.28	5.28	5.28	5.28	5.28
Working Capital Increasing Requirements	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cash Subtotal from Operations Activities	0.00	0.00	0.00	6.31	9.69	9.74	11.39	13.04	13.08	13.08	13.08	13.08	13.08	13.08	13.08	13.08	13.08	13.08	13.08	13.08	13.08	13.08	13.08
Investing Activities																							
Purchase of Assets	9.85	52.95	58.83	2.42	1.49	0.70																	
Cash Paid for Other Investing Activities																							
Cash Subtotal from Investment Activities	-9.85	-52.95	-58.83	-2.42	-1.49	-0.70	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Financing Activities																							
Cash from Equity Infusions	4.62	23.22	24.35	0.89	0.02	0.00																	
Cash from Long-term Loans Borrowing	5.23	29.73	34.48	1.53	1.47	0.70																	
Loan Interest Repayment(including IDC, Operating Interest and Commitment Fee)						0.70	1.33	1.23	1.14	1.04	0.95	0.85	0.76	0.66	0.57	0.47	0.38	0.28	0.19	0.09	0.02	0.00	0.00
Loan Principal Repayment						2.44	4.88	4.88	4.88	4.88	4.88	4.88	4.88	4.88	4.88	4.88	4.88	4.88	4.88	4.88	2.44	0.00	0.00
Cash Subtotal from Financing Activities	9.85	52.95	58.83	2.42	1.49	-2.43	-6.20	-6.11	-6.01	-5.92	-5.82	-5.73	-5.63	-5.54	-5.44	-5.35	-5.26	-5.16	-5.07	-4.97	-2.46	0.00	0.00
Beginning Cash	0	0.00	0.00	0.00	6.31	16.00	22.60	27.79	34.72	41.79	48.95	56.21	63.56	71.00	78.55	86.18	93.91	101.73	109.65	117.67	125.77	136.39	149.47
Change in Cash	0.00	0.00	0.00	6.31	9.69	6.61	5.19	6.94	7.07	7.16	7.26	7.35	7.45	7.54	7.63	7.73	7.82	7.92	8.01	8.11	10.62	13.08	13.08
Ending Cash	0.00	0.00	0.00	6.31	16.00	22.60	27.79	34.72	41.79	48.95	56.21	63.56	71.00	78.55	86.18	93.91	101.73	109.65	117.67	125.77	136.39	149.47	162.55

Balance Sheet of Julu IA

Unit: RMB Million

Item	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039
Current Assets																							
Cash and Bank	0.00	0.00	0.00	6.31	16.00	22.60	27.79	34.72	41.79	48.95	56.21	63.56	71.00	78.55	86.18	93.91	101.73	109.65	117.67	125.77	136.39	149.47	162.55
Accounts Receivable																							
Inventory																							
Account Repaid																							
Other Current Assets																							
Total of Current Assets	0.00	0.00	0.00	6.31	16.00	22.60	27.79	34.72	41.79	48.95	56.21	63.56	71.00	78.55	86.18	93.91	101.73	109.65	117.67	125.77	136.39	149.47	162.55
Fixed Assets																							
Gross Fixed Assets				121.63	124.05	125.54	126.24	126.24	126.24	126.24	126.24	126.24	126.24	126.24	126.24	126.24	126.24	126.24	126.24	126.24	126.24	126.24	126.24
Less: Accumulated Depreciation				6.63	13.26	19.89	26.52	33.15	39.78	46.42	53.05	59.68	66.31	72.94	79.57	86.20	92.83	99.46	104.75	110.03	115.31	120.60	125.88
Net Fixed Assets				115.00	110.79	105.65	99.72	93.09	86.46	79.83	73.19	66.56	59.93	53.30	46.67	40.04	33.41	26.78	21.49	16.21	10.93	5.64	0.36
Work in Progress	9.85	62.80	121.63	2.42	1.49	0.70																	
Total Fixed Assets	9.85	62.80	121.63	117.42	112.28	106.35	99.72	93.09	86.46	79.83	73.19	66.56	59.93	53.30	46.67	40.04	33.41	26.78	21.49	16.21	10.93	5.64	0.36
Other Long Term Assets																							
TOTAL ASSETS	9.85	62.80	121.63	123.72	128.27	128.95	127.50	127.81	128.25	128.78	129.40	130.12	130.94	131.85	132.85	133.95	135.14	136.43	139.16	141.98	147.32	155.11	162.91
LIABILITIES AND EQUITY																							
Current Liabilities																							
Accounts Payable																							
Current Portion of Long-term Debt	0	0	0.00	0.00	2.44	4.88	4.88	4.88	4.88	4.88	4.88	4.88	4.88	4.88	4.88	4.88	4.88	4.88	4.88	2.44	0.00	0.00	0.00
Other Current Liabilities																							
Total Current Liabilities	0.00	0.00	0.00	0.00	2.44	4.88	4.88	4.88	4.88	4.88	4.88	4.88	4.88	4.88	4.88	4.88	4.88	4.88	4.88	2.44	0.00	0.00	0.00
Long-term Debt																							
Long-term Loan	5.23	34.96	69.44	70.98	70.01	65.84	60.96	56.08	51.21	46.33	41.45	36.58	31.70	26.82	21.95	17.07	12.19	7.32	2.44	0.00	0.00	0.00	0.00
Other Long-term Liabilities																							
Total Long-term Liabilities	5.23	34.96	69.44	70.98	70.01	65.84	60.96	56.08	51.21	46.33	41.45	36.58	31.70	26.82	21.95	17.07	12.19	7.32	2.44	0.00	0.00	0.00	0.00
Equity																							
Capital Received																							
Capital Surplus	4.62	27.84	52.19	53.07	53.09	53.09	53.09	53.09	53.09	53.09	53.09	53.09	53.09	53.09	53.09	53.09	53.09	53.09	53.09	53.09	53.09	53.09	53.09
Retained Earnings	0.00	0.00	0.00	-0.33	2.73	5.15	8.58	13.76	19.07	24.48	29.98	35.58	41.27	47.06	52.94	58.91	64.98	71.15	78.76	86.46	94.23	102.02	109.82
Total Equity	4.62	27.84	52.19	52.75	55.82	58.24	61.67	66.85	72.16	77.57	83.07	88.67	94.36	100.15	106.03	112.01	118.08	124.24	131.85	139.55	147.32	155.11	162.91
TOTAL LIABILITIES AND EQUITY	9.85	62.80	121.63	123.72	128.27	128.95	127.50	127.81	128.25	128.78	129.40	130.12	130.94	131.85	132.85	133.95	135.14	136.43	139.16	141.98	147.32	155.11	162.91

Income Statement of Li County IA

Unit: RMB Million

Item	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041
Major Business Revenue						17.36	28.87	31.10	34.86	37.80	37.80	37.80	37.80	37.80	37.80	37.80	37.80	37.80	37.80	37.80	37.80	37.80	37.80	37.80	
1. Elder Care Center Revenue						14.69	20.76	21.52	23.58	25.68	25.68	25.68	25.68	25.68	25.68	25.68	25.68	25.68	25.68	25.68	25.68	25.68	25.68	25.68	
1.1 Nursing Revenue						10.17	12.64	14.09	15.40	16.44	16.44	16.44	16.44	16.44	16.44	16.44	16.44	16.44	16.44	16.44	16.44	16.44	16.44	16.44	
1.1.1 Independent Elderly						0.75	0.82	1.09	1.16	1.26	1.262	1.26	1.26	1.26	1.26	1.26	1.26	1.26	1.26	1.26	1.26	1.26	1.26	1.26	
1.1.2 Semi Dependent Elderly						1.82	2.48	2.73	2.89	3.14	3.14	3.14	3.14	3.14	3.14	3.14	3.14	3.14	3.14	3.14	3.14	3.14	3.14	3.14	
1.1.3 Dependent Elderly						6.19	7.75	8.44	9.46	10.01	10.01	10.01	10.01	10.01	10.01	10.01	10.01	10.01	10.01	10.01	10.01	10.01	10.01	10.01	
1.1.4 Demented Elderly						1.16	1.35	1.59	1.64	1.78	1.78	1.78	1.78	1.78	1.78	1.78	1.78	1.78	1.78	1.78	1.78	1.78	1.78	1.78	
1.1.5 Focus Care						0.24	0.24	0.24	0.24	0.24	0.2425	0.24	0.24	0.24	0.24	0.24	0.24	0.24	0.24	0.24	0.24	0.24	0.24	0.24	
1.2 Health Examination						0.1560	0.13	0.16	0.19	0.2382	0.24	0.24	0.24	0.24	0.24	0.24	0.24	0.24	0.24	0.24	0.24	0.24	0.24	0.24	
1.3 Recovery Exercise						3.48	4.06	4.35	4.64	5.22	5.22	5.22	5.22	5.22	5.22	5.22	5.22	5.22	5.22	5.22	5.22	5.22	5.22	5.22	
1.4 Entertainment Revenue						0.02	0.04	0.06	0.08	0.12	0.12	0.12	0.12	0.12	0.12	0.12	0.12	0.12	0.12	0.12	0.12	0.12	0.12	0.12	
1.5 Information Revenue						0.88	2.03	2.50	2.89	3.24	3.24	3.24	3.24	3.24	3.24	3.24	3.24	3.24	3.24	3.24	3.24	3.24	3.24	3.24	
1.6 Subsidy Revenue							1.85	0.35	0.39	0.43	0.43	0.43	0.43	0.43	0.43	0.43	0.43	0.43	0.43	0.43	0.43	0.43	0.43	0.43	
2.Community and Home Care Revenue						2.66	8.11	9.58	11.28	12.12	12.12	12.12	12.12	12.12	12.12	12.12	12.12	12.12	12.12	12.12	12.12	12.12	12.12	12.12	
2.1 Nursing Revenue						0.432	1.08	1.08	1.44	1.44	1.44	1.44	1.44	1.44	1.44	1.44	1.44	1.44	1.44	1.44	1.44	1.44	1.44	1.44	
2.2 Recovery Exercise						1.50	4.37	5.30	5.93	6.24	6.24	6.24	6.24	6.24	6.24	6.24	6.24	6.24	6.24	6.24	6.24	6.24	6.24	6.24	
2.3 Home Service Revenue						0.73	2.66	3.20	3.91	4.44	4.44	4.44	4.44	4.44	4.44	4.44	4.44	4.44	4.44	4.44	4.44	4.44	4.44	4.44	
B. Major Business Cost						21.78	24.79	26.77	28.22	29.50	29.50	29.50	29.50	29.50	29.50	29.50	29.50	29.50	29.50	29.50	26.74	26.74	26.74	26.74	
1. Water						0.02	0.03	0.03	0.03	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	
2. Electricity						0.59	0.74	0.83	0.88	0.96	0.96	0.96	0.96	0.96	0.96	0.96	0.96	0.96	0.96	0.96	0.96	0.96	0.96	0.96	
3.Natural Gas						0.0659	0.08	0.09	0.10	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11	
4. Heating						0.54	0.54	0.54	0.54	0.54	0.54	0.54	0.54	0.54	0.54	0.54	0.54	0.54	0.54	0.54	0.54	0.54	0.54	0.54	
4. Maintenance						0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.45	
5. Salary and Welfare						5.408	7.878	9.596	10.79	11.872	11.87	11.87	11.87	11.87	11.87	11.87	11.87	11.87	11.87	11.87	11.87	11.87	11.87	11.87	
6. Employee Training						0.08	0.11	0.13	0.15	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	
7. Rent Cost						0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	
8. Materials Cost for Food						0.93	1.27	1.40	1.58	1.67	1.67	1.67	1.67	1.67	1.67	1.67	1.67	1.67	1.67	1.67	1.67	1.67	1.67	1.67	
9. Depreciation and Amortization						13.54	13.54	13.54	13.54	13.54	13.54	13.54	13.54	13.54	13.54	13.54	13.54	13.54	13.54	13.54	10.78	10.78	10.78	10.78	
C. Business Profit						-4.43	4.08	4.33	6.64	8.30	8.30	8.30	8.30	8.30	8.30	8.30	8.30	8.30	8.30	8.30	11.06	11.06	11.06	11.06	
Financial Charges						1.36	1.30	1.20	2.22	2.04	1.85	1.67	1.48	1.30	1.11	0.93	0.74	0.56	0.37	0.19	0.05	0.00	0.00	0.00	
D. Profit before Tax						-5.79	2.78	3.12	4.42	6.26	6.45	6.63	6.82	7.00	7.19	7.37	7.56	7.75	7.93	8.12	11.01	11.06	11.06	11.06	
Income Taxes						0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
E. Net Profit						-5.79	2.78	3.12	4.42	6.26	6.45	6.63	6.82	7.00	7.19	7.37	7.56	7.75	7.93	8.12	11.01	11.06	11.06	11.06	

Cash Flow Statement of Li County IA

Unit: RMB Million

Item	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041
Operation Activities																									
Net Income			0.00	0.00	0.00	-5.79	2.78	3.12	4.42	6.26	6.45	6.63	6.82	7.00	7.19	7.37	7.56	7.75	7.93	8.12	11.01	11.06	11.06	11.06	11.06
Add: Operating Interest Expenses			0.00	0.00	0.00	1.36	1.30	1.20	2.22	2.04	1.85	1.67	1.48	1.30	1.11	0.93	0.74	0.56	0.37	0.19	0.05	0.00	0.00	0.00	0.00
Depreciation			0.00	0.00	0.00	13.54	13.54	13.54	13.54	13.54	13.54	13.54	13.54	13.54	13.54	13.54	13.54	13.54	13.54	10.78	10.78	10.78	10.78	10.78	10.78
Working Capital Increasing Requirements			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cash Subtotal from Operations Activities			0.00	0.00	0.00	9.12	17.62	17.87	20.18	21.84	21.84	21.84	21.84	21.84	21.84	21.84	21.84	21.84	21.84	21.84	21.84	21.84	21.84	21.84	21.84
Investing Activities																									
Purchase of Assets	21.34	47.44	61.34	96.03	30.06	1.37																			
Cash Paid for Other Investing Activities																									
Cash Subtotal from Investment Activities	-21.34	-47.44	-61.34	-96.03	-30.06	-1.37	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Financing Activities																									
Cash from Equity Infusions	20.88	22.33	29.21	35.69	6.49	0.00																			
Cash from Long-term Loans Borrowing	0.46	25.11	32.13	60.33	23.57	1.37																			
Loan Interest Repayment(including IDC, Operating Interest and Commitment Fee)						1.36	1.30	1.20	2.22	2.04	1.85	1.67	1.48	1.30	1.11	0.93	0.74	0.56	0.37	0.19	0.05	0.00	0.00	0.00	0.00
Loan Principal Repayment						4.77	9.53	9.53	9.53	9.53	9.53	9.53	9.53	9.53	9.53	9.53	9.53	9.53	9.53	4.77	0.00	0.00	0.00	0.00	0.00
Cash Subtotal from Financing Activities	21.34	47.44	61.34	96.03	30.06	-4.76	-10.83	-10.73	-11.75	-11.57	-11.38	-11.20	-11.01	-10.83	-10.64	-10.46	-10.27	-10.09	-9.90	-9.72	-4.81	0.00	0.00	0.00	0.00
Beginning Cash	0.00	0.00	0.00	0.00	0.00	0.00	2.99	9.78	16.91	25.33	35.61	46.07	56.71	67.54	78.55	89.75	101.13	112.70	124.46	136.40	148.52	165.55	187.39	209.23	231.07
Change in Cash	0.00	0.00	0.00	0.00	0.00	2.99	6.79	7.13	8.43	10.27	10.46	10.64	10.83	11.01	11.20	11.38	11.57	11.75	11.94	12.12	17.03	21.84	21.84	21.84	21.84
Ending Cash	0.00	0.00	0.00	0.00	0.00	2.99	9.78	16.91	25.33	35.61	46.07	56.71	67.54	78.55	89.75	101.13	112.70	124.46	136.40	148.52	165.55	187.39	209.23	231.07	252.91

Balance Sheet of Li County IA

Unit: RMB Million

Item	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041
Current Assets																									
Cash and Bank	0.00	0.00	0.00	0.00	0.00	2.99	9.78	16.91	25.33	35.61	46.07	56.71	67.54	78.55	89.75	101.13	112.70	124.46	136.40	148.52	165.55	187.39	209.23	231.07	252.91
Accounts Receivable																									
Inventory																									
Account Repaid																									
Other Current Assets																									
Total of Current Assets	0.00	0.00	0.00	0.00	0.00	2.99	9.78	16.91	25.33	35.61	46.07	56.71	67.54	78.55	89.75	101.13	112.70	124.46	136.40	148.52	165.55	187.39	209.23	231.07	252.91
Fixed Assets																									
Gross Fixed Assets						256.21	257.58	257.58	257.58	257.58	257.58	257.58	257.58	257.58	257.58	257.58	257.58	257.58	257.58	257.58	257.58	257.58	257.58	257.58	257.58
Less: Accumulated Depreciation						13.54	27.08	40.62	54.16	67.70	81.24	94.78	108.32	121.87	135.41	148.95	162.49	176.03	189.57	203.11	213.89	224.67	235.45	246.23	257.01
Net Fixed Assets						242.67	230.50	216.96	203.42	189.88	176.34	162.80	149.26	135.72	122.18	108.64	95.10	81.55	68.01	54.47	43.69	32.91	22.13	11.35	0.57
Work in Progress	21.34	68.78	130.12	226.15	256.21	1.37	0.00	0.00	0.00																
Total Fixed Assets	21.34	68.78	130.12	226.15	256.21	244.04	230.50	216.96	203.42	189.88	176.34	162.80	149.26	135.72	122.18	108.64	95.10	81.55	68.01	54.47	43.69	32.91	22.13	11.35	0.57
Other Long Term Assets																									
TOTAL ASSETS	21.34	68.78	130.12	226.15	256.21	247.03	240.28	233.87	228.75	225.49	222.40	219.51	216.80	214.27	211.93	209.77	207.80	206.01	204.41	202.99	209.24	220.30	231.36	242.42	253.48
LIABILITIES AND EQUITY																									
Current Liabilities																									
Accounts Payable																									
Current Portion of Long-term Debt	0	0	0	0	4.77	9.53	9.53	9.53	9.53	9.53	9.53	9.53	9.53	9.53	9.53	9.53	9.53	9.53	9.53	4.77	0.00	0.00	0.00	0.00	0.00
Other Current Liabilities																									
Total Current Liabilities	0.00	0.00	0.00	0.00	4.77	9.53	9.53	9.53	9.53	9.53	9.53	9.53	9.53	9.53	9.53	9.53	9.53	9.53	9.53	4.77	0.00	0.00	0.00	0.00	0.00
Long-term Debt																									
Long-term Loan	0.46	25.57	57.70	118.03	136.83	128.68	119.15	109.61	100.08	90.55	81.02	71.49	61.96	52.42	42.89	33.36	23.83	14.30	4.77	0.00	0.00	0.00	0.00	0.00	0.00
Other Long-term Liabilities																									
Total Long-term Liabilities	0.46	25.57	57.70	118.03	136.83	128.68	119.15	109.61	100.08	90.55	81.02	71.49	61.96	52.42	42.89	33.36	23.83	14.30	4.77	0.00	0.00	0.00	0.00	0.00	0.00
Equity																									
Capital Received																									
Capital Surplus	20.88	43.21	72.42	108.11	114.61	114.61	114.61	114.61	114.61	114.61	114.61	114.61	114.61	114.61	114.61	114.61	114.61	114.61	114.61	114.61	114.61	114.61	114.61	114.61	114.61
Retained Earnings	0.00	0.00	0.00	0.00	0.00	-5.79	-3.01	0.11	4.53	10.80	17.25	23.88	30.70	37.71	44.90	52.27	59.83	67.58	75.51	83.62	94.63	105.69	116.75	127.81	138.87
Total Equity	20.88	43.21	72.42	108.11	114.61	108.82	111.60	114.72	119.14	125.40	131.85	138.49	145.31	152.31	159.50	166.88	174.44	182.18	190.11	198.23	209.24	220.30	231.36	242.42	253.48
TOTAL LIABILITIES AND EQUITY	21.34	68.78	130.12	226.15	256.21	247.03	240.28	233.87	228.75	225.49	222.40	219.51	216.80	214.27	211.93	209.77	207.80	206.01	204.41	202.99	209.24	220.30	231.36	242.42	253.48

Income Statement of CHECC

Unit: RMB Million

Item	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041
Major Business Revenue						24.22	34.50	41.23	41.57	41.57	41.57	41.57	41.57	41.57	41.57	41.57	41.57	41.57	41.57	41.57	41.57	41.57	41.57	41.57	
1. Elder Care Center Revenue						19.09	27.66	32.67	33.01	33.01	33.01	33.01	33.01	33.01	33.01	33.01	33.01	33.01	33.01	33.01	33.01	33.01	33.01	33.01	
1.1 Nursing Revenue						7.94	10.59	12.97	12.97	12.97	12.97	12.97	12.97	12.97	12.97	12.97	12.97	12.97	12.97	12.97	12.97	12.97	12.97	12.97	
1.1.1 Independent Elderly						0.62	0.82	0.99	0.99	0.99	0.99	0.99	0.99	0.99	0.99	0.99	0.99	0.99	0.99	0.99	0.99	0.99	0.99	0.99	
1.1.2 Semi-Dependent Elderly						3.50	4.68	5.74	5.74	5.74	5.74	5.74	5.74	5.74	5.74	5.74	5.74	5.74	5.74	5.74	5.74	5.74	5.74	5.74	
1.1.3 Dependent Elderly						3.82	5.10	6.23	6.23	6.23	6.23	6.23	6.23	6.23	6.23	6.23	6.23	6.23	6.23	6.23	6.23	6.23	6.23	6.23	
1.2 Health Examination						0.12	0.54	0.72	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	
1.3 Recovery Care						2.63	3.50	4.38	4.38	4.38	4.38	4.38	4.38	4.38	4.38	4.38	4.38	4.38	4.38	4.38	4.38	4.38	4.38	4.38	
1.4 Recovery Exercises						6.59	8.78	10.98	10.98	10.98	10.98	10.98	10.98	10.98	10.98	10.98	10.98	10.98	10.98	10.98	10.98	10.98	10.98	10.98	
1.5 Information Revenue						1.81	2.41	2.95	2.95	2.95	2.95	2.95	2.95	2.95	2.95	2.95	2.95	2.95	2.95	2.95	2.95	2.95	2.95	2.95	
1.6 Subsidy Revenue							1.82	0.67	0.83	0.83	0.83	0.83	0.83	0.83	0.83	0.83	0.83	0.83	0.83	0.83	0.83	0.83	0.83	0.83	
2.Community and Home Care Revenue						5.13	6.84	8.55	8.55	8.55	8.55	8.55	8.55	8.55	8.55	8.55	8.55	8.55	8.55	8.55	8.55	8.55	8.55	8.55	
2.1 Nursing Revenue						4.05	5.40	6.75	6.75	6.75	6.753	6.75	6.75	6.75	6.75	6.75	6.75	6.75	6.75	6.75	6.75	6.75	6.75	6.75	
2.2 Home Service Revenue						1.08	1.44	1.80	1.80	1.80	1.80	1.80	1.80	1.80	1.80	1.80	1.80	1.80	1.80	1.80	1.80	1.80	1.80	1.80	
B. Major Business Cost						26.61	30.23	33.82	33.82	33.82	33.82	33.82	33.82	33.82	33.82	33.82	33.82	33.82	33.82	33.82	30.17	30.17	30.17	30.17	
1. Water						0.14	0.19	0.24	0.24	0.24	0.24	0.24	0.24	0.24	0.24	0.24	0.24	0.24	0.24	0.24	0.24	0.24	0.24	0.24	
2. Electricity						0.88	1.18	1.47	1.47	1.47	1.47	1.47	1.47	1.47	1.47	1.47	1.47	1.47	1.47	1.47	1.47	1.47	1.47	1.47	
3. Heating						0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	
4. Natural Gas						0.08	0.11	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	
5. Maintenance						0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55	
6. Salary and Welfare						8.07	10.77	13.47	13.47	13.47	13.47	13.47	13.47	13.47	13.47	13.47	13.47	13.47	13.47	13.47	13.47	13.47	13.47	13.47	
7. Employee Training						0.14	0.19	0.24	0.24	0.24	0.24	0.24	0.24	0.24	0.24	0.24	0.24	0.24	0.24	0.24	0.24	0.24	0.24	0.24	
8. Rent Cost						0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	
9. Materials Cost for Food						0.98	1.31	1.61	1.61	1.61	1.61	1.61	1.61	1.61	1.61	1.61	1.61	1.61	1.61	1.61	1.61	1.61	1.61	1.61	
10.Other Operating Cost						0.61	0.79	0.96	0.96	0.96	0.96	0.96	0.96	0.96	0.96	0.96	0.96	0.96	0.96	0.96	0.96	0.96	0.96	0.96	
11. Depreciation and Amortization						13.70	13.70	13.70	13.70	13.70	13.70	13.70	13.70	13.70	13.70	13.70	13.70	13.70	13.70	13.70	10.05	10.05	10.05	10.05	
C. Business Profit						-2.40	4.27	7.40	7.74	7.74	7.74	7.74	7.74	7.74	7.74	7.74	7.74	7.74	7.74	7.74	11.40	11.40	11.40	11.40	
Financial Charges						1.30	2.47	2.29	2.12	1.94	1.76	1.59	1.41	1.23	1.06	0.88	0.71	0.53	0.35	0.18	0.04	0.00	0.00	0.00	
D. Profit before Tax						-3.70	1.80	5.11	5.63	5.80	5.98	6.15	6.33	6.51	6.68	6.86	7.04	7.21	7.39	7.57	11.35	11.40	11.40	11.40	
Income Taxes						0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
E. Net Profit						-3.70	1.80	5.11	5.63	5.80	5.98	6.15	6.33	6.51	6.68	6.86	7.04	7.21	7.39	7.57	11.35	11.40	11.40	11.40	

Cash Flow Statement of CHECC

Unit: RMB Million

Item	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041
Operation Activities																									
Net Income	0.00	0.00	0.00	0.00	0.00	-3.70	1.80	5.11	5.63	5.80	5.98	6.15	6.33	6.51	6.68	6.86	7.04	7.21	7.39	7.57	11.35	11.40	11.40	11.40	11.40
Add: Operating Interest Expenses	0.00	0.00	0.00	0.00	0.00	1.30	2.47	2.29	2.12	1.94	1.76	1.59	1.41	1.23	1.06	0.88	0.71	0.53	0.35	0.18	0.04	0.00	0.00	0.00	0.00
Depreciation	0.00	0.00	0.00	0.00	0.00	13.70	13.70	13.70	13.70	13.70	13.70	13.70	13.70	13.70	13.70	13.70	13.70	13.70	13.70	13.70	10.05	10.05	10.05	10.05	10.05
Working Capital Increasing Requirements	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cash Subtotal from Operations Activities	0.00	0.00	0.00	0.00	0.00	11.31	17.97	21.11	21.44	21.44	21.44	21.44	21.44	21.44	21.44	21.44	21.44	21.44	21.44	21.44	21.44	21.44	21.44	21.44	21.44
Investing Activities																									
Purchase of Assets	50.13	53.43	54.89	41.03	54.99	1.31																			
Cash Paid for Other Investing Activities																									
Cash Subtotal from Investment Activities	-50.13	-53.43	-54.89	-41.03	-54.99	-1.31	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Financing Activities																									
Cash from Equity Infusions	33.89	24.40	25.68	13.46	22.03	0.00																			
Cash from Long-term Loans Borrowing	16.24	29.03	29.21	27.57	32.96	1.31																			
ADB	16.24	29.03	29.21	27.57	32.96	1.31																			
Local Commercial Bank	0.00	0.00	0.00	0.00	0.00	0.00																			
Loan Interest Repayment(including IDC, Operating Interest and Commitment Fee)						1.30	2.47	2.29	2.12	1.94	1.76	1.59	1.41	1.23	1.06	0.88	0.71	0.53	0.35	0.18	0.04	0.00	0.00	0.00	0.00
ADB						1.30	2.47	2.29	2.12	1.94	1.76	1.59	1.41	1.23	1.06	0.88	0.71	0.53	0.35	0.18	0.04	0.00	0.00	0.00	0.00
Local Commercial Bank						0.00	0.00	0.00	0.00	0.00	0.00														
Loan Principal Repayment						4.54	9.09	9.09	9.09	9.09	9.09	9.09	9.09	9.09	9.09	9.09	9.09	9.09	9.09	9.09	4.54	0.00	0.00	0.00	0.00
ADB						4.54	9.09	9.09	9.09	9.09	9.09	9.09	9.09	9.09	9.09	9.09	9.09	9.09	9.09	9.09	4.54	0.00	0.00	0.00	0.00
Local Commercial Bank						0.00	0.00	0.00	0.00	0.00															
Cash Subtotal from Financing Activities	50.13	53.43	54.89	41.03	54.99	-4.53	-11.56	-11.38	-11.21	-11.03	-10.85	-10.68	-10.50	-10.32	-10.15	-9.97	-9.79	-9.62	-9.44	-9.26	-4.59	0.00	0.00	0.00	0.00
Beginning Cash	0	0.00	0.00	0.00	0.00	0.00	5.46	11.87	21.60	31.84	42.25	52.84	63.61	74.56	85.68	96.98	108.45	120.10	131.93	143.93	156.11	172.97	194.41	215.86	237.30
Change in Cash	0.00	0.00	0.00	0.00	0.00	5.46	6.41	9.72	10.24	10.42	10.59	10.77	10.95	11.12	11.30	11.47	11.65	11.83	12.00	12.18	16.86	21.44	21.44	21.44	21.44
Ending Cash	0.00	0.00	0.00	0.00	0.00	5.46	11.87	21.60	31.84	42.25	52.84	63.61	74.56	85.68	96.98	108.45	120.10	131.93	143.93	156.11	172.97	194.41	215.86	237.30	258.75

Balance Sheet of CHECC

Unit: RMB Million

Item	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041
Current Assets																									
Cash and Bank	0.00	0.00	0.00	0.00	0.00	5.46	11.87	21.60	31.84	42.25	52.84	63.61	74.56	85.68	96.98	108.45	120.10	131.93	143.93	156.11	172.97	194.41	215.86	237.30	258.75
Accounts Receivable																									
Inventory																									
Account Repaid																									
Other Current Assets																									
Total of Current Assets	0.00	0.00	0.00	0.00	0.00	5.46	11.87	21.60	31.84	42.25	52.84	63.61	74.56	85.68	96.98	108.45	120.10	131.93	143.93	156.11	172.97	194.41	215.86	237.30	258.75
Fixed Assets																									
Gross Fixed Assets						254.47	255.78	255.78	255.78	255.78	255.78	255.78	255.78	255.78	255.78	255.78	255.78	255.78	255.78	255.78	255.78	255.78	255.78	255.78	255.78
Less: Accumulated Depreciation						13.70	27.41	41.11	54.81	68.51	82.22	95.92	109.62	123.32	137.03	150.73	164.43	178.13	191.84	205.54	215.59	225.64	235.68	245.73	255.78
Net Fixed Assets						240.77	228.38	214.68	200.97	187.27	173.57	159.87	146.16	132.46	118.76	105.06	91.35	77.65	63.95	50.25	40.20	30.15	20.10	10.05	0.00
Work in Progress	50.13	103.56	158.45	199.48	254.47	1.31	0.00																		
Total Fixed Assets	50.13	103.56	158.45	199.48	254.47	242.08	228.38	214.68	200.97	187.27	173.57	159.87	146.16	132.46	118.76	105.06	91.35	77.65	63.95	50.25	40.20	30.15	20.10	10.05	0.00
Other Long Term Assets																									
TOTAL ASSETS	50.13	103.56	158.45	199.48	254.47	247.54	240.25	236.27	232.81	229.52	226.41	223.48	220.72	218.14	215.73	213.51	211.45	209.58	207.88	206.36	213.17	224.56	235.96	247.35	258.75
LIABILITIES AND EQUITY																									
Current Liabilities																									
Accounts Payable																									
Current Portion of Long-term Debt	0	0	0	0	4.54	9.09	9.09	9.09	9.09	9.09	9.09	9.09	9.09	9.09	9.09	9.09	9.09	9.09	9.09	4.54	0.00	0.00	0.00	0.00	0.00
Other Current Liabilities																									
Total Current Liabilities	0.00	0.00	0.00	0.00	4.54	9.09	9.09	9.09	9.09	9.09	9.09	9.09	9.09	9.09	9.09	9.09	9.09	9.09	9.09	4.54	0.00	0.00	0.00	0.00	0.00
Long-term Debt																									
Long-term Loan	16.24	45.27	74.49	102.06	130.47	122.69	113.60	104.52	95.43	86.34	77.25	68.16	59.07	49.99	40.90	31.81	22.72	13.63	4.54	0.00	0.00	0.00	0.00	0.00	0.00
Other Long-term Liabilities																									
Total Long-term Liabilities	16.24	45.27	74.49	102.06	130.47	122.69	113.60	104.52	95.43	86.34	77.25	68.16	59.07	49.99	40.90	31.81	22.72	13.63	4.54	0.00	0.00	0.00	0.00	0.00	0.00
Equity																									
Capital Received																									
Capital Surplus	33.89	58.29	83.96	97.42	119.46	119.46	119.46	119.46	119.46	119.46	119.46	119.46	119.46	119.46	119.46	119.46	119.46	119.46	119.46	119.46	119.46	119.46	119.46	119.46	119.46
Retained Earnings	0.00	0.00	0.00	0.00	0.00	-3.70	-1.90	3.21	8.83	14.64	20.61	26.77	33.10	39.61	46.29	53.15	60.19	67.40	74.79	82.36	93.71	105.10	116.50	127.89	139.29
Total Equity	33.89	58.29	83.96	97.42	119.46	115.76	117.56	122.67	128.29	134.09	140.07	146.23	152.56	159.07	165.75	172.61	179.65	186.86	194.25	201.81	213.17	224.56	235.96	247.35	258.75
TOTAL LIABILITIES AND EQUITY	50.13	103.56	158.45	199.48	254.47	247.54	240.25	236.27	232.81	229.52	226.41	223.48	220.72	218.14	215.73	213.51	211.45	209.58	207.88	206.36	213.17	224.56	235.96	247.35	258.75

Income Statement of HRECC (She County Subproject)

Unit: RMB Million

Item	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039
Major Business Revenue				15.52	22.29	25.73	25.80	25.81	25.81	25.81	25.81	25.81	25.81	25.81	25.81	25.81	25.81	25.81	25.81	25.81	25.81	25.81	25.81
1. Elder Care Center Revenue				10.46	15.55	17.45	17.52	17.53	17.53	17.53	17.53	17.53	17.53	17.53	17.53	17.53	17.53	17.53	17.53	17.53	17.53	17.53	17.53
1.1 Nursing Revenue				6.07	8.07	9.96	9.96	9.96	9.96	9.96	9.96	9.96	9.96	9.96	9.96	9.96	9.96	9.96	9.96	9.96	9.96	9.96	9.96
1.1.1 Semi Dependent Elderly				4.57	6.07	7.44	7.44	7.44	7.44	7.44	7.44	7.44	7.44	7.44	7.44	7.44	7.44	7.44	7.44	7.44	7.44	7.44	7.44
1.1.2 Dependent Elderly				0.37	0.47	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60
1.1.3 Demented Elderly				0.50	0.68	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86
1.1.4 Focus Care				0.63	0.84	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05
1.2 Health Examination				0.21	0.22	0.26	0.24	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
1.3 Recovery Care				4.18	5.57	6.82	6.82	6.82	6.82	6.82	6.82	6.82	6.82	6.82	6.82	6.82	6.82	6.82	6.82	6.82	6.82	6.82	6.82
1.4 Information Revenue				0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1.5 Subsidy Revenue					1.69	0.40	0.49	0.49	0.49	0.49	0.49	0.49	0.49	0.49	0.49	0.49	0.49	0.49	0.49	0.49	0.49	0.49	0.49
2.Community and Home Care Revenue				5.06	6.74	8.28	8.28	8.28	8.28	8.28	8.28	8.28	8.28	8.28	8.28	8.28	8.28	8.28	8.28	8.28	8.28	8.28	8.28
2.1 Nursing Revenue				0.72	0.95	1.19	1.19	1.19	1.19	1.19	1.19	1.19	1.19	1.19	1.19	1.19	1.19	1.19	1.19	1.19	1.19	1.19	1.19
2.2 Recovery Exercise				4.18	5.57	6.82	6.82	6.82	6.82	6.82	6.82	6.82	6.82	6.82	6.82	6.82	6.82	6.82	6.82	6.82	6.82	6.82	6.82
2.2 Home Service Revenue				0.16	0.22	0.27	0.27	0.27	0.27	0.27	0.27	0.27	0.27	0.27	0.27	0.27	0.27	0.27	0.27	0.27	0.27	0.27	0.27
B. Major Business Cost				17.94	19.69	20.61	20.61	20.61	20.61	20.61	20.61	20.61	20.61	20.61	20.61	20.61	20.61	20.61	17.64	17.64	17.64	17.64	17.64
1. Water				0.07	0.09	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11
2. Electricity				1.31	1.75	2.19	2.19	2.19	2.19	2.19	2.19	2.19	2.19	2.19	2.19	2.19	2.19	2.19	2.19	2.19	2.19	2.19	2.19
3. Heating				0.58	0.58	0.58	0.58	0.58	0.58	0.58	0.58	0.58	0.58	0.58	0.58	0.58	0.58	0.58	0.58	0.58	0.58	0.58	0.58
4. Natural Gas				0.02	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03
5. Maintenance				0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.45
6. Salary and Welfare				4.74	5.65	5.79	5.79	5.79	5.79	5.79	5.79	5.79	5.79	5.79	5.79	5.79	5.79	5.79	5.79	5.79	5.79	5.79	5.79
7. Employee Training				0.09	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
8. Rent Cost				0.16	0.16	0.16	0.16	0.16	0.16	0.16	0.16	0.16	0.16	0.16	0.16	0.16	0.16	0.16	0.16	0.16	0.16	0.16	0.16
9. Materials Cost for Food				0.85	1.13	1.39	1.39	1.39	1.39	1.39	1.39	1.39	1.39	1.39	1.39	1.39	1.39	1.39	1.39	1.39	1.39	1.39	1.39
10.Other Operating Cost				0.41	0.50	0.54	0.54	0.54	0.54	0.54	0.54	0.54	0.54	0.54	0.54	0.54	0.54	0.54	0.54	0.54	0.54	0.54	0.54
11. Depreciation and Amortization				9.27	9.27	9.27	9.27	9.27	9.27	9.27	9.27	9.27	9.27	9.27	9.27	9.27	9.27	9.27	6.30	6.30	6.30	6.30	6.30
C. Business Profit				-2.42	2.59	5.12	5.20	5.20	5.20	5.20	5.20	5.20	5.20	5.20	5.20	5.20	5.20	5.20	8.17	8.17	8.17	8.17	8.17
Financial Charges				0.00	0.00	0.95	1.81	1.68	1.55	1.42	1.29	1.16	1.03	0.90	0.77	0.65	0.52	0.39	0.26	0.13	0.03	0.00	0.00
D. Profit before Tax				-2.42	2.59	4.17	3.39	3.52	3.65	3.78	3.91	4.04	4.17	4.30	4.43	4.56	4.68	4.81	7.91	8.04	8.14	8.17	8.17
Income Taxes				0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
E. Net Profit				-2.42	2.59	4.17	3.39	3.52	3.65	3.78	3.91	4.04	4.17	4.30	4.43	4.56	4.68	4.81	7.91	8.04	8.14	8.17	8.17

Cash Flow Statement of HRECC

Unit: RMB Million

Item	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039
Operation Activities																							
Net Income	0.00	0.00	0.00	-2.42	2.59	4.17	3.39	3.52	3.65	3.78	3.91	4.04	4.17	4.30	4.43	4.56	4.68	4.81	7.91	8.04	8.14	8.17	8.17
Add: Operating Interest Expenses	0.00	0.00	0.00	0.00	0.00	0.95	1.81	1.68	1.55	1.42	1.29	1.16	1.03	0.90	0.77	0.65	0.52	0.39	0.26	0.13	0.03	0.00	0.00
Depreciation	0.00	0.00	0.00	9.27	9.27	9.27	9.27	9.27	9.27	9.27	9.27	9.27	9.27	9.27	9.27	9.27	9.27	9.27	6.30	6.30	6.30	6.30	6.30
Working Capital Increasing Requirements	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cash Subtotal from Operations Activities	0.00	0.00	0.00	6.85	11.86	14.39	14.47	14.47	14.47	14.47	14.47	14.47	14.47	14.47	14.47	14.47	14.47	14.47	14.47	14.47	14.47	14.47	14.47
Investing Activities																							
Purchase of Assets	8.50	64.86	91.01	3.19	2.03	0.96																	
Cash Paid for Other Investing Activities																							
Cash Subtotal from Investment Activities	-8.50	-64.86	-91.01	-3.19	-2.03	-0.96	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Financing Activities																							
Cash from Equity Infusions	7.93	32.62	29.00	1.22	0.02	0.00																	
Cash from Long-term Loans Borrowing	0.57	32.24	62.01	1.97	2.00	0.96																	
ADB	0.57	32.24	62.01	1.97	2.00	0.96																	
Local Commercial Bank	0.00	0.00	0.00	0.00	0.00	0.00																	
Loan Interest Repayment(including IDC, Operating Interest and Comm				0.00	0.00	0.95	1.81	1.68	1.55	1.42	1.29	1.16	1.03	0.90	0.77	0.65	0.52	0.39	0.26	0.13	0.03	0.00	0.00
ADB						0.95	1.81	1.68	1.55	1.42	1.29	1.16	1.03	0.90	0.77	0.65	0.52	0.39	0.26	0.13	0.03	0.00	0.00
Local Commercial Bank				0.00	0.00	0.00	0.00	0.00	0.00														
Loan Principal Repayment				0.00	0.00	3.33	6.65	6.65	6.65	6.65	6.65	6.65	6.65	6.65	6.65	6.65	6.65	6.65	6.65	6.65	3.33	0.00	0.00
ADB						3.33	6.65	6.65	6.65	6.65	6.65	6.65	6.65	6.65	6.65	6.65	6.65	6.65	6.65	6.65	3.33	0.00	0.00
Local Commercial Bank				0.00	0.00	0.00	0.00	0.00															
Cash Subtotal from Financing Activities	8.50	64.86	91.01	3.19	2.03	-3.32	-8.46	-8.33	-8.20	-8.07	-7.94	-7.81	-7.68	-7.55	-7.42	-7.30	-7.17	-7.04	-6.91	-6.78	-3.36	0.00	0.00
Beginning Cash	0	0.00	0.00	0.00	6.85	18.71	28.82	34.83	40.97	47.25	53.65	60.17	66.83	73.62	80.54	87.58	94.76	102.06	109.49	117.06	124.75	135.86	150.33
Change in Cash	0.00	0.00	0.00	6.85	11.86	10.11	6.01	6.14	6.27	6.40	6.53	6.66	6.79	6.92	7.05	7.17	7.30	7.43	7.56	7.69	11.11	14.47	14.47
Ending Cash	0.00	0.00	0.00	6.85	18.71	28.82	34.83	40.97	47.25	53.65	60.17	66.83	73.62	80.54	87.58	94.76	102.06	109.49	117.06	124.75	135.86	150.33	164.80

Balance Sheet of HRECC

Unit: RMB Million

Item	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039
Current Assets																							
Cash and Bank	0.00	0.00	0.00	6.85	18.71	28.82	34.83	40.97	47.25	53.65	60.17	66.83	73.62	80.54	87.58	94.76	102.06	109.49	117.06	124.75	135.86	150.33	164.80
Accounts Receivable																							
Inventory																							
Account Repaid																							
Other Current Assets																							
Total of Current Assets	0.00	0.00	0.00	6.85	18.71	28.82	34.83	40.97	47.25	53.65	60.17	66.83	73.62	80.54	87.58	94.76	102.06	109.49	117.06	124.75	135.86	150.33	164.80
Fixed Assets																							
Gross Fixed Assets				164.37	167.56	169.59	170.55	170.55	170.55	170.55	170.55	170.55	170.55	170.55	170.55	170.55	170.55	170.55	170.55	170.55	170.55	170.55	170.55
Less: Accumulated Depreciation				9.27	18.54	27.81	37.08	46.35	55.62	64.88	74.15	83.42	92.69	101.96	111.23	120.50	129.77	139.04	145.34	151.64	157.94	164.25	170.55
Net Fixed Assets				155.10	149.02	141.78	133.47	124.20	114.93	105.66	96.40	87.13	77.86	68.59	59.32	50.05	40.78	31.51	25.21	18.91	12.60	6.30	0.00
Work in Progress	8.50	73.36	164.37	3.19	2.03	0.96																	
Total Fixed Assets	8.50	73.36	164.37	158.29	151.05	142.74	133.47	124.20	114.93	105.66	96.40	87.13	77.86	68.59	59.32	50.05	40.78	31.51	25.21	18.91	12.60	6.30	0.00
Other Long Term Assets																							
TOTAL ASSETS	8.50	73.36	164.37	165.14	169.76	171.56	168.30	165.18	162.18	159.31	156.57	153.96	151.48	149.12	146.90	144.81	142.84	141.00	142.26	143.65	148.46	156.63	164.80
LIABILITIES AND EQUITY																							
Current Liabilities																							
Accounts Payable																							
Current Portion of Long-term Debt	0	0	0.00	0.00	3.33	6.65	6.65	6.65	6.65	6.65	6.65	6.65	6.65	6.65	6.65	6.65	6.65	6.65	6.65	3.33	0.00	0.00	0.00
Other Current Liabilities																							
Total Current Liabilities	0.00	0.00	0.00	0.00	3.33	6.65	6.65	6.65	6.65	6.65	6.65	6.65	6.65	6.65	6.65	6.65	6.65	6.65	6.65	3.33	0.00	0.00	0.00
Long-term Debt																							
Long-term Loan	0.57	32.81	94.82	96.79	95.47	89.78	83.13	76.48	69.83	63.18	56.53	49.88	43.23	36.58	29.93	23.28	16.63	9.97	3.32	0.00	0.00	0.00	0.00
Other Long-term Liabilities																							
Total Long-term Liabilities	0.57	32.81	94.82	96.79	95.47	89.78	83.13	76.48	69.83	63.18	56.53	49.88	43.23	36.58	29.93	23.28	16.63	9.97	3.32	0.00	0.00	0.00	0.00
Equity																							
Capital Received																							
Capital Surplus	7.93	40.55	69.55	70.77	70.80	70.80	70.80	70.80	70.80	70.80	70.80	70.80	70.80	70.80	70.80	70.80	70.80	70.80	70.80	70.80	70.80	70.80	70.80
Retained Earnings	0.00	0.00	0.00	-2.42	0.17	4.34	7.73	11.25	14.91	18.69	22.60	26.64	30.80	35.10	39.53	44.08	48.77	53.58	61.49	69.53	77.66	85.83	94.00
Total Equity	7.93	40.55	69.55	68.35	70.97	75.14	78.53	82.05	85.70	89.48	93.39	97.43	101.60	105.90	110.33	114.88	119.57	124.38	132.29	140.33	148.46	156.63	164.80
TOTAL LIABILITIES AND EQUITY	8.50	73.36	164.37	165.14	169.76	171.56	168.30	165.18	162.18	159.31	156.57	153.96	151.48	149.12	146.90	144.81	142.84	141.00	142.26	143.65	148.46	156.63	164.80

Income Statement of XJECC

Unit: RMB Million

Item	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
Major Business Revenue					22.68	27.77	28.83	30.42	33.32	33.35	33.35	33.35	33.35	33.35	33.35	33.35	33.35	33.35	33.35	33.35	33.35	33.35	33.35	
1. Elder Care Center Revenue					17.20	21.34	21.51	22.27	23.53	23.56	23.56	23.56	23.56	23.56	23.56	23.56	23.56	23.56	23.56	23.56	23.56	23.56	23.56	
1.1 Nursing Revenue					9.16	11.46	13.00	13.72	14.96	14.96	14.96	14.96	14.96	14.96	14.96	14.96	14.96	14.96	14.96	14.96	14.96	14.96	14.96	
1.1.1 Semi Dependent Elderly					5.01	6.26	7.10	7.50	8.18	8.18	8.18	8.18	8.18	8.18	8.18	8.18	8.18	8.18	8.18	8.18	8.18	8.18	8.18	
1.1.2 Dependent Elderly					4.15	5.21	5.90	6.22	6.78	6.78	6.78	6.78	6.78	6.78	6.78	6.78	6.78	6.78	6.78	6.78	6.78	6.78	6.78	
1.3 Rent Reveue from Hospital and Health Examination Center					8.04	8.04	8.04	8.04	8.04	8.04	8.04	8.04	8.04	8.04	8.04	8.04	8.04	8.04	8.04	8.04	8.04	8.04	8.04	
1.4 Subsidy Revenue					0.00	1.83	0.47	0.51	0.53	0.57	0.57	0.57	0.57	0.57	0.57	0.57	0.57	0.57	0.57	0.57	0.57	0.57	0.57	
2.Community and Home Care Revenue					5.47	6.43	7.32	8.15	9.79	9.79	9.79	9.79	9.79	9.79	9.79	9.79	9.79	9.79	9.79	9.79	9.79	9.79	9.79	
2.1 Nursing Revenue					2.16	2.16	2.16	2.16	2.16	2.16	2.16	2.16	2.16	2.16	2.16	2.16	2.16	2.16	2.16	2.16	2.16	2.16	2.16	
2.2 Recovery Exerise					0.75	0.94	1.06	1.12	1.22	1.22	1.22	1.22	1.22	1.22	1.22	1.22	1.22	1.22	1.22	1.22	1.22	1.22	1.22	
2.3 Home Service Revenue					2.56	3.33	4.10	4.87	6.41	6.41	6.41	6.41	6.41	6.41	6.41	6.41	6.41	6.41	6.41	6.41	6.41	6.41	6.41	
B. Major Business Cost					20.77	22.36	23.43	23.95	24.80	24.80	24.80	24.80	24.80	24.80	24.80	24.80	24.80	24.80	24.80	21.90	21.90	21.90	21.90	
1. Water and Wastewater					0.04	0.05	0.06	0.06	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	
2. Electricity					0.91	1.14	1.29	1.37	1.49	1.49	1.49	1.49	1.49	1.49	1.49	1.49	1.49	1.49	1.49	1.49	1.49	1.49	1.49	
3. Natural Gas					0.03	0.04	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	
4. Heating					0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62	
4. Maintenance					0.43	0.43	0.43	0.43	0.43	0.43	0.43	0.43	0.43	0.43	0.43	0.43	0.43	0.43	0.43	0.43	0.43	0.43	0.43	
5. Salary and Welfare					4.22	5.27	5.98	6.33	6.89	6.89	6.89	6.89	6.89	6.89	6.89	6.89	6.89	6.89	6.89	6.89	6.89	6.89	6.89	
6. Employee Training					0.08	0.10	0.12	0.13	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	
7. Rent Cost					0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	
10. Materials Cost for Food					0.92	1.11	1.24	1.30	1.41	1.41	1.41	1.41	1.41	1.41	1.41	1.41	1.41	1.41	1.41	1.41	1.41	1.41	1.41	
11.Other Operating Cost					0.37	0.44	0.49	0.52	0.56	0.56	0.56	0.56	0.56	0.56	0.56	0.56	0.56	0.56	0.56	0.56	0.56	0.56	0.56	
12. Depreciation and Amortization					13.08	13.08	13.08	13.08	13.08	13.08	13.08	13.08	13.08	13.08	13.08	13.08	13.08	13.08	13.08	10.19	10.19	10.19	10.19	
C. Business Profit					1.91	5.41	5.40	6.47	8.52	8.56	8.56	8.56	8.56	8.56	8.56	8.56	8.56	8.56	8.56	11.45	11.45	11.45	11.45	
Financial Charges					3.78	4.08	4.27	3.27	2.28	1.70	1.55	1.39	1.24	1.08	0.93	0.77	0.62	0.46	0.31	0.15	0.04	0.00	0.00	
D. Profit before Tax					-1.87	1.32	1.13	3.20	6.24	6.85	7.01	7.16	7.32	7.47	7.63	7.78	7.94	8.09	8.25	11.30	11.41	11.45	11.45	
Income Taxes					0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
E. Net Profit					-1.87	1.32	1.13	3.20	6.24	6.85	7.01	7.16	7.32	7.47	7.63	7.78	7.94	8.09	8.25	11.30	11.41	11.45	11.45	

Cash Flow Statement of XJECC

Unit: RMB Million

Item	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
Operation Activities																								
Net Income	0.00	0.00	0.00	0.00	-1.87	1.32	1.13	3.20	6.24	6.85	7.01	7.16	7.32	7.47	7.63	7.78	7.94	8.09	8.25	11.30	11.41	11.45	11.45	11.45
Add:Operating Interest Expenses	0.00	0.00	0.00	0.00	3.78	4.08	4.27	3.27	2.28	1.70	1.55	1.39	1.24	1.08	0.93	0.77	0.62	0.46	0.31	0.15	0.04	0.00	0.00	0.00
Add:Depreciation	0.00	0.00	0.00	0.00	13.08	13.08	13.08	13.08	13.08	13.08	13.08	13.08	13.08	13.08	13.08	13.08	13.08	13.08	13.08	10.19	10.19	10.19	10.19	10.19
Working Capital Requirements	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cash Subtotal from Operations Activities	0.00	0.00	0.00	0.00	14.99	18.49	18.48	19.55	21.60	21.64	21.64	21.64	21.64	21.64	21.64	21.64	21.64	21.64	21.64	21.64	21.64	21.64	21.64	21.64
Investing Activities																								
Purchase of Assets	28.70	102.42	72.45	40.19	2.26	1.15																		
Cash Paid for Other Investing Activities																								
Cash Subtotal from Investment Activities	-28.70	#####	-72.45	-40.19	-2.26	-1.15	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Financing Activities																								
Cash from Equity Infusions	28.32	22.79	2.55	3.82	0.00	0.00																		
Cash from Long-term Loans Borrowing	0.38	79.63	69.90	36.37	2.26	1.15																		
ADB	0.38	51.93	40.42	23.55	2.26	1.15																		
Local Bank	0.00	27.70	29.48	12.82	0.00	0.00																		
Loan Interest Repayment(including IDC, Operating Interest and Commitment F	3.78	4.08	4.27	3.27	2.28	1.70	1.55	1.39	1.24	1.08	0.93	0.77	0.62	0.46	0.31	0.15	0.04	0.00	0.00	0.00	0.00	0.00	0.00	0.00
ADB					1.14	2.17	2.01	1.86	1.70	1.55	1.39	1.24	1.08	0.93	0.77	0.62	0.46	0.31	0.15	0.04	0.00	0.00	0.00	0.00
Local Bank					3.78	2.94	2.10	1.26	0.42	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Loan Principal Repayment				14.00	17.99	21.98	21.98	21.98	7.98	7.98	7.98	7.98	7.98	7.98	7.98	7.98	7.98	7.98	7.98	7.98	3.99	0.00	0.00	0.00
ADB					3.99	7.98	7.98	7.98	7.98	7.98	7.98	7.98	7.98	7.98	7.98	7.98	7.98	7.98	7.98	7.98	3.99	0.00	0.00	0.00
Local Bank				14.00	14.00	14.00	14.00	14.00																
Cash Subtotal from Financing Activities	28.70	102.42	72.45	40.19	-15.52	-20.92	-26.25	-25.25	-24.26	-9.68	-9.53	-9.37	-9.22	-9.06	-8.91	-8.75	-8.60	-8.44	-8.29	-8.13	-4.03	0.00	0.00	0.00
Beginning Cash	0.00	0.00	0.00	0.00	0.00	-2.79	-6.38	-14.14	-19.84	-22.50	-10.54	1.57	13.83	26.25	38.83	51.56	64.44	77.48	90.67	104.02	117.53	135.14	156.78	178.42
Change in Cash	0.00	0.00	0.00	0.00	-2.79	-3.59	-7.77	-5.70	-2.65	11.95	12.11	12.26	12.42	12.57	12.73	12.88	13.04	13.19	13.35	13.50	17.61	21.64	21.64	21.64
Ending Cash	0.00	0.00	0.00	0.00	-2.79	-6.38	-14.14	-19.84	-22.50	-10.54	1.57	13.83	26.25	38.83	51.56	64.44	77.48	90.67	104.02	117.53	135.14	156.78	178.42	200.05

Balance Sheet of XJECC

Unit: RMB Million

Item	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
Current Assets																								
Cash and Bank	0.00	0.00	0.00	0.00	-2.79	-6.38	-14.14	-19.84	-22.50	-10.54	1.57	13.83	26.25	38.83	51.56	64.44	77.48	90.67	104.02	117.53	135.14	156.78	178.42	200.05
Accounts Receivable																								
Inventory																								
Account Repaid																								
Other Current Assets																								
Total of Current Assets	0.00	0.00	0.00	0.00	-2.79	-6.38	-14.14	-19.84	-22.50	-10.54	1.57	13.83	26.25	38.83	51.56	64.44	77.48	90.67	104.02	117.53	135.14	156.78	178.42	200.05
Fixed Assets																								
Gross Fixed Assets					243.76	246.02	247.17	247.17	247.17	247.17	247.17	247.17	247.17	247.17	247.17	247.17	247.17	247.17	247.17	247.17	247.17	247.17	247.17	247.17
Less: Accumulated Depreciation					13.08	26.16	39.25	52.33	65.41	78.49	91.57	104.65	117.74	130.82	143.90	156.98	170.06	183.15	196.23	206.41	216.60	226.79	236.98	247.17
Net Fixed Assets					230.68	219.85	207.92	194.84	181.76	168.68	155.59	142.51	129.43	116.35	103.27	90.19	77.10	64.02	50.94	40.75	30.56	20.38	10.19	0.00
Work in Progress	28.70	131.12	203.57	243.76	2.26	1.15																		
Total Fixed Assets	28.70	131.12	203.57	243.76	232.93	221.00	207.92	194.84	181.76	168.68	155.59	142.51	129.43	116.35	103.27	90.19	77.10	64.02	50.94	40.75	30.56	20.38	10.19	0.00
Other Long Term Assets																								
TOTAL ASSETS	28.70	131.12	203.57	243.76	230.14	214.63	193.78	175.00	159.26	158.13	157.16	156.35	155.68	155.18	154.82	154.63	154.58	154.70	154.96	158.28	165.70	177.15	188.60	200.05
LIABILITIES AND EQUITY																								
Current Liabilities																								
Accounts Payable																								
Current Portion of Long-term Debt	0.00	0.00	0.00	14.00	17.99	21.98	21.98	21.98	7.98	7.98	7.98	7.98	7.98	7.98	7.98	7.98	7.98	7.98	7.98	3.99	0.00	0.00	0.00	0.00
Other Current Liabilities																								
Total Current Liabilities	0.00	0.00	0.00	14.00	17.99	21.98	21.98	21.98	7.98	7.98	7.98	7.98	7.98	7.98	7.98	7.98	7.98	7.98	7.98	3.99	0.00	0.00	0.00	0.00
Long-term Debt																								
Long-term Loan	0.38	80.02	149.92	172.29	156.56	135.73	113.75	91.77	83.79	75.81	67.83	59.85	51.87	43.89	35.91	27.93	19.95	11.97	3.99	0.00	0.00	0.00	0.00	0.00
Other Long-term Liabilities																								
Total Long-term Liabilities	0.38	80.02	149.92	172.29	156.56	135.73	113.75	91.77	83.79	75.81	67.83	59.85	51.87	43.89	35.91	27.93	19.95	11.97	3.99	0.00	0.00	0.00	0.00	0.00
Equity																								
Capital Received																								
Capital Surplus	28.32	51.10	53.65	57.47	57.47	57.47	57.47	57.47	57.47	57.47	57.47	57.47	57.47	57.47	57.47	57.47	57.47	57.47	57.47	57.47	57.47	57.47	57.47	57.47
Retained Earnings	0.00	0.00	0.00	0.00	-1.87	-0.55	0.58	3.78	10.02	16.88	23.89	31.05	38.37	45.84	53.47	61.25	69.19	77.28	85.53	96.82	108.23	119.69	131.14	142.59
Total Equity	28.32	51.10	53.65	57.47	55.59	56.92	58.05	61.25	67.49	74.34	81.35	88.52	95.83	103.31	110.93	118.72	126.65	134.75	142.99	154.29	165.70	177.15	188.60	200.05
TOTAL LIABILITIES AND EQUITY	28.70	131.12	203.57	243.76	230.14	214.63	193.78	175.00	159.26	158.13	157.16	156.35	155.68	155.18	154.82	154.63	154.58	154.70	154.96	158.28	165.70	177.15	188.60	200.05

Hebei Elderly Care Development Project

Final Report

Volume Three

Document 3-C

Financial Management Assessment

FINANCIAL MANAGEMENT ASSESSMENT

A. Executive Summary

1. The financial management assessment (FMA) was conducted in accordance with Asian Development Bank's (ADB) Guidelines for the Financial Management and Analysis of Projects; Financial Due Diligence: A Methodology Note; and Financial Management Assessment.¹ The FMA considered the financial management capacity of Hebei Provincial Finance Bureau, five counties' finance bureau, and the six implementing agencies. The assessment covered funds-flow arrangements, staffing, accounting, and financial reporting systems, internal and external auditing arrangements, and financial information systems.

2. The assessment identified the main financial management risks as (i) **implementation risk**: lack of familiarity with ADB disbursement procedures and requirements, which could delay project implementation; (ii) **compliance risk**: lack of familiarity with ADB financial management requirements, particularly relating to accounting, reporting, and auditing, which may delay project reporting and the identification of issues on the use of loan proceeds; (iii) **financing risk**: delays in provision of, or inadequate counterpart funding, which could delay project implementation; and (iv) **construction and operational risk**: inadequate experience in construction and operating management, which will impact project progress and quality of the services to be provided after project completion. The overall financial management risk-rating of the project before considering mitigating measures is substantial. The identified financial management risks and the implementation of agreed mitigation measures will need to be closely monitored during project implementation. The proposed financial management action plan is shown in the Table 1, and this should be included in the relevant project documents, notably the project administration manual (PAM).

Table 1: Proposed Action Plan for Financial Management

Action	Responsibility	Timing
1. Covenants to be included in the legal agreements to ensure adequate counterpart funds to support capital, operating and maintenance, and debt repayment requirements.	ADB	Loan negotiations
2. Training on ADB disbursement procedures and requirements	HPFD/HPMO with consulting support as needed	1 month before first disbursement and any other time as needed
3. Training on ADB financial management requirements, specifically accounting and reporting, auditing	HPFD/ HPMO with consulting support as needed	3 months before loan effectiveness and any other time as needed.
4. Close monitoring to quickly identify potential issues in counterpart funding	HPFD, HPMO and County Finance Bureaus	At least once a quarter during project implementation
5. A financial expert requirement and some professional engineers to be included in the capacity building package in output 4 of the project. They will provide professional financial management and engineering support and training for the financial and relative staff in the project	HPFDHPFD/ HPMO	Immediately after loan effectiveness

¹ ADB. 2005. *Guidelines on Financial Management and Analysis of Projects*. Manila; ADB. 2009. *Financial Due Diligence: A Methodology Note*. Manila.

Action	Responsibility	Timing
entities including financial management manual development.		

ADB = Asian Development Bank, HPFD=Hebei Provincial Finance Department, HPMO= Hebei Project Management Office.

3. It was agreed that the executing agency and implementing agencies will further enhance their capabilities by undertaking more training, particularly on ADB policy and procedures. Therefore, despite the substantial level of inherent risk, the project's financial management arrangements with appropriate mitigation measures are considered satisfactory.

B. Introduction

4. This FMA was conducted in accordance with ADB's Guidelines for the Financial Management and Analysis of Projects, the Financial Due Diligence: a Methodology Note, and the Technical Guidance Note: Financial Management Assessment. The FMA was performed on (i) Hebei Province Finance Department (HPFD), Chengde Shuanglan District Finance Bureau (CSDFB), Julu County Finance Bureau (JCFB), Li County Finance Bureau (LCFB), She County Finance Bureau (SCFB), and Xinji City Finance Bureau (XCFB) who are overseeing the subproject preparations and implementation on behalf of their local government respectively, and (ii) Yanshan University (YSU), Chengde Haoren Elder Care Corporation (CHECC), Julu County Hospital (JCH), Li County Guangrongyuan (LCG), Hebei Runqinyuan Elder Care Corporation (HRECC), and Xinji Juyouleyuan Elder Care Corporation (XJECC), which are the project implementing agencies.

5. This assessment was carried out by project preparatory technical assistance consultants during the project preparation. The assessment considered the results of financial management due diligence carried out during the preparation of ADB's country partnership strategy (2016–2020) (CPS), and the results of FMA questionnaires completed in respect of the executing agency and implementing agencies.² The project preparatory technical assistance due diligence activities also included reviewing relevant financial management regulations, interviewing financial staff from county finance bureaus and implementing agencies, and discussions with the Hebei project management office (HPMO).

C. Project Description

6. The proposed project will support development of the elderly care (EC) system in Hebei Province through improving the quality and coverage of home-, community-, and residential-based EC services and facilities. The impact of the project is aligned with the government's goal that a three-tiered EC system (home, community, and residential) is established. The expected outcome is that the quality of EC services in Hebei Province is improved. The project will support selected cities and counties initiatives to improve the quality and coverage of the elderly care systems. The project will have four outputs: (i) community and home care services improved; (ii) residential EC service capacity increased and quality improved; (iii) development of human resources and industry capacity improved; and (iv) capacity of the EC sector organizations improved.

² ADB. 2016. *People's Republic of China: Country Partnership Strategy (2016–2020)*. Manila.

D. Risk Analysis

7. The risk assessment considered the staffing, internal control, accounting and reporting policies and procedures, and auditing standards and arrangements of the executing agency and implementing agencies. Based on the assessment, the overall project financial management risk before mitigation is considered to be “substantial”.

1. Inherent Risk

8. Inherent risk is the susceptibility of the project financial management system to factors arising from the environment in which it operates, such as country rules and regulations and entity working environments (assuming the absence of any supplementary counter—checks or internal controls). Table 2 summarizes the main inherent financial management risks relevant to the project.

Table 2: Inherent Risk Assessment

Risk type	Risk Assessment	Risk Description	Mitigation Measures
1. Country-specific risks	M	Lack of adequate skills to implement the updated Accounting and Budget Law	In line with the CPS findings, Output 4 will encourage the consistent use of IFRS, through skills training (accounting and reporting), and knowledge sharing (accrual accounting and risk based internal control).
2. Entity and project-specific risks	S	Delays or inadequate provision of counterpart funding	Counterpart funding requirements will be included in the annual budget of Julu and Li counties and YSU. At least 20% of project investment cost of Xinji City, She County and Shuangluan District subprojects will be injected into the bank accounts of implementing agencies respectively before loan negotiations.
	S	Inadequate resources exist to ensure the project investments are sustainable	The owners of Shuangluan District, She County, and Xinji City subprojects to demonstrate they have the financial capacity and credit status to undertake the borrowing and fund injection to assure the sufficiency of counterpart funding.
	S	High tariff setting and low service quality to affect operating sustainability and debt service requirements	Consultants will be hired to re-study tariff setting mechanisms and assist to improve elder care service quality.
Overall Assessment of Inherent Risk	S		

ADB = Asian Development Bank, CPS = country partnership strategy, IFRS = International Financial Reporting Standards.

2. Control Risk

9. Control risk is the risk that the project’s accounting and internal control framework are inadequate to ensure project funds are used economically and efficiently and for the purpose intended, and that the use of funds is properly reported.

Table 3: Control Risk Assessment

Risk type	Risk Assessment	Risk Description	Risk Mitigation Measures
1. Implementing Entity	S	Project financial management policies and procedures are not in place	The project will adopt the generally accepted accounting principles in the PRC, specifically the "Accounting Methods for Projects Financed by the World Bank" issued by the Ministry of Finance. ^a The implementing agencies will each set up project accounts.
2. Funds Flow	S	Lack of familiarity with ADB disbursement requirements and procedures	Training will be conducted before loan effectiveness to ensure the relevant county finance bureau and implementing agency staff acquire the required knowledge.
3. Staffing	S	Insufficient implementing agency staff to perform financial management functions and staff not familiar with capital construction and foreign project financial management requirement	Two to three financial persons in each implementing agency have been to be responsible for ADB project. Consultants will provide financial management support to the financial persons of implementing agencies.
4. Accounting and Reporting	S	Lack of familiarity with ADB financial management requirements on accounting and reporting	Training will be conducted before loan effectiveness to ensure executing agency and implementing agencies staff acquires required knowledge. Then training will be done based on the requirement.
5. Internal Audit	M	Lack of internal audit inspection and supervision	There are internal audit in all finance bureaus. Implementing agencies have no internal audit except for JCH and YSU. The three private implementing agencies, namely CHECC, HRECC, and XJECC have agreed to hire an audit person to be responsible for internal audit work.
6. External Audit	L	Audit requirements are not fully complied with due to external auditor's limited understanding of ADB requirements	Audit responsibility will be delegated to Hebei Province Audit Office which has many years' experience with ADB-funded projects.
7. Reporting and Monitoring	S	Delayed submission of audited project financial statements	The implementing agencies will prepare financial statements and financial report in accordance with Accounting Methods for Projects Financed by the World Bank issued by the Ministry of Finance. The PMO has many years' ADB project financial management experience and is responsible for the consolidation of project financial statements. A consultant with financial expertise will assist preparation of the financial statements and reports.
8. Information Systems	M	Lack of accounting system to allow proper recording and reporting of project expenditures	The implementing agencies use stand-alone computerized accounting systems which produce financial statements automatically. These appear to operate well and staff are well trained in their use.
Overall Control Risk	S		

ADB = Asian Development Bank, CHECC = Chengde Haoren Elder Care Corporation, HRECC = PMO=project management office, JCH = Julu County Hospital, PRC = People's Republic of China, XJECC = Xinji Juyouleyuan Elder Care Corporation, YSU = Yanshan University.

^a The guidelines were issued by the Ministry of Finance for all foreign aid-financed projects.

E. The Project Financial Management System

10. **Public financial management system.** HPFD, CSDFB, JCFCB, LCFB, SCFB, and XCFB are government agencies. JCH, LCG, and YSU are government institutional units. They adopt the country public financial management system (PFMS). Its strengths and weakness have been described in the PRC CPS (2016–2020).

11. **Public financial management risks.** Overall, the PRC has strong financial management legislation, structures, and systems in place, which have been further reinforced in recent years and aligned with international standards. Major risks remain only where subprovincial levels are lagging behind in the implementation of reforms in core functional areas of financial management, i.e., accounting and reporting, accrual accounting and risk-based control, and internal audit. The CPS concludes the lack of capacity at subprovincial level may both hamper effective financial control and constrain the shift of focus from controlling inputs to managing results. This assessment concurs with that conclusion.

12. **Strengthen public financial management capacity at subprovincial levels.** The CPS recommends that ADB should reinforce ongoing support in assessing and strengthening public financial management capacity at subprovincial levels, e.g., through promoting skills training (accounting and reporting), knowledge sharing (accrual accounting and risk-based internal control), and organizational reviews (internal audit). ADB should provide technical assistance and support training activities to finance staff in local authorities and project offices and extend support in strengthening the use, quantity, and quality of management through policy advice and technical assistance.

13. The project financial management systems adopted by the private entity implementing agencies follow the requirements of the PRC company law and typical commercial practices. Two of the three private entities have majority shareholders that are mature enterprises and are thus able to adopt those proven systems and procedures. The exception is the implementing agency in She County, which is a new start-up company with two individual investors—in this case the financial systems are largely unproven but the implementing agency has appointed financial staff who appear to be suitably qualified.

1. Strengths

14. The project potentially benefits from an adequate financial management system and staffing as follows:

- (i) The PRC has strong financial management legislation, structures, and systems in place, which have been further reinforced in recent years and aligned with international standards. The project will adopt the *State-owned Construction Unit Accounting System* and the *Accounting Methods for Projects Financed by the World Bank* issued by the Ministry of Finance, and will use computerized accounting systems at implementing agency levels to automatically generate financial statements. All transactions will be reviewed by the accountant, and approved by the implementing agencies' head.
- (ii) HPMO and HPFD are both very experienced and have strong capacity to exercise financial supervision of the project.
- (iii) All staff in the finance bureaus and institutional units are familiar with PFMS. HPFD, CSDFB, LCFB, SCFB, and YSU have previous foreign loan project experience. In these units. Two to three financial persons have been appointed to be responsible for ADB project.

2. Weaknesses

15. The project is susceptible to the following weaknesses at the implementing agency level:
- (i) lack of familiarity with ADB requirements and procedures;
 - (ii) lack of familiarity with financial management of capital construction projects; and
 - (iii) some newly formed private implementing agencies, some with immature financial systems and staffing arrangements.
16. These weaknesses will be mitigated by requiring the implementing agencies to expedite the appointment of staff required for project implementation and providing implementing agency financial and other related staff training in ADB procedures and financial management on capital construction.

F. The Executing and Implementing Entities

17. Hebei Provincial Government (HPG) will be the executing agency. It is responsible for overall planning and implementation of the project, and has experience in the preparation, implementation, and management of projects funded by the World Bank and ADB.
18. A project leading group (PLG) for the project preparations and implementation has been established in the HPG. The PLG is chaired by the Vice Governor of HPG, with the members from the relevant government agencies. The PMO of the project has been established under HPFD.
19. HPFD will be responsible, on behalf of HPG, for overall financial management of the project, including ADB loan application, payment and overseeing ADB loan repayment, assuring counterpart funds are in place for the project and so on. HPFD has many years' experience on overseeing the financial management of World Bank projects, ADB projects and other foreign funded projects.
20. CSDFB, JCFCB, LCFB, SCFB, Xinji County Finance Bureau will be responsible, on behalf of their respective district and/or county government, for supervising financial management at the subproject level.
21. CSDFB implemented two World Bank projects. LCFB implemented two ADB projects and one World Bank project. SCFB implemented two World Bank projects.
22. YSU, JCH, and LCG are government institutional units. HRECC was established in 2015, and Chengde Haoren Elder Care Co. Ltd. (CHECC) and Xinji Juyouleyuan Elder Care Corporation. (XJECC) were established in 2016. They are private enterprises. The above 6 entities will be the implementing agencies. They will be responsible for day-to-day project implementation activities and also responsible for project financial management including accounting and reporting, ADB loan withdrawal and payment, counterpart fund management and so on.

3. Funds Flow Mechanism

23. The Hebei Province Finance Bureau (HPFD) will operate and administer an imprest account for the project. The imprest account is to be used exclusively for the ADB's share of eligible expenditures, and will be established, managed, and liquidated in accordance with

ADB's Loan Disbursement Handbook (2015, as amended from time to time), and detailed arrangements agreed upon between the Government and ADB. Pursuant to ADB's Safeguard Policy Statement (2009) (SPS), ADB funds may not be applied to the activities described on the ADB Prohibited Investment Activities List set forth at Appendix 5 of the SPS. The executing agency and implementing agencies of the project will ensure that their investments are in compliance with applicable national laws and regulations and will apply the prohibited investment activities list to all the project contracts wholly or partly financed by ADB. The external auditors will verify compliance based on their detailed annual project audit work.

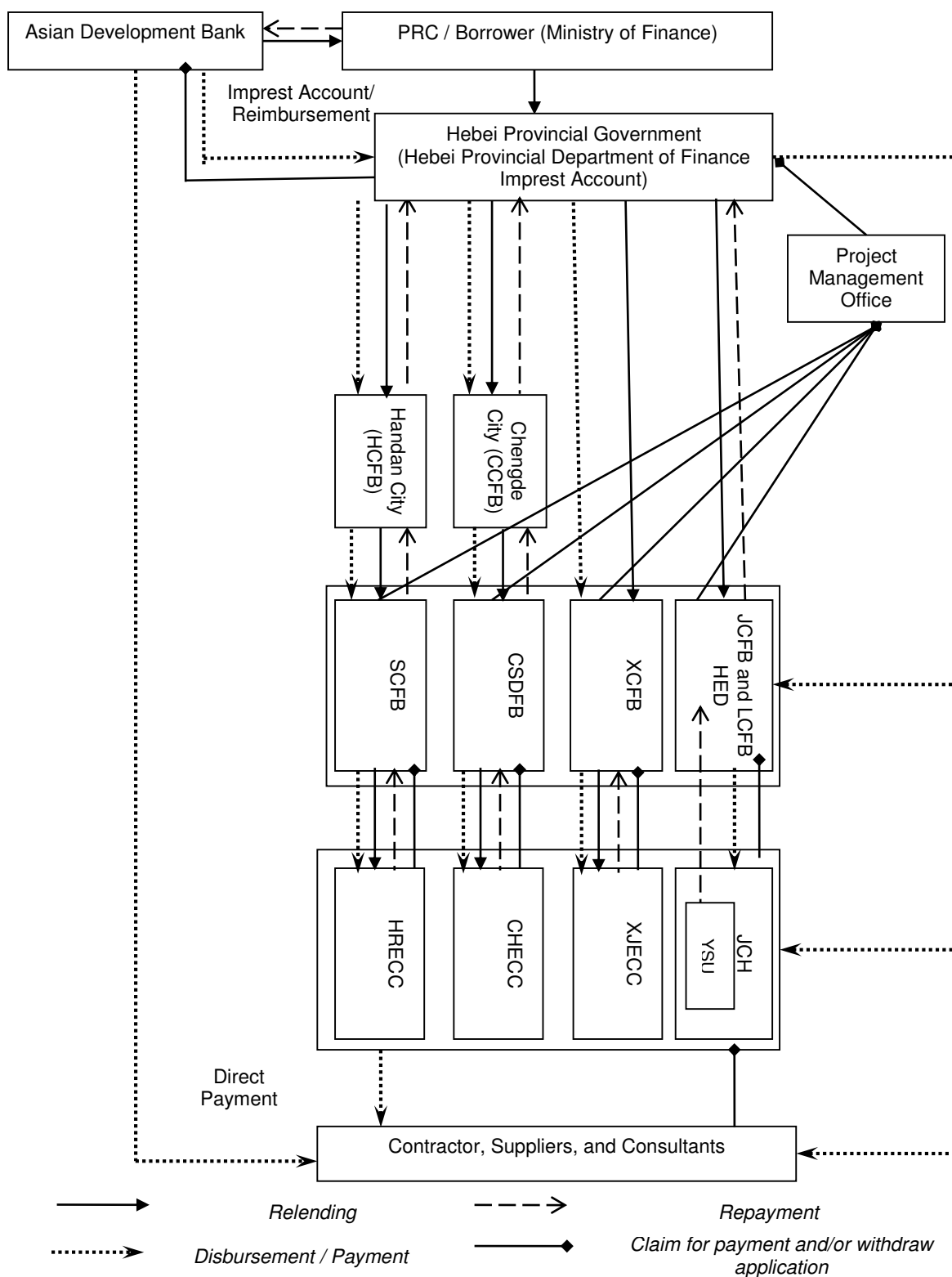
24. The implementing agencies will maintain special bank accounts for the project where ADB loan and counterpart funds will be channeled. The implementing agencies will review project progress reports and supporting documents prepared by the contractors suppliers and consultants. Then implementing agencies will prepare withdrawal applications which will be reviewed by the district and/or county and/or city finance bureau and HPMO, before submission to the HPFD.

25. The project will probably use a combination of four ADB payment procedures, namely the direct payment procedure, the commitment procedure, the reimbursement procedure and the imprest fund procedure. Under the direct payment procedure, ADB loan proceeds will be directly credited to a nominated bank account of a contractor, supplier or consultant. The minimum size of a withdrawal application shall be \$100,000. All claims shall be processed and consolidated by the implementing agency prior to submission of the withdrawal application to ensure efficient disbursement administration. All withdrawal applications will be reviewed and signed by the leader of implementing agencies. Proper records and books are maintained for audit and verification.

26. Counterpart funds from JCFB and LCFB will flow through the treasury payment system respectively to a special account maintained by the JCH and LCG. All implementing agency will pay the counterpart funds to the contractor, supplier, and consultant.

27. The proposed on-lending and fund flow arrangement is shown in a fund flow chart as follows.

Figure 1: Fund Flow Diagram



CCFB = Chengde City Finance Bureau, CHECC = Chengde Haoren Elderly Care Service Industry Corporation, CSDFB = Chengde Shuangluan District Finance Bureau, HED = Hebei Education Department, HCFB = Handan City Finance Bureau, HRECC = Hebei Runqinyuan Elderly Care Corporation, JCFCB = Julu County Finance Bureau, JCH = Julu County Hospital, LCFB = Li County Finance Bureau, PRC = People's Republic of China, SCFB = She County Finance Bureau, XCFB = Xinji County Finance Bureau, XJECC = Xinji Juyouleyuan Elder Care Corporation.

Notes: 1. The imprest is a US\$ account. All remittances payable in foreign currency are to be made direct from the imprest account to the contractor/supplier or arranged as a direct payment by ADB.

2. For remittances in CNY the HPDF will convert US\$ to CNY and then the governments integrated payments remittance system will be used either to pay contractors or suppliers directly or to reimburse local Finance Bureaus or (mostly) the implementing agencies who have already paid the suppliers and/or contractors. Thus the diagram shows a largely nominal flow based on the onlending not the real flow but for accounting purposes there has to be transactions recorded at each level as shown in the diagram.

4. Personnel

28. There are 4 separate divisions who will be involved in the project and fund management in the different levels of finance bureau and/or department, namely budget division, debt division and/or business division, treasury division, and treasury central payment center. The existing persons in these divisions will be responsible for the project work according to their responsibilities. These persons have many years working experience. The persons in HPFD, CSDFB, LCFB and SCFB have foreign project experience of World Bank, ADB, and Japan.

29. JCH, LCG, and YSU, as government project implementing agencies, have appointed existing financial persons to be responsible for the financial work of the project. Financial persons of YSU have project financial management experiences of large capital construction project and a Japanese Yuan loan project. The parent companies of CHECC and XJECC, have assigned the parent company's financial manager to be responsible for the financial works of the project. HRECC has three financial persons, two of which have been assigned to be responsible for the financial works of the project.

30. The financial persons appointed to be responsible for the project are shown in Table 4.

Table 4: Financial Persons Appointed for the Project

Name	Sex	Title	Education	Working Experience
Julu Subproject				
Tian Jingque	Female	Financial manager of financial division	Graduated from accounting majors	Thirty four year's financial management experience
Niu Xiaoyan	Female	Cashier	Financial management majors, Hebei, Economic and Trade College	Two year's accounting experience
Xinji Subproject				
Niu Mouxiang	Male	Financial manager	Graduated from accounting majors	More than thirty years' financial management experience
Li Zhiliang	Male	Accountant	Graduated from accounting majors	Many years' financial management experience
Su Shusong	Male	Cashier	Graduated from accounting majors	Many years' financial management experience
Li County Subproject				
Zhang Zhaohui	Male	Director of financial department	Bachelor degree, senior accountant	Working for financial management since 1989
Peng Jinfang	Female	Cashier	bachelor degree, accountant	Eight year's financial experience
She County Subproject				
Shi Yongxiu	Female	Financial manager of financial division	Graduated from accounting majors	More than twenty years' financial experience
Zhang Chunhui	Female	Cashier	Graduated from accounting	More than three years'

Name	Sex	Title	Education	Working Experience
			majors	financial experience
Chengde Shuanglan Subproject				
Bai JingYu	Female	Financial Manager	Graduated from accounting majors	More than ten years of accounting experience
Wei Yajun		Chief Accountant	Graduated from accounting majors	More than ten years of accounting experience
Rui Shurui		Cashier	Graduated from accounting majors	Two years of accounting experience
Yanshan University				
Qi Weixin	Male	Director of Planning and Financial Division	Graduated from accounting majors and senior accountant	More than twenty years' financial management experience
Zhang Tiehong	Male	Chief accountant	Graduated from accounting majors and senior accountant	More than twenty years' financial management experience
Jin Lan	Female	Cashier	Graduated from accounting majors of Yanshan University	Three Years of financial work experience

31. The financial staff of implementing agencies will do the day to day financial work and set up a financial management platform. The above two to three financial persons of each implementing agency will be involved in the ADB project, namely financial manager, accountant and cashier. Those assigned have many years' working experience with sound financial management skills but have no financial management of project construction except for the YSU financial persons. They will need training to familiarize themselves with ADB project-related disbursement guidelines and procedures, project accounting requirements, project and contract management, and the specific financial monitoring and report preparation requirements of the project.

5. Accounting Policies and Financial Reporting

32. There is a special regulation for the foreign loan project issued by MOF. Accounting Methods for Projects Financed by the World Bank (reference No. 2000 [13]) that will be followed to set up the project accounts and records by funding source for all expenditures incurred on the project. Subsidiary ledgers will also be maintained to facilitate reconciliation of accounts with the general ledger and bank records. All reports and supporting documents on all transactions will be stored and retained in accordance with relevant financial regulations, will be accessible by authorized users, and made available for audit inspection. The implementing agencies will prepare project financial statements and financial reports, and submit them to the HPMO for review and consolidation. Annual project financial statements will be prepared using the accrual basis of accounting.

33. The implementing agencies of JCH, LCG, YSU, and HRECC have established a clear segregation of duties with respect to review and approval of payments. Processing of the project payment invoices involves comparison of quantities, prices and terms in purchase orders and those reported in the receipts. Controls are in place for the preparation of payroll while changes to the payroll are approved by Human Resource Division and relative leader of the company. Almost all payments are made using bank transfers. All cash received is deposited to the relevant bank account leaving minimal amounts necessary for the office operations. A cashbook is maintained and bank reconciliation is undertaken at the end of each month. However, CHECC and XJECC are new companies. Although all rules, regulations and procedures are in the process of being set up they will temporarily follow parent company's rules and regulations where the new regulations/procedures are not yet in place.

6. Budgeting System

34. JCH, LCG and YSU, as government institutional unit, will follow budgeting system of PFMS. HRECC, CHECC and XJECC, as private and new companies, their budgeting systems are in the process of being established. The project implementation consulting will include a financial management specialist who will assist them to establish a comprehensive budgeting management system.

7. Safeguarding of Assets

35. Subsidiary records of fixed assets and stocks are kept up-to-date and reconciled with control accounts periodically according to the fixed asset management regulation. The implementing agencies will conduct an annual physical inventory of all assets. Normally, only transport vehicles are covered by commercial insurance, covering loss, fire and others. During the construction period, insurance shall be the responsibility of contractors and shall cover worker compensation for losses due to accidents apart from compensation for property.

8. Internal and External Audit

36. There is an internal audit department in the different levels of Finance Bureau, which directly reports to the Party Committee of Finance Bureau. The internal audit staff usually have many years' accounting background.

37. There is internal audit department in JCH and YSU. The internal audit division operates in parallel with the accounting division. Internal audit department directly reports to the implementing agency head.

38. JCH, Li County, Guangrongyuan, and YSU are audited by the county or provincial audit office respectively every 2–3 years. There were no major issues disclosed in the recent audit reports, with matters raised relating to individual transactions rather than raising concerns in relation to systems, procedures or staffing capacity. CHECC, HRECC and XJECC are newly established for the ADB project and are not currently subject to external audit. .

39. The National Audit Office of PRC will authorize Hebei Province Audit Office to be responsible for the auditing of the ADB project. The audit will be carried out in accordance with the auditing standards and requirements of the PRC. The PMO and/or Hebei Province Audit Office will submit to ADB the audited project accounts, the auditor's report and management letter in English within 6 months of each financial year-end during the period of project implementation.

9. Reporting and Monitoring

40. The project financial reports will be prepared using automated accounting software systems and submitted on a monthly, quarterly and annual basis. The reports will highlight the physical and financial progress of the project activities being undertaken. For this project, the implementing agencies will prepare and submit to ADB semi-annual progress reports for individual outputs, which will include (i) a narrative description of progress made during the reporting period; (ii) changes in the implementation schedule; (iii) problems or difficulties encountered; and (iv) activities to be undertaken in the next reporting period. The implementing

agencies will also prepare and submit to ADB a project completion report within 3 months of the completion of each sub-project, and an investment project completion report after completion of all outputs under the proposed Project.

10. Information Systems

41. Financial software is used by the implementing agencies for accounting and the preparation of financial statements. The existing automated accounting software systems of the implementing agencies can generate the project reports required for both external and internal use. In addition, all relevant staff have been trained and are familiar with the systems, although supplementary training in reporting requirements for the ADB financed project will be provided. Regular back-ups of all accounting systems and appropriate security measures over backed-up data are in place.

G. Proposed Time-Bound Action Plan

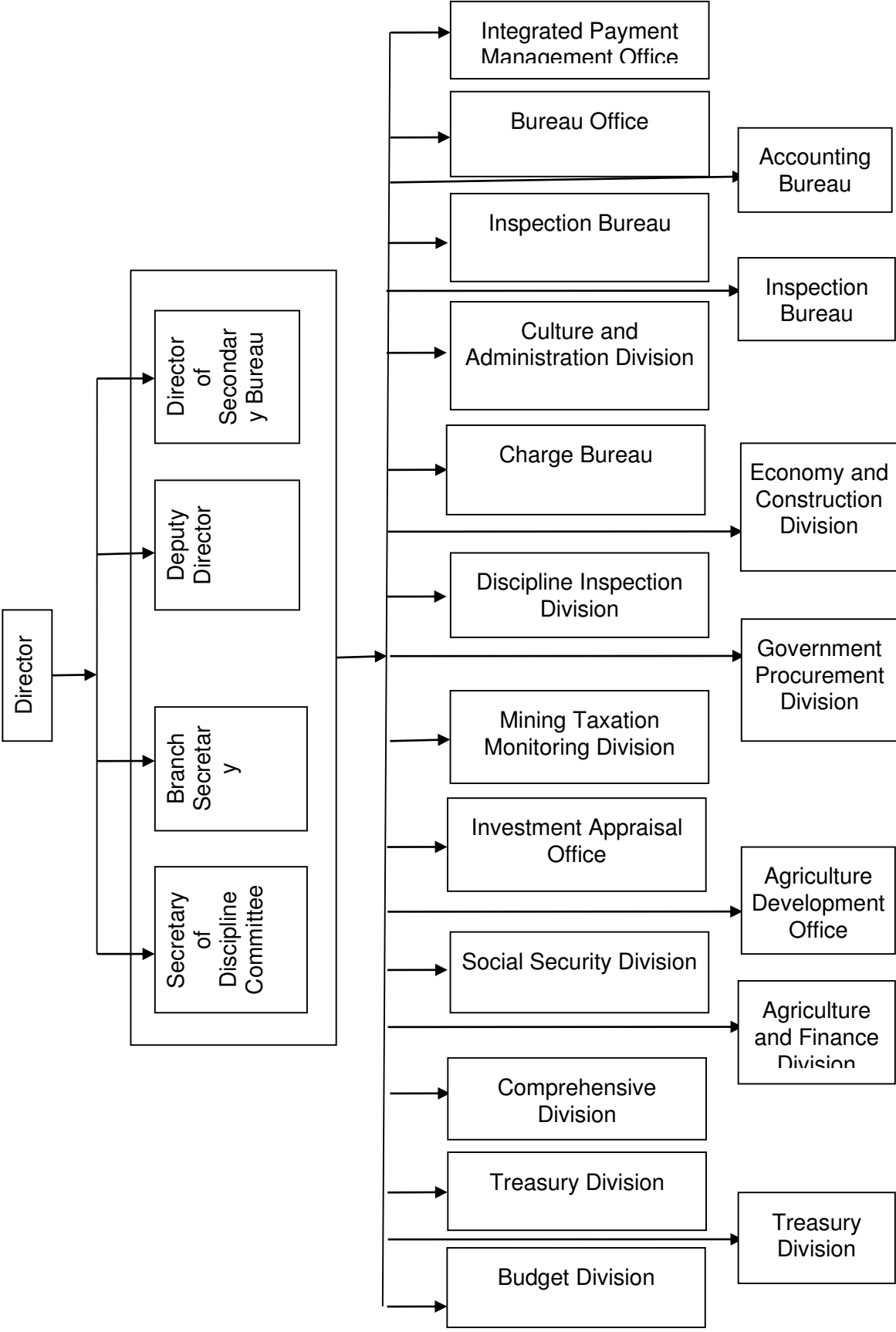
42. The assessment identified the main financial management risks as:(i) implementation risk - lack of familiarity with ADB disbursement procedures and requirements which could delay project implementation, (ii) compliance risk - lack of familiarity with ADB financial management requirements, particularly relating to accounting, reporting and auditing, which may delay project reporting and the identification of issues on the use of loan proceeds, (iii) financing risk –delays in provision of, or inadequate counterpart funding which could delay project implementation, and (iv) construction and operational risk - inadequate experience in construction and operating management, which will impact project progress and quality of the services to be provided after project completion. The overall financial management risk-rating of the project before considering mitigating measures is high. The identified financial management risks and the implementation of agreed mitigation measures will need to be closely monitored during project implementation. The proposed financial management action plan is shown in Table 1 and this should be made in the relevant project documents – notably the loan and project agreements and the project administration manual.

H. Conclusion

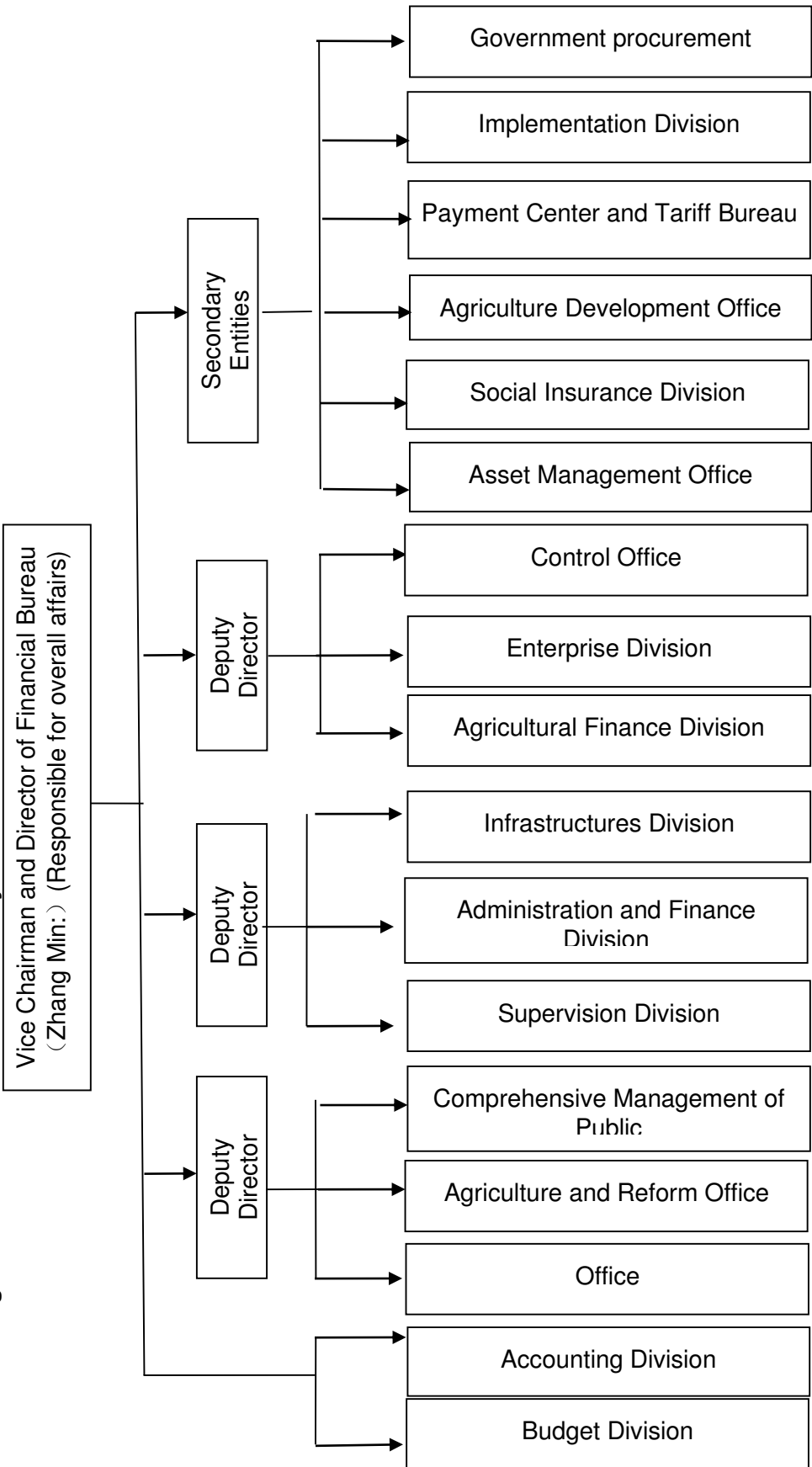
43. The overall financial management risk-rating of the project before considering mitigating measures is considered to be substantial. The identified financial management risks will be closely monitored during project implementation. It was agreed that the executing agency and implementing agencies will further enhance their capabilities by undertaking more training, particularly on ADB policy and procedures. Therefore, despite the substantial level of inherent risk, the project's financial management arrangements with appropriate mitigation measures are considered satisfactory.

APPENDIX 1: CURRENT ORGANIZATION STRUCTURE OF COUNTY FINANCE BUREAUS AND IMPLEMENTING AGENCIES

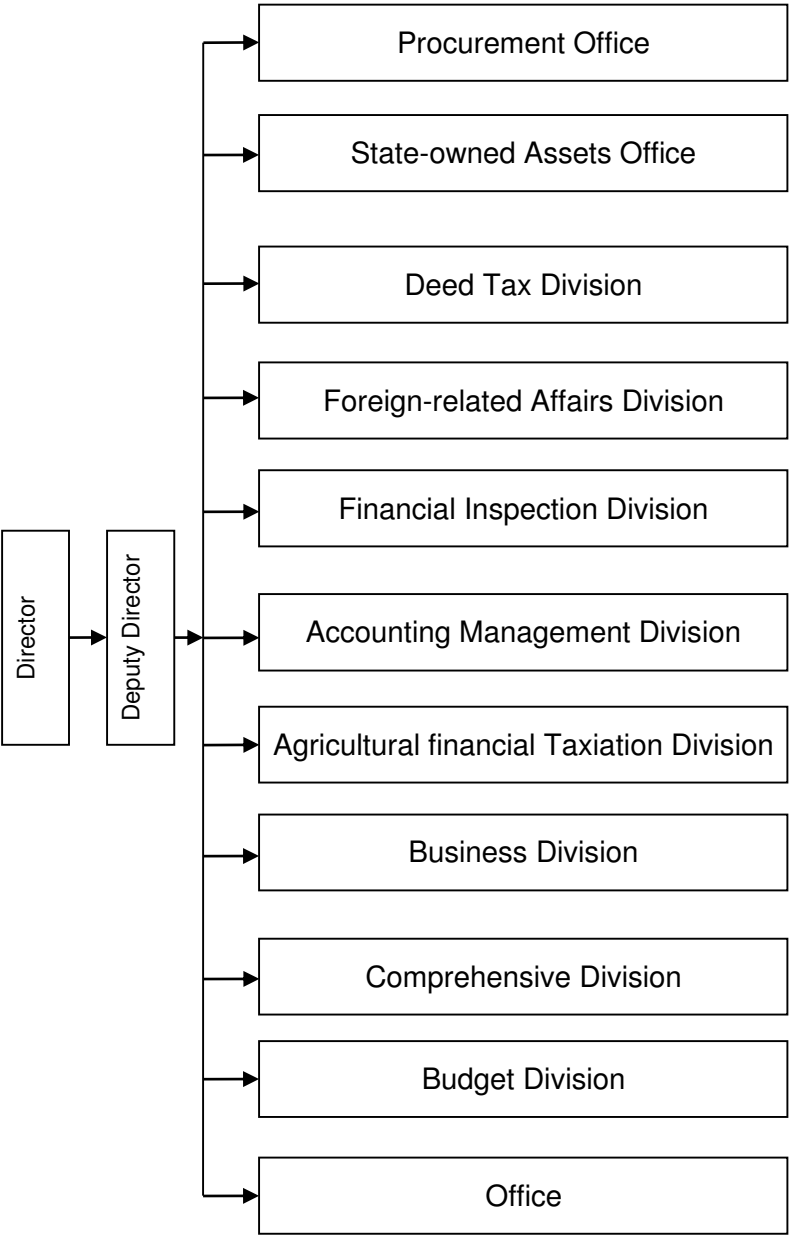
1. Organization Structure of Chengde Shuanglan District Finance Bureau



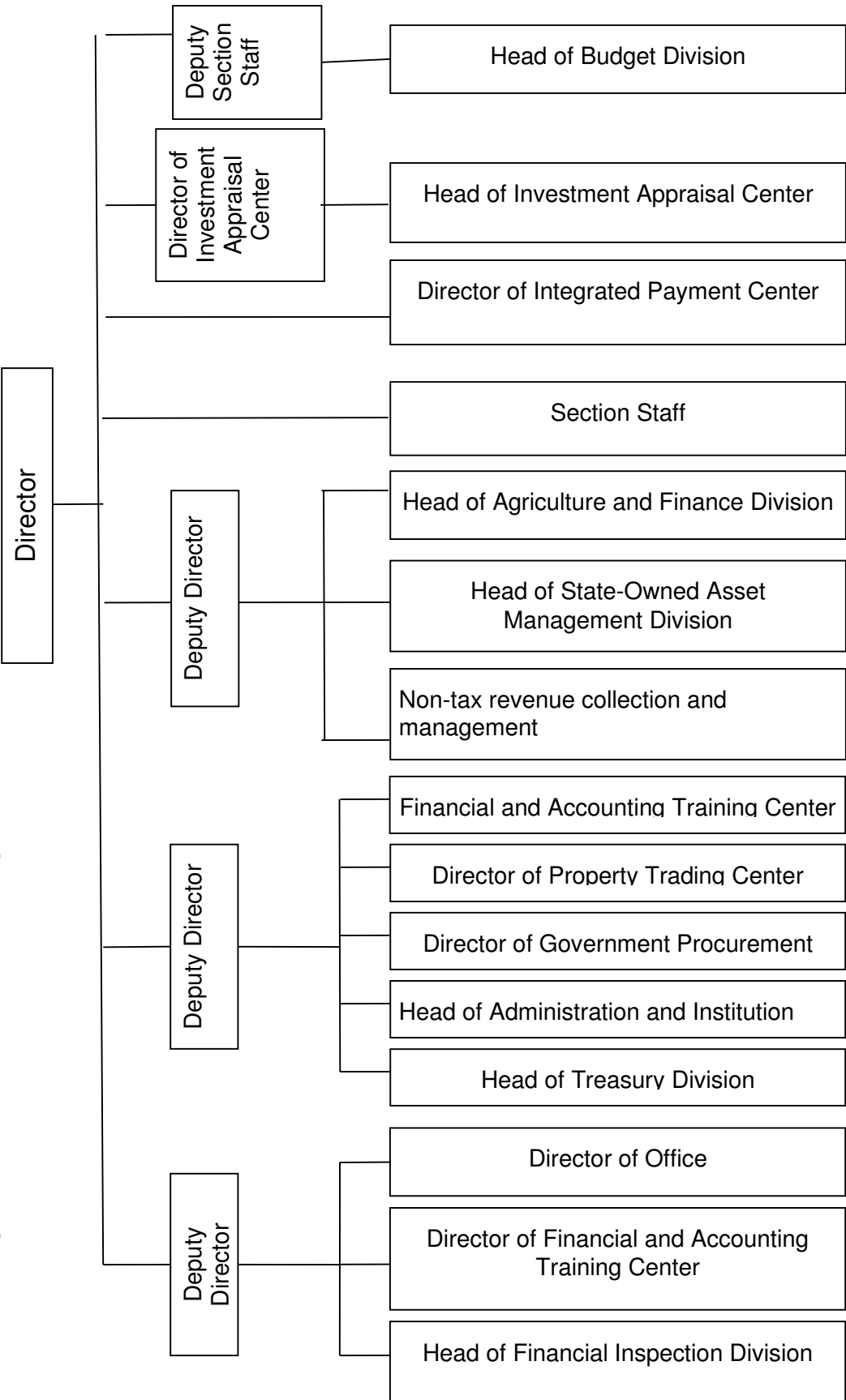
2. Current Organization Structure of Julu County Finance Bureau



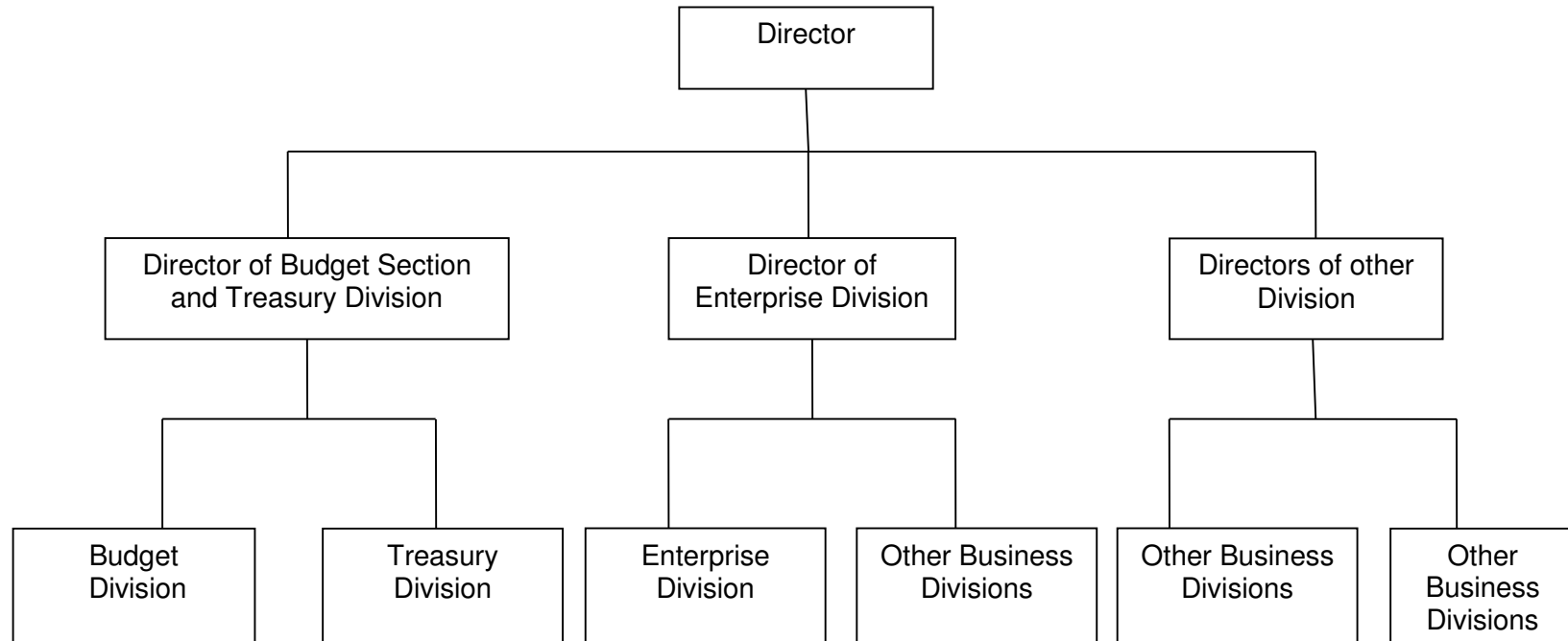
3. Current Organization Structure of Li County Finance Bureau



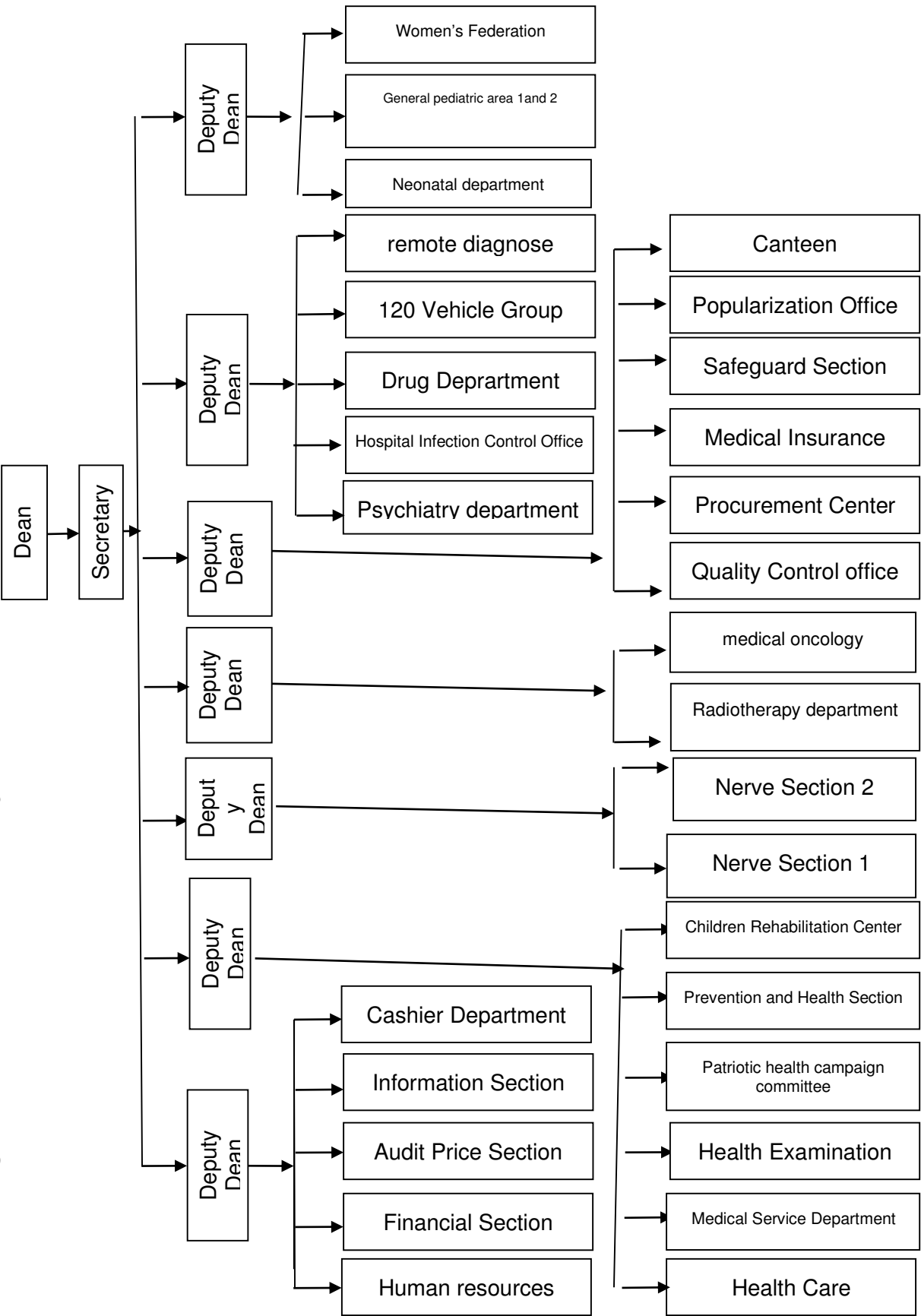
4. Current Organization Structure of She County Finance Bureau



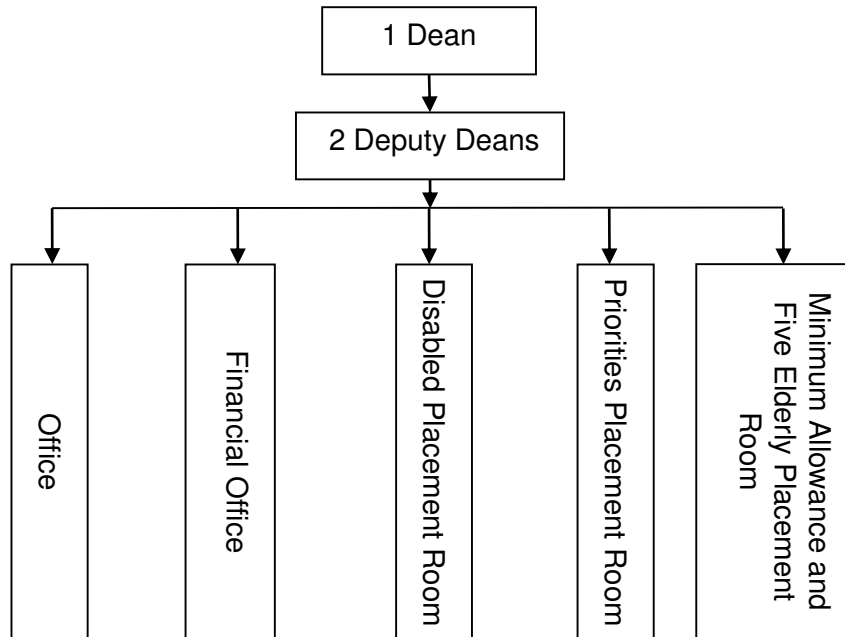
5. Current Organization Structure of Xinji County Finance Bureau



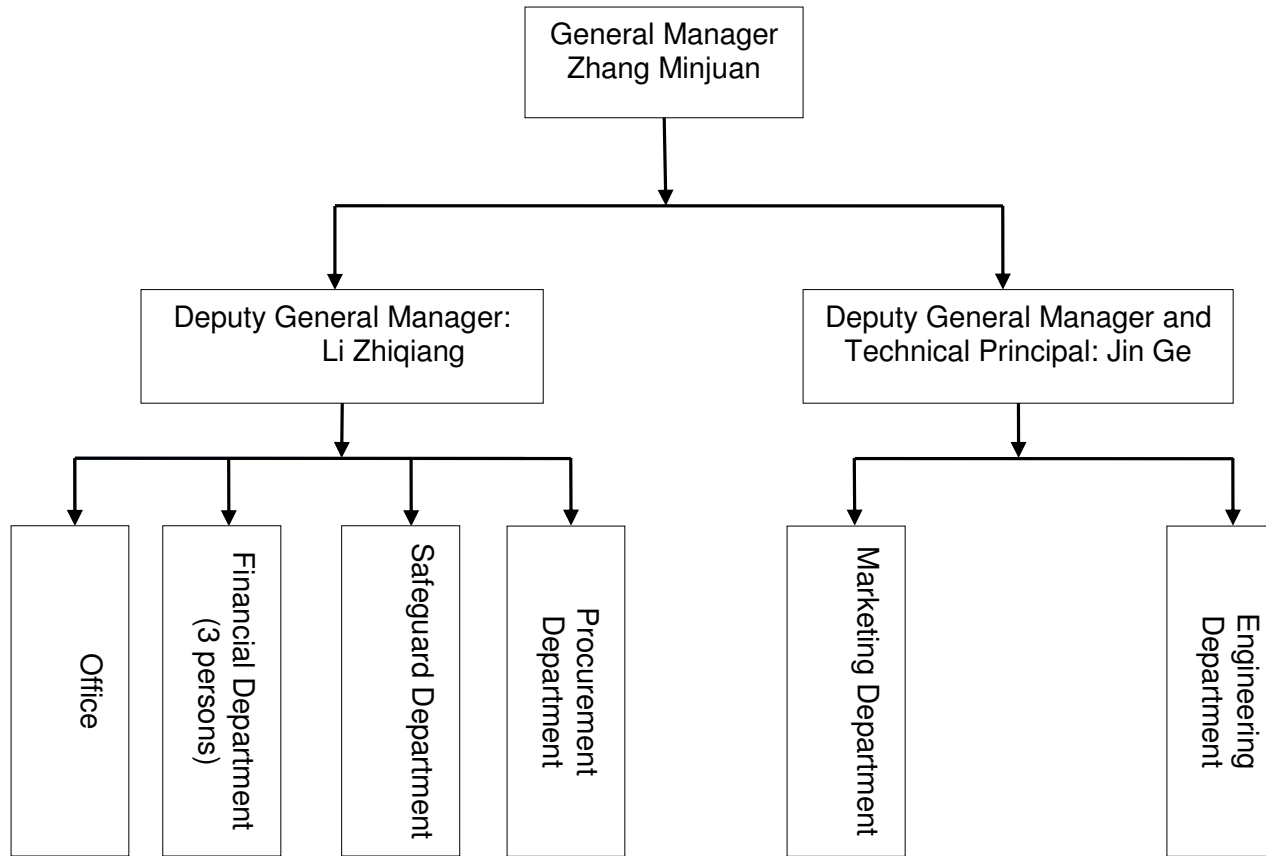
6. Current Organization Structure of Julu County Hospital



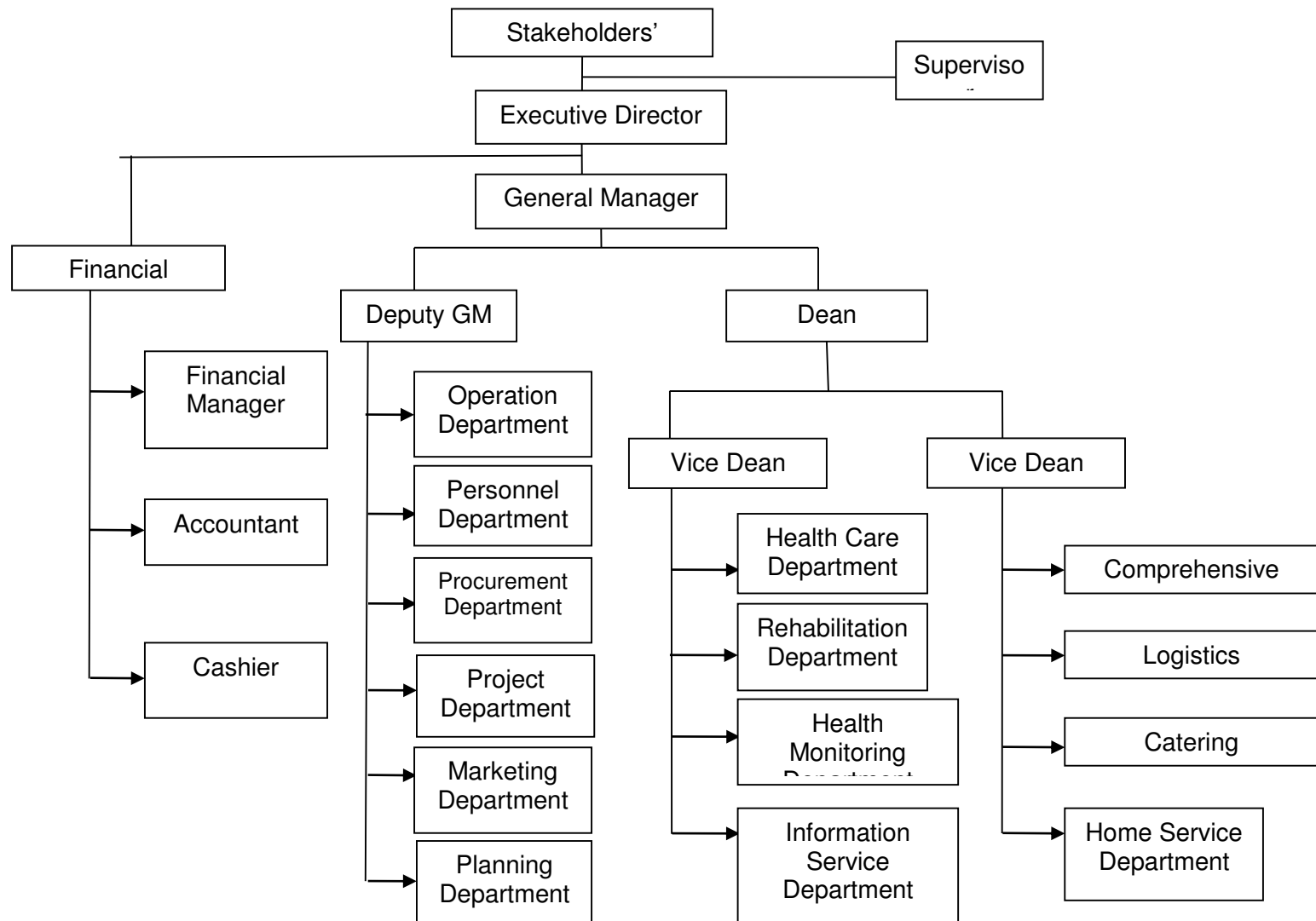
7. Current Organization Structure of Li County Guangrongyuan



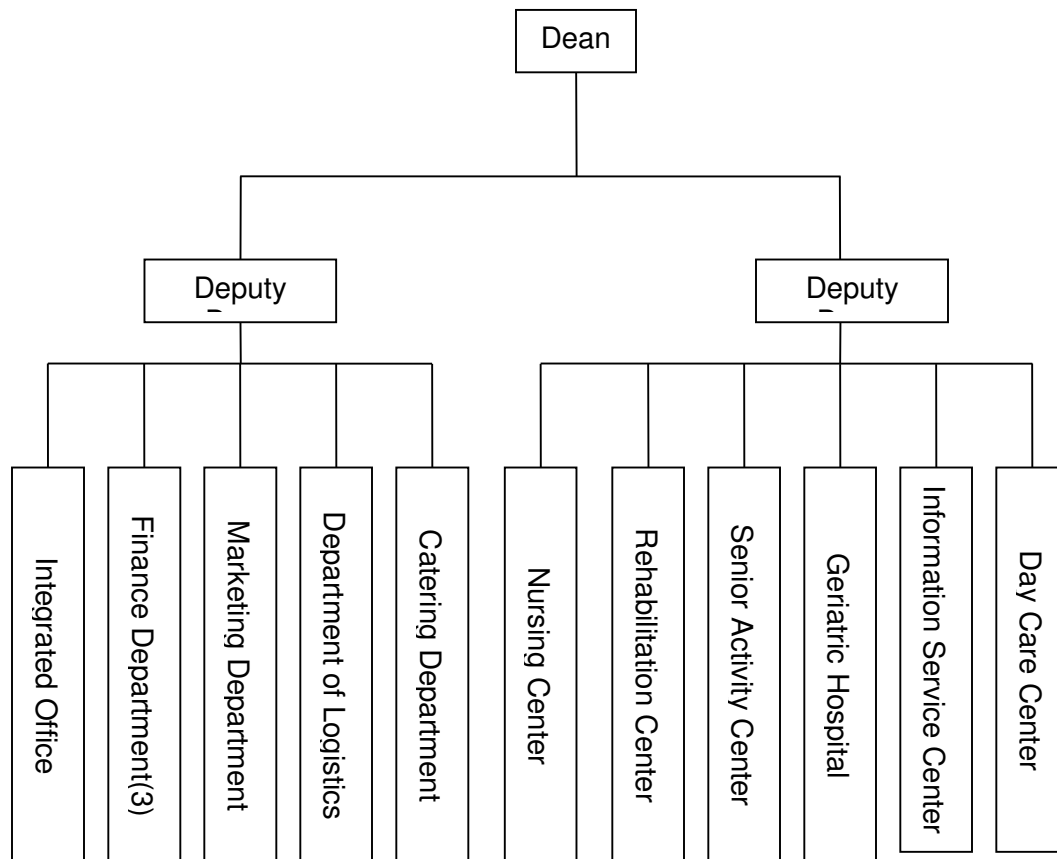
8. Proposed Organization Structure of Chengde Haoren Elder Care Corporation during Construction Period



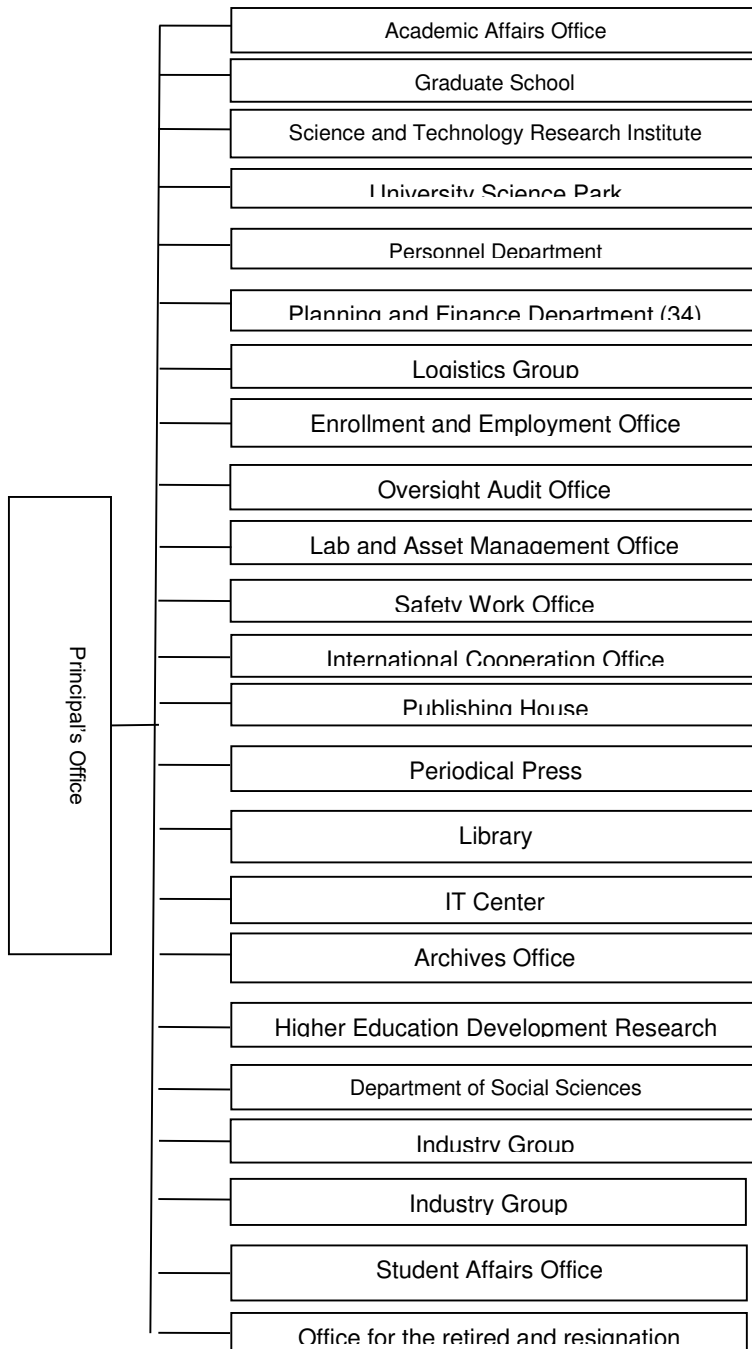
9. Proposed Organization Structure of Hebei Runqin Yuan Elder Care Corporation



10. Proposed Organization Structure of Xinji JuyouleYuan Elder Care Corporation



11. Current Organization Structure of Yanshan University



APPENDIX 2: FINANCIAL MANAGEMENT ASSESSMENT QUESTIONNAIRES**1. Chengde Shuangluan District Finance Bureau and Chengde Haoren Elder Care Corporation**

Name of agency	Chengde Shuangluan District Finance Bureau		
Project component/Work Content that agency is responsible for	Jinluan Yitian Elderly Care Project		
Name of person responsible for filling this form	Zhang Xin		
Position, title and telephone of person responsible for filling this form	Economy and Construction Section, Chief, 0314-4301090		
Nature of agency's responsibility for the Project (check all that apply)	<input type="checkbox"/> Provide counterpart funding <input checked="" type="checkbox"/> Sign a follow on loan contract for ADB funds <input type="checkbox"/> Management of project construction <input type="checkbox"/> Management of contributions from NGOs or project beneficiaries <input type="checkbox"/> Project operation and maintenance <input checked="" type="checkbox"/> Financial management of project <input type="checkbox"/> Generate funds from tariffs, taxes or other sources to service the ADB loan <input type="checkbox"/> Other – describe		
Topic		Response	Potential Risk Event
1.	Executive/Implementing Agency		
1.1	What is the entity's legal status/registration?	Governmental Agency Legal person, unified social credit code certificate number: 11130803000506434A	
1.2	Has the entity implemented an externally financed project in the past - if so, please provide details?	Yes. 1. WB Loan Tuberculosis Control Project, with a lending term of 20 years. 2. WB loan Infectious and Endemic Disease Control Project, with an on-lending term of 19 years.	
1.3	What are the statutory reporting requirements for the entity?	In accordance with the requirements of <i>Budget Law</i> , prepare draft budget, budget implementation status, budget adjustment and draft final account.	
1.4	Is the governing body for the project independent?	The government will make decisions on important events.	
1.5	Is the organizational structure appropriate for the needs of the project?	Yes, appropriate for the needs of the project. The entity assigns specific staff to manage the project.	
2.	Funds Flow/Disbursement Arrangements		
2.1	Describe (proposed) project funds flow arrangements, including a chart and explanation of the flow of funds from ADB, government and other financiers.	See the main content of the report.	
2.2	Are the (proposed) arrangements to transfer the proceeds of the loan (from the government / Finance Ministry) to the entity satisfactory?	Satisfactory	
2.3	Does the entity have previous experience of using imprest fund and SOE procedures?	Yes	

2.4	In which bank will the Imprest Account be opened?	The provincial financial department will establish the imprest account.	
2.5	Does the (proposed) implementing unit (EA, IA or PIU) have experience in the management of disbursements from ADB?	No.	
2.7	Does the entity have/need to develop capacity to manage foreign exchange risks?	No.	
2.8	How are the counterpart funds accessed?	No counterpart fund	
2.9	How are payments made for the counterpart funds?	No counterpart fund	
2.10	If part of the project is implemented by communities or NGOs, does the PIU have the necessary reporting and monitoring features built into its systems to track the use of project proceeds by such agencies?	No such conditions.	
2.11	Are the beneficiaries required to contribute to project costs? If beneficiaries have an option to contribute in kind (in the form of labor), are proper guidelines formulated to record and value the labor contribution?	No.	
3	Staffing <i>(Focus on entity responsible for FM processes – and state which entity is subject of the responses)</i>		
3.1	What is the (proposed) organizational structure of the accounting department? Attach an organization chart.	Budget shares and treasury shares	
3.2	Identify the (proposed) accounts staff, including job title, responsibilities, educational background and professional experience. Attach job descriptions and CVs of key accounting staff.	The accountant is the regional general budget accountant, responsible for general budget accounting and treasury statements; Graduated from Accounting major in Beijing Language University and worked for Financial Bureau since 2008.	
3.3	Is the project finance and accounting function staffed adequately?	Yes. Specific persons for specific assignments.	
3.4	Is the finance and accounts staff adequately qualified and experienced?	Yes, adequately qualified.	
3.5	Are the project accounts and finance staff trained in ADB procedures?	Yes, they have been trained by ADB specialists from June 1 st to 3 rd 2016.	
3.6	What is the duration of the contract with the finance and accounts staff?	Long term contract.	
3.7	Indicate key positions not contracted yet, and the estimated date of appointment.	No.	
3.8	Does the project have written position descriptions that clearly define duties, responsibilities, lines of supervision, and limits of authority for all of the officers, managers and staff?	Yes, in accordance with the specific assignments of each section in the financial system.	
3.9	At what frequency are personnel transferred?	Not frequently.	

3.10	What is training policy for the finance and accounting staff?	The accounting staff shall have professional qualification certificate and provide trainings to the financial accountants of public institutions in the region.	
4.	Accounting Policies and Procedures (Focus on entity responsible for FM processes – and state which entity is subject of the responses)		
4.1	Does the entity have an accounting system that allows for the proper recording of project financial transactions, including the allocation of expenditures in accordance with the respective components, disbursement categories, and sources of funds? Will the project use the entity accounting system?	The accounting system of financial general budget has included the contents above. The project fund will use the entity accounting system.	
4.2	Are controls in place concerning the preparation and approval of transactions, ensuring that all transactions are correctly made and adequately explained?	After the signing of onlend agreement, the fund will be disbursed in the controls of financial total budget.	
4.3	Is the chart of accounts adequate to properly account for and report on project activities and disbursement categories?	Yes.	
4.4	Are cost allocations to the various funding sources made accurately and in accordance with established agreements?	Yes.	
4.5	Are the General Ledger and subsidiary ledgers reconciled and in balance?	Yes.	
4.6	Are all accounting and supporting documents retained on a permanent basis in a defined system that allows authorized users easy access?	Yes, in accordance with the <i>Accounting Archives Management Methods</i> issued by MOF and National Archives.	
	Segregation of Duties		
4.7	Are the following functional responsibilities performed by different units or persons: (i) authorization to execute a transaction; (ii) recording of the transaction; and (iii) custody of assets involved in the transaction?	Yes.	
4.8	Are the functions of ordering, receiving, accounting for, and paying for goods and services appropriately segregated?	Yes.	
4.9	Are bank reconciliations prepared by someone other than those who make or approve payments?	Yes.	
	Budgeting System		
4.10	Do budgets include physical and financial targets?	Yes.	
4.11	Are budgets prepared for all significant activities in sufficient detail to provide a meaningful tool with which to monitor subsequent performance?	Yes.	
4.12	Are actual expenditures compared to the budget with reasonable frequency, and explanations required for significant variations from the budget?	Frequently. Explanations are required.	
4.13	Are approvals for variations from the budget required in advance or after the fact?	Approvals for variations from the budget required in advance.	

4.14	Who is responsible for preparation and approval of budgets?	Prepared by budget unit, summarized by financial bureau and then finally approved by city People's Congress.	
4.15	Are procedures in place to plan project activities, collect information from the units in charge of the different components, and prepare the budgets?	Yes.	
4.16	Are the project plans and budgets of project activities realistic, based on valid assumptions, and developed by knowledgeable individuals?	Yes.	
	Payments		
4.17	Do invoice-processing procedures provide for: (i) Copies of purchase orders and receiving reports to be obtained directly from issuing departments? (ii) Comparison of invoice quantities, prices and terms, with those indicated on the purchase order and with records of goods actually received? (iii) Comparison of invoice quantities with those indicated on the receiving reports? (iv) Checking the accuracy of calculations?	Yes.	
4.18	Are all invoices stamped PAID, dated, reviewed and approved, and clearly marked for account code assignment?	Yes.	
4.19	Do controls exist for the preparation of the payroll and are changes to the payroll properly authorized?	Yes. Shuangluan District Personnel Department is responsible for the approval of payroll. District Personnel Department will authorize the payroll in accordance with relevant management document of upper level.	
	Policies And Procedures		
4.20	What is the basis of accounting (e.g., cash, accrual)?	The financial general budget accounting system is on a cash basis.	
4.21	What accounting standards are followed?	Accounting Standards of PRC.	
4.22	Does the project have an adequate policies and procedures manual to guide activities and ensure staff accountability?	<i>Regulations for Penalties on Financial Illegal Behaviors</i> (State Council No.427), <i>Budget Law of PRC</i> , <i>Clean and Honest Administration Implementation Measures of Shuangluan District Financial Bureau</i> , etc.	
4.23	Is the accounting policy and procedure manual updated for the project activities?	Not needed.	
4.24	Do procedures exist to ensure that only authorized persons can alter or establish a new accounting principle, policy or procedure to be used by the entity?	Yes.	
4.25	Are there written policies and procedures covering all routine financial management and related administrative activities?	Yes.	

4.26	Do policies and procedures clearly define conflict of interest and related party transactions (real and apparent) and provide safeguards to protect the organization from them?	Yes. The issued methods include: <i>Shuangluan Treasury Management System Reform Implementation Plan, Clean and Honest Administration Implementation Measures of Shuangluan District Financial Bureau</i> , to provide safeguards.	
4.27	Are manuals distributed to appropriate personnel?	Yes.	
	Cash and Bank		
4.28	Indicate names and positions of authorized signatories in the bank accounts.	Zhang Baodong, Director.	
4.29	Does the organization maintain an adequate, up-to-date cashbook, recording receipts and payments?	Yes.	
4.30	Do controls exist for the collection, timely deposit and recording of receipts at each collection location?	Yes.	
4.31	Are bank and cash reconciled on a monthly basis?	Yes.	
4.32	Are all unusual items on the bank reconciliation reviewed and approved by a responsible official?	Yes.	
4.33	Are all receipts deposited on a timely basis?	Yes.	
	Safeguard over Assets		
4.34	Is there a system of adequate safeguards to protect assets from fraud, waste and abuse?	Yes.	
4.35	Are subsidiary records of fixed assets and stocks kept up to date and reconciled with control accounts?	Yes.	
4.36	Are there periodic physical inventories of fixed assets and stocks?	Yes.	
4.37	Are assets sufficiently covered by insurance policies?	Yes.	
	Other Offices and Implementing Entities		
4.38	Are there any other regional offices or executing entities participating in implementation?	ADB loan project is implemented by specific PIUs.	
4.39	Has the project established controls and procedures for flow of funds, financial information, accountability, and audits in relation to the other offices or entities?	Preliminary controls and procedures have been established and will be further standardized after the loan takes into effectiveness.	
4.40	Does information among the different offices/implementing agencies flow in an accurate and timely fashion?	Yes.	
4.41	Are periodic reconciliations performed among the different offices/implementing agencies?	Yes.	
	Advance Payments		
4.42	Does the entity have adequate guidelines for advance payments to individual staff and regional offices (if applicable)?	Yes, to individual staff.	
4.43	Do the guidelines clearly define proper authorizations, ceiling of advance amounts and appropriate liquidation periods?	Yes	

4.44	Are controls in place to monitor outstanding advances and ensure frequent liquidation? Are the outstanding advances periodically confirmed with the concerned staff?	Yes	
4.45	Do regional offices open separate bank accounts or maintain cashbooks to be used exclusively for advances from ADB financing, counterpart funding and other financiers? Are the bank accounts and cashbook reconciled to the general ledger or sub-ledger on a monthly basis?		
	Other		
4.46	Has the project advised employees, beneficiaries and other recipients to whom to report if they suspect fraud, waste or misuse of project resources or property?	Shuangluan District Commission for Discipline Inspection	
5.	Internal Audit		
5.1	Is there an internal audit department in the entity?	Yes	
5.2	What are the qualifications and experience of audit department staff?	Accounting qualification certificates, with many years of accounting and auditing experience.	
5.3	To whom does the internal auditor report?	Bureau Party	
5.4	Will the internal audit department include the project in its work program?	Yes.	
5.5	Are actions taken on the internal audit findings?	Will be processed in accordance with the requirements of <i>Financial Supervision and Inspection Manual</i> .	
6.	External Audit		
6.1	Is the entity financial statement audited regularly by an independent auditor? Who is the auditor?	Audited by Chengde Audit Bureau or Shuangluan District Audit Bureau	
6.2	Are there any delays in audit of the entity? When are the audit reports issued?	No. The audit reports will be issued in accordance with the schedule of audit plan.	
6.3	Is the audit of the entity conducted according to the International Standards on Auditing?	No, according to National Standards on Auditing.	
6.4	Were there any major accountability issues brought out in the audit report of the past three years? Were there any issues noted in prior audit reports related to the operation of imprest account or use of SOE procedures?	No major issues.	
6.5	Will the entity auditor audit the project accounts or will another auditor be appointed to audit the project financial statements?	Both methods exist.	

6.6	Are there any recommendations made by the auditors in prior audit reports or management letters that have not yet been implemented?	No.	
6.7	Is the project subject to any kind of audit from an independent governmental entity (e.g., the supreme audit institution) in addition to the external audit?	Chengde Audit Bureau.	
6.8	Has the project prepared acceptable terms of reference for an annual project audit?	Yes, accepted.	
7.	Reporting and Monitoring		
7.1	Are financial statements prepared for the entity? In accordance with which accounting standards?	Yes, the entity will prepare financial statements in accordance with <i>Budget Law of PRC</i> and <i>Sector Accounts Reporting Instructions</i> .	
7.2	Are financial statements prepared for the implementing unit?	Yes.	
7.3	What is the frequency of preparation of financial statements? Are the reports prepared in a timely fashion so as to useful to management for decision making?	Prepare monthly report, quarterly report and yearly report. The timely and effective financial reports are very useful to management for decision making.	
7.4	Does the reporting system need to be adapted to report on the project components?	Not needed.	
7.5	Does the reporting system have the capacity to link the financial information with the project's physical progress? If separate systems are used to gather and compile physical data, what controls are in place to reduce the risk that the physical data may not synchronize with the financial data?	Yes, the reporting system has the capacity to link the financial information with the project's physical progress.	
7.6	Does the project have established financial management reporting responsibilities that specify what reports are to be prepared, what they are to contain, and how they are to be used?	Yes, established.	
7.7	Are financial management reports used by management?	Yes.	
7.8	Do the financial reports compare actual expenditures with budgeted and programmed allocations?	Yes.	
7.9	Are financial reports prepared directly by the automated accounting system or are they prepared by spreadsheets or some other means?	Prepared by the automated accounting system.	
8.	Information Systems		
8.1	Is the financial management system computerized?	Yes.	
8.2	Can the system produce the necessary project financial reports?	Yes.	
8.3	Is the staff adequately trained to maintain the system?	The upper financial department provides trainings to the staff on a regular basis.	

8.4	Does the management organization and processing system safeguard the confidentiality, integrity and availability of the data?	Yes.	
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Name of agency		Chengde Haoren Elderly Care Co. Ltd.	
Project component/Work Content that agency is responsible for		Responsible for overall works of Shuangluan District Elderly Care Project.	
Name of person responsible for filling this form		Bai JingYSU	
Position, title and telephone of person responsible for filling this form		Manager of financial department 18232606087	
Nature of agency's responsibility for the Project (check all that apply)		<input checked="" type="checkbox"/> Provide counterpart funding <input checked="" type="checkbox"/> Sign a follow on loan contract for ADB funds <input checked="" type="checkbox"/> Management of project construction <input type="checkbox"/> Management of contributions from NGOs or project beneficiaries <input checked="" type="checkbox"/> Project operation and maintenance <input checked="" type="checkbox"/> Financial management of project <input checked="" type="checkbox"/> Generate funds from tariffs, taxes or other sources to service the ADB loan <input type="checkbox"/> Other – describe	
Topic		Response	Potential Risk Event
1.	Executive/Implementing Agency		
1.1	What is the entity's legal status/registration?	Enterprise legal person	
1.2	Has the entity implemented an externally financed project in the past - if so, please provide details?	The entity is newly established and hasn't implemented any externally financed project in the past.	
1.3	What are the statutory reporting requirements for the entity?	Accounting Standards of Small Enterprises, in accordance with national laws and regulations.	
1.4	Is the governing body for the project independent?	Yes.	
1.5	Is the organizational structure appropriate for the needs of the project?	Yes.	
2.	Funds Flow/Disbursement Arrangements		
2.1	Describe (proposed) project funds flow arrangements, including a chart and explanation of the flow of funds from ADB, government and other financiers.	See the main content of the report.	
2.2	Are the (proposed) arrangements to transfer the proceeds of the loan (from the government / Finance Ministry) to the entity satisfactory?	Yes.	
2.3	Does the entity have previous experience of using imprest fund and SOE procedures?	No.	
2.4	In which bank will the Imprest Account be opened?	Provincial financial department is responsible for establishing the Imprest Account.	

2.5	Does the (proposed) implementing unit (EA, IA or PIU) have experience in the management of disbursements from ADB?	No.	
2.7	Does the entity have/need to develop capacity to manage foreign exchange risks?	No.	
2.8	How are the counterpart funds accessed?	Bank loan and stakeholders' investment	
2.9	How are payments made for the counterpart funds?	Based on the physical works progress, the supplier applies for counterpart fund and the principal of enterprise approves the disbursement.	
2.10	If part of the project is implemented by communities or NGOs, does the PIU have the necessary reporting and monitoring features built into its systems to track the use of project proceeds by such agencies?	Not applicable.	
2.11	Are the beneficiaries required to contribute to project costs? If beneficiaries have an option to contribute in kind (in the form of labor), are proper guidelines formulated to record and value the labor contribution?	No.	
3	Staffing (Focus on entity responsible for FM processes – and state which entity is subject of the responses)		
3.1	What is the (proposed) organizational structure of the accounting department? Attach an organization chart.	As materials attached.	
3.2	Identify the (proposed) accounts staff, including job title, responsibilities, educational background and professional experience. Attach job descriptions and CVs of key accounting staff.	(1) Bai JingYu: Manager of Financial Department, responsible for overall financial works, accounting graduate from junior college with more than 10 years of accounting experience; (2) Wei Yajun: Head of financial department, responsible for accounting processing and taxation works, accounting graduate from junior college with many years of accounting experience; (3) Bing Shurui: Cashier, responsible for cash payment and notes management, accounting graduate from junior college with two years of accounting experience.	
3.3	Is the project finance and accounting function staffed adequately?	Yes.	
3.4	Is the finance and accounts staff adequately qualified and experienced?	Yes.	
3.5	Are the project accounts and finance staff trained in ADB procedures?	No.	
3.6	What is the duration of the contract with the finance and accounts staff?	5 years	

3.7	Indicate key positions not contracted yet, and the estimated date of appointment.	No.	
3.8	Does the project have written position descriptions that clearly define duties, responsibilities, lines of supervision, and limits of authority for all of the officers, managers and staff?	Yes.	
3.9	At what frequency are personnel transferred?	No.	
3.10	What is training policy for the finance and accounting staff?	The accounting staff has joined the continuing education held by Financial Bureau.	
4.	Accounting Policies and Procedures (Focus on entity responsible for FM processes – and state which entity is subject of the responses)		
4.1	Does the entity have an accounting system that allows for the proper recording of project financial transactions, including the allocation of expenditures in accordance with the respective components, disbursement categories, and sources of funds? Will the project use the entity accounting system?	The project uses the <i>WB Loan Project Accounting Method</i> issued by MOF. Will meet all the requirements.	
4.2	Are controls in place concerning the preparation and approval of transactions, ensuring that all transactions are correctly made and adequately explained?	Yes. The entity will adopt approval system for transactions. The supplier will provide the materials to the project manager for review, then to the financial department for review, and finally to the general project principal for approval.	
4.3	Is the chart of accounts adequate to properly account for and report on project activities and disbursement categories?	Yes. In the <i>WB Loan Project Accounting Method</i> , there are specific regulations which can meet the requirements of the project.	
4.4	Are cost allocations to the various funding sources made accurately and in accordance with established agreements?	Yes.	
4.5	Are the General Ledger and subsidiary ledgers reconciled and in balance?	Yes.	
4.6	Are all accounting and supporting documents retained on a permanent basis in a defined system that allows authorized users easy access?	Yes.	
	Segregation of Duties		
4.7	Are the following functional responsibilities performed by different units or persons: (i) authorization to execute a transaction; (ii) recording of the transaction; and (iii) custody of assets involved in the transaction?	Yes.	
4.8	Are the functions of ordering, receiving, accounting for, and paying for goods and services appropriately segregated?	Yes.	
4.9	Are bank reconciliations prepared by someone other than those who make or approve payments?	Yes.	

	Budgeting System		
4.10	Do budgets include physical and financial targets?	The corporation was just founded and hasn't prepared budget. But the budget will be prepared in accordance with actual operation indicators and fund indicators.	
4.11	Are budgets prepared for all significant activities in sufficient detail to provide a meaningful tool with which to monitor subsequent performance?	Detailed budget will be prepared and used for performance assessment.	
4.12	Are actual expenditures compared to the budget with reasonable frequency, and explanations required for significant variations from the budget?	At least once per quarter and explanations are required for significant variations.	
4.13	Are approvals for variations from the budget required in advance or after the fact?	Approvals for variations from the budget are required in advance.	
4.14	Who is responsible for preparation and approval of budgets?	Specific responsible department is responsible for its own budget preparation, financial department will summarize the budgets to be approved by the management level.	
4.15	Are procedures in place to plan project activities, collect information from the units in charge of the different components, and prepare the budgets?	Being prepared.	
4.16	Are the project plans and budgets of project activities realistic, based on valid assumptions, and developed by knowledgeable individuals?	Yes.	
	Payments		
4.17	Do invoice-processing procedures provide for: (i) Copies of purchase orders and receiving reports to be obtained directly from issuing departments? (ii) Comparison of invoice quantities, prices and terms, with those indicated on the purchase order and with records of goods actually received? (iii) Comparison of invoice quantities with those indicated on the receiving reports? (iv) Checking the accuracy of calculations?	Yes.	
4.18	Are all invoices stamped PAID, dated, reviewed and approved, and clearly marked for account code assignment?	Yes.	
4.19	Do controls exist for the preparation of the payroll and are changes to the payroll properly authorized?	Yes.	
	Policies And Procedures		
4.20	What is the basis of accounting (e.g., cash, accrual)?	Accrual accounting basis.	
4.21	What accounting standards are followed?	Accounting Standards of PRC.	
4.22	Does the project have an adequate policies and procedures manual to guide activities and ensure staff accountability?	Being prepared.	

4.23	Is the accounting policy and procedure manual updated for the project activities?	Yes.	
4.24	Do procedures exist to ensure that only authorized persons can alter or establish a new accounting principle, policy or procedure to be used by the entity?	Yes.	
4.25	Are there written policies and procedures covering all routine financial management and related administrative activities?	Being prepared.	
4.26	Do policies and procedures clearly define conflict of interest and related party transactions (real and apparent) and provide safeguards to protect the organization from them?	Yes.	
4.27	Are manuals distributed to appropriate personnel?	Being prepared.	
Cash and Bank			
4.28	Indicate names and positions of authorized signatories in the bank accounts.	Zhang Minjuan, General Manager	
4.29	Does the organization maintain an adequate, up-to-date cashbook, recording receipts and payments?	Yes	
4.30	Do controls exist for the collection, timely deposit and recording of receipts at each collection location?	Yes	
4.31	Are bank and cash reconciled on a monthly basis?	Yes	
4.32	Are all unusual items on the bank reconciliation reviewed and approved by a responsible official?	Yes	
4.33	Are all receipts deposited on a timely basis?	Yes.	
Safeguard over Assets			
4.34	Is there a system of adequate safeguards to protect assets from fraud, waste and abuse?	Yes.	
4.35	Are subsidiary records of fixed assets and stocks kept up to date and reconciled with control accounts?	Yes.	
4.36	Are there periodic physical inventories of fixed assets and stocks?	Yes.	
4.37	Are assets sufficiently covered by insurance policies?	No.	
Other Offices and Implementing Entities			
4.38	Are there any other regional offices or executing entities participating in implementation?	No.	
4.39	Has the project established controls and procedures for flow of funds, financial information, accountability, and audits in relation to the other offices or entities?		

4.40	Does information among the different offices/implementing agencies flow in an accurate and timely fashion?		
4.41	Are periodic reconciliations performed among the different offices/implementing agencies?		
	Advance Payments		
4.42	Does the entity have adequate guidelines for advance payments to individual staff and regional offices (if applicable)?	No.	
4.43	Do the guidelines clearly define proper authorizations, ceiling of advance amounts and appropriate liquidation periods?		
4.44	Are controls in place to monitor outstanding advances and ensure frequent liquidation? Are the outstanding advances periodically confirmed with the concerned staff?		
4.45	Do regional offices open separate bank accounts or maintain cashbooks to be used exclusively for advances from ADB financing, counterpart funding and other financiers? Are the bank accounts and cashbook reconciled to the general ledger or sub-ledger on a monthly basis?		
	Other		
4.46	Has the project advised employees, beneficiaries and other recipients to whom to report if they suspect fraud, waste or misuse of project resources or property?	No.	
5.	Internal Audit		
5.1	Is there an internal audit department in the entity?	No.	
5.2	What are the qualifications and experience of audit department staff?		
5.3	To whom does the internal auditor report?		
5.4	Will the internal audit department include the project in its work program?		
5.5	Are actions taken on the internal audit findings?		
6.	External Audit		
6.1	Is the entity financial statement audited regularly by an independent auditor? Who is the auditor?	The corporation is newly founded and the annual financial statements will be audited by the provincial audit department.	
6.2	Are there any delays in audit of the entity? When are the audit reports issued?	The audit reports will be issued in accordance with the schedule by the auditor.	
6.3	Is the audit of the entity conducted according to the International Standards on Auditing?	No. <i>National Standards on Auditing.</i>	

6.4	Were there any major accountability issues brought out in the audit report of the past three years? Were there any issues noted in prior audit reports related to the operation of imprest account or use of SOE procedures?	The corporation is newly founded.	
6.5	Will the entity auditor audit the project accounts or will another auditor be appointed to audit the project financial statements?	The provincial audit department will audit the financial statements of the project.	
6.6	Are there any recommendations made by the auditors in prior audit reports or management letters that have not yet been implemented?	The corporation is newly founded and hasn't been audited.	
6.7	Is the project subject to any kind of audit from an independent governmental entity (e.g., the supreme audit institution) in addition to the external audit?	No.	
6.8	Has the project prepared acceptable terms of reference for an annual project audit?	Yes.	
7.	Reporting and Monitoring		
7.1	Are financial statements prepared for the entity? In accordance with which accounting standards?	In accordance with <i>Accounting Standards of Small Enterprises</i> , prepare balance sheet, profit and loss statement and cash flow statement. The project has issued financial statement in accordance with <i>WB Loan Project Accounting Method</i> .	
7.2	Are financial statements prepared for the implementing unit?	Yes.	
7.3	What is the frequency of preparation of financial statements? Are the reports prepared in a timely fashion so as to useful to management for decision making?	Monthly Report.	
7.4	Does the reporting system need to be adapted to report on the project components?	No.	
7.5	Does the reporting system have the capacity to link the financial information with the project's physical progress? If separate systems are used to gather and compile physical data, what controls are in place to reduce the risk that the physical data may not synchronize with the financial data?	Yes.	
7.6	Does the project have established financial management reporting responsibilities that specify what reports are to be prepared, what they are to contain, and how they are to be used?	Being prepared.	
7.7	Are financial management reports used by management?	Yes.	

7.8	Do the financial reports compare actual expenditures with budgeted and programmed allocations?	Yes.	
7.9	Are financial reports prepared directly by the automated accounting system or are they prepared by spreadsheets or some other means?	Prepared directly by the automated accounting system.	
8.	Information Systems		
8.1	Is the financial management system computerized?	Yes.	
8.2	Can the system produce the necessary project financial reports?	Yes.	
8.3	Is the staff adequately trained to maintain the system?	Yes.	
8.4	Does the management organization and processing system safeguard the confidentiality, integrity and availability of the data?	The financial software has been protected by passwords, authorized for approval. With data backup, the confidentiality, integrity and availability of the data can be ensured.	

2. Julu County Finance Bureau and Julu County Hospital

Name of agency		Xingtai Julu County Finance Bureau	
Project component/Work Content that agency is responsible for		Julu County Health Elderly Care Integrated Service Guidance Center	
Name of person responsible for filling this form		Zheng Guangjin	
Position, title and telephone of person responsible for filling this form		Budget Section, Chief, 0319-4326840	
Nature of agency's responsibility for the Project (check all that apply)		<input checked="" type="checkbox"/> Provide counterpart funding <input checked="" type="checkbox"/> Sign a follow on loan contract for ADB funds <input type="checkbox"/> Management of project construction <input type="checkbox"/> Management of contributions from NGOs or project beneficiaries <input type="checkbox"/> Project operation and maintenance <input checked="" type="checkbox"/> Financial management of project <input type="checkbox"/> Generate funds from tariffs, taxes or other sources to service the ADB loan <input type="checkbox"/> Other – describe	
Topic		Response	Potential Risk Event
1.	Executive/Implementing Agency		
1.1	What is the entity's legal status/registration?	Government Agency Legal Person, Unified Code of Social Credit Certificate Number: 1113052975244873XP	
1.2	Has the entity implemented an externally financed project in the past - if so, please provide details?	Yes. WB Loan Tuberculosis Control Project and others. The term of loan is 20 years.	
1.3	What are the statutory reporting requirements for the entity?	In accordance with the requirements of <i>Budget Law</i> , prepare draft budget, budget implementation status, budget adjustment and draft final account.	
1.4	Is the governing body for the project independent?	The governing body will make decisions on important events.	
1.5	Is the organizational structure appropriate for the needs of the project?	Yes, specific persons will be designated to manage the project.	
2.	Funds Flow/Disbursement Arrangements		
2.1	Describe (proposed) project funds flow arrangements, including a chart and explanation of the flow of funds from ADB, government and other financiers.	See the main content of the report.	
2.2	Are the (proposed) arrangements to transfer the proceeds of the loan (from the government / Finance Ministry) to the entity satisfactory?	Yes, satisfactory.	
2.3	Does the entity have previous experience of using imprest fund and SOE procedures?	Yes.	
2.4	In which bank will the Imprest Account be opened?	The provincial financial department will be responsible for establishing the imprest account.	
2.5	Does the (proposed) implementing unit (EA, IA or PIU) have experience in the management of disbursements from ADB?	No.	

2.7	Does the entity have/need to develop capacity to manage foreign exchange risks?	Yes.	
2.8	How are the counterpart funds accessed?	The county financial bureaus will provide counterpart funds.	
2.9	How are payments made for the counterpart funds?	Will be disbursed according to relevant procedures.	
2.10	If part of the project is implemented by communities or NGOs, does the PIU have the necessary reporting and monitoring features built into its systems to track the use of project proceeds by such agencies?	No such conditions.	
2.11	Are the beneficiaries required to contribute to project costs? If beneficiaries have an option to contribute in kind (in the form of labor), are proper guidelines formulated to record and value the labor contribution?	No.	
3	Staffing (Focus on entity responsible for FM processes – and state which entity is subject of the responses)		
3.1	What is the (proposed) organizational structure of the accounting department? Attach an organization chart.	Budget division-treasury division	
3.2	Identify the (proposed) accounts staff, including job title, responsibilities, educational background and professional experience. Attach job descriptions and CVs of key accounting staff.	Zheng Guangjin, accountant. General budget accountant of the whole county; responsible for accounting processing of general budget and inputting general treasury statements; The education background is financing major of Hebei University. Worked for financial bureau since 2005.	
3.3	Is the project finance and accounting function staffed adequately?	Yes. The entity has designated specific persons for managing specific works.	
3.4	Is the finance and accounts staff adequately qualified and experienced?	Yes.	
3.5	Are the project accounts and finance staff trained in ADB procedures?	No.	
3.6	What is the duration of the contract with the finance and accounts staff?	Long term contract.	
3.7	Indicate key positions not contracted yet, and the estimated date of appointment.	No.	
3.8	Does the project have written position descriptions that clearly define duties, responsibilities, lines of supervision, and limits of authority for all of the officers, managers and staff?	Yes. It is confirmed by assigned responsibilities in the financial system.	
3.9	At what frequency are personnel transferred?	Not frequently.	

3.10	What is training policy for the finance and accounting staff?	The financial accountant shall have professional certificate. The financial accountants of institutional agencies will be trained every year.	
4.	Accounting Policies and Procedures (Focus on entity responsible for FM processes – and state which entity is subject of the responses)		
4.1	Does the entity have an accounting system that allows for the proper recording of project financial transactions, including the allocation of expenditures in accordance with the respective components, disbursement categories, and sources of funds? Will the project use the entity accounting system?	The financial general budget accounting system includes the content above. The project fund will use the accounting system of the entity.	
4.2	Are controls in place concerning the preparation and approval of transactions, ensuring that all transactions are correctly made and adequately explained?	After the signing of the on-lend agreement, the fund disbursement will be in the controls of general budget financial system.	
4.3	Is the chart of accounts adequate to properly account for and report on project activities and disbursement categories?	Yes	
4.4	Are cost allocations to the various funding sources made accurately and in accordance with established agreements?	Yes.	
4.5	Are the General Ledger and subsidiary ledgers reconciled and in balance?	Yes.	
4.6	Are all accounting and supporting documents retained on a permanent basis in a defined system that allows authorized users easy access?	Managed in accordance with the <i>Accounting Archives Management Method</i> issued by MOF and National Archives.	
	Segregation of Duties		
4.7	Are the following functional responsibilities performed by different units or persons: (i) authorization to execute a transaction; (ii) recording of the transaction; and (iii) custody of assets involved in the transaction?	Yes.	
4.8	Are the functions of ordering, receiving, accounting for, and paying for goods and services appropriately segregated?	Yes.	
4.9	Are bank reconciliations prepared by someone other than those who make or approve payments?	Yes.	
	Budgeting System		
4.10	Do budgets include physical and financial targets?	Yes	
4.11	Are budgets prepared for all significant activities in sufficient detail to provide a meaningful tool with which to monitor subsequent performance?	Yes.	
4.12	Are actual expenditures compared to the budget with reasonable frequency, and explanations required for significant variations from the budget?	Yes, frequently. Explanations are required for significant variations from the budget.	
4.13	Are approvals for variations from the budget required in advance or after the fact?	Approvals for variations are required in advance.	

4.14	Who is responsible for preparation and approval of budgets?	The budget unit prepares and the financial bureau summarizes the budget to be approved by the county people's congress.	
4.15	Are procedures in place to plan project activities, collect information from the units in charge of the different components, and prepare the budgets?	Yes.	
4.16	Are the project plans and budgets of project activities realistic, based on valid assumptions, and developed by knowledgeable individuals?	Yes.	
	Payments		
4.17	Do invoice-processing procedures provide for: (i) Copies of purchase orders and receiving reports to be obtained directly from issuing departments? (ii) Comparison of invoice quantities, prices and terms, with those indicated on the purchase order and with records of goods actually received? (iii) Comparison of invoice quantities with those indicated on the receiving reports? (iv) Checking the accuracy of calculations?	Yes.	
4.18	Are all invoices stamped PAID, dated, reviewed and approved, and clearly marked for account code assignment?	Yes.	
4.19	Do controls exist for the preparation of the payroll and are changes to the payroll properly authorized?	Yes. The county personnel department is responsible for the approval of payroll, and authorizes the changes of payroll properly in accordance with the regulations of management document of upper level.	
	Policies And Procedures		
4.20	What is the basis of accounting (e.g., cash, accrual)?	Cash accounting basis.	
4.21	What accounting standards are followed?	Accounting Standards of PRC	
4.22	Does the project have an adequate policies and procedures manual to guide activities and ensure staff accountability?	<i>Regulations for Penalties on Financial Illegal Behaviors (State Council No.427), Budget Law of PRC, Accounting Management Risk Internal Control Measures of Julu Financial Bureau, etc.</i>	
4.23	Is the accounting policy and procedure manual updated for the project activities?	Not needed temporarily. Updated from time to time in accordance with the requirements of project progress.	
4.24	Do procedures exist to ensure that only authorized persons can alter or establish a new accounting principle, policy or procedure to be used by the entity?	Yes.	
4.25	Are there written policies and procedures covering all routine financial management and related administrative activities?	Yes.	

4.26	Do policies and procedures clearly define conflict of interest and related party transactions (real and apparent) and provide safeguards to protect the organization from them?	Yes. The issued methods include: <i>Julu Financial Bureau Accounting Management Risk Internal Control Measures</i> , <i>Julu Financial Bureau Internal Division Fiscal Disbursement Progress Evaluation Method (trial)</i> are issued to provide safeguards.	
4.27	Are manuals distributed to appropriate personnel?	Yes.	
	Cash and Bank		
4.28	Indicate names and positions of authorized signatories in the bank accounts.	Zhang Liguang, Division Chief.	
4.29	Does the organization maintain an adequate, up-to-date cashbook, recording receipts and payments?	Yes.	
4.30	Do controls exist for the collection, timely deposit and recording of receipts at each collection location?	Yes.	
4.31	Are bank and cash reconciled on a monthly basis?	Yes.	
4.32	Are all unusual items on the bank reconciliation reviewed and approved by a responsible official?	Yes.	
4.33	Are all receipts deposited on a timely basis?	Yes.	
	Safeguard over Assets		
4.34	Is there a system of adequate safeguards to protect assets from fraud, waste and abuse?	Yes.	
4.35	Are subsidiary records of fixed assets and stocks kept up to date and reconciled with control accounts?	Yes.	
4.36	Are there periodic physical inventories of fixed assets and stocks?	Yes.	
4.37	Are assets sufficiently covered by insurance policies?	Yes.	
	Other Offices and Implementing Entities		
4.38	Are there any other regional offices or executing entities participating in implementation?	No.	
4.39	Has the project established controls and procedures for flow of funds, financial information, accountability, and audits in relation to the other offices or entities?	Not Applicable	
4.40	Does information among the different offices/implementing agencies flow in an accurate and timely fashion?	Not Applicable	
4.41	Are periodic reconciliations performed among the different offices/implementing agencies?	Not Applicable	
	Advance Payments		
4.42	Does the entity have adequate guidelines for advance payments to individual staff and regional offices (if applicable)?	No.	
4.43	Do the guidelines clearly define proper authorizations, ceiling of advance amounts and appropriate liquidation periods?	Not Applicable	

4.44	Are controls in place to monitor outstanding advances and ensure frequent liquidation? Are the outstanding advances periodically confirmed with the concerned staff?	Not Applicable	
4.45	Do regional offices open separate bank accounts or maintain cashbooks to be used exclusively for advances from ADB financing, counterpart funding and other financiers? Are the bank accounts and cashbook reconciled to the general ledger or sub-ledger on a monthly basis?	Not Applicable	
	Other		
4.46	Has the project advised employees, beneficiaries and other recipients to whom to report if they suspect fraud, waste or misuse of project resources or property?	Julu County Commission for Discipline Inspection	
5.	Internal Audit		
5.1	Is there an internal audit department in the entity?	Yes.	
5.2	What are the qualifications and experience of audit department staff?	Accounting personnel, accounting qualification certificates, with many years of accounting and auditing experience.	
5.3	To whom does the internal auditor report?	Bureau Party	
5.4	Will the internal audit department include the project in its work program?	Yes.	
5.5	Are actions taken on the internal audit findings?	<i>Financial Supervision and Inspection Manual.</i>	
6.	External Audit		
6.1	Is the entity financial statement audited regularly by an independent auditor? Who is the auditor?	Audited by County Audit Bureau on a regular basis.	
6.2	Are there any delays in audit of the entity? When are the audit reports issued?	No.	
6.3	Is the audit of the entity conducted according to the International Standards on Auditing?	No, according to National Standards on Auditing.	
6.4	Were there any major accountability issues brought out in the audit report of the past three years? Were there any issues noted in prior audit reports related to the operation of imprest account or use of SOE procedures?	No.	
6.5	Will the entity auditor audit the project accounts or will another auditor be appointed to audit the project financial statements?	The provincial audit bureau will designate auditor to audit the project.	

6.6	Are there any recommendations made by the auditors in prior audit reports or management letters that have not yet been implemented?	No.	
6.7	Is the project subject to any kind of audit from an independent governmental entity (e.g., the supreme audit institution) in addition to the external audit?	The provincial audit bureau and county audit bureau are auditors of the government.	
6.8	Has the project prepared acceptable terms of reference for an annual project audit?	Yes.	
7.	Reporting and Monitoring		
7.1	Are financial statements prepared for the entity? In accordance with which accounting standards?	Yes, the entity will prepare financial statements in accordance with <i>Budget Law of PRC</i> and <i>Sector Accounts Reporting Instructions</i> .	
7.2	Are financial statements prepared for the implementing unit?	Yes.	
7.3	What is the frequency of preparation of financial statements? Are the reports prepared in a timely fashion so as to useful to management for decision making?	Prepare monthly report, quarterly report and yearly report. The timely and effective financial reports are very useful to management level for decision making.	
7.4	Does the reporting system need to be adapted to report on the project components?	Not needed.	
7.5	Does the reporting system have the capacity to link the financial information with the project's physical progress? If separate systems are used to gather and compile physical data, what controls are in place to reduce the risk that the physical data may not synchronize with the financial data?	Yes, the reporting system has the capacity to link the financial information with the project's physical progress.	
7.6	Does the project have established financial management reporting responsibilities that specify what reports are to be prepared, what they are to contain, and how they are to be used?	Yes.	
7.7	Are financial management reports used by management?	Yes.	
7.8	Do the financial reports compare actual expenditures with budgeted and programmed allocations?	Yes.	
7.9	Are financial reports prepared directly by the automated accounting system or are they prepared by spreadsheets or some other means?	Prepared in accordance with the financial accounts.	
8.	Information Systems		
8.1	Is the financial management system computerized?	Yes.	
8.2	Can the system produce the necessary project financial reports?	Yes.	
8.3	Is the staff adequately trained to maintain the system?	The upper financial department provides trainings to the staff regularly.	

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8.4	Does the management organization and processing system safeguard the confidentiality, integrity and availability of the data?	Yes.	
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Name of agency		Julu County Hospital	
Project component/Work Content that agency is responsible for		Responsible for overall elderly care subcomponent.	
Name of person responsible for filling this form		Tian Jingque	
Position, title and telephone of person responsible for filling this form		Section chief of financial section: 0319-4321768	
Nature of agency's responsibility for the Project (check all that apply)		<input type="checkbox"/> Provide counterpart funding <input checked="" type="checkbox"/> Sign a follow on loan contract for ADB funds <input checked="" type="checkbox"/> Management of project construction <input type="checkbox"/> Management of contributions from NGOs or project beneficiaries <input checked="" type="checkbox"/> Project operation and maintenance <input checked="" type="checkbox"/> Financial management of project <input checked="" type="checkbox"/> Generate funds from tariffs, taxes or other sources to service the ADB loan <input type="checkbox"/> Other – describe	
Topic		Response	Potential Risk Event
1.	Executive/Implementing Agency		
1.1	What is the entity's legal status/registration?	Public institution Legal Person: Unified Social Credit Code Certificate Number: 40329848-9	
1.2	Has the entity implemented an externally financed project in the past - if so, please provide details?	No.	
1.3	What are the statutory reporting requirements for the entity?	In accordance with Accounting System of Public Institutions, Financial System, Accounting Law and other regulations, establish accounting books legally, use the accounting items and fill in accounting documents, registration books timely and prepare financial statements.	
1.4	Is the governing body for the project independent?	Yes.	
1.5	Is the organizational structure appropriate for the needs of the project?	Yes, appropriate for the needs of project implementation. The staff has good capacity of management and coordination to ensure the smooth implementation of the project.	
2.	Funds Flow/Disbursement Arrangements		
2.1	Describe (proposed) project funds flow arrangements, including a chart and explanation of the flow of funds from ADB, government and other financiers.	See the main content of the report.	
2.2	Are the (proposed) arrangements to transfer the proceeds of the loan (from the government / Finance Ministry) to the entity satisfactory?	Yes.	

2.3	Does the entity have previous experience of using imprest fund and SOE procedures?	No.	
2.4	In which bank will the Imprest Account be opened?	No. The Imprest Account will be established by the provincial financial department.	
2.5	Does the (proposed) implementing unit (EA, IA or PIU) have experience in the management of disbursements from ADB?	No.	
2.7	Does the entity have/need to develop capacity to manage foreign exchange risks?	No.	
2.8	How are the counterpart funds accessed?	The county financial bureau will provide counterpart fund in accordance with the requirements of the project.	
2.9	How are payments made for the counterpart funds?	The supplier provides the invoices in accordance with the physical progress to be paid by the financial bureau after approval.	
2.10	If part of the project is implemented by communities or NGOs, does the PIU have the necessary reporting and monitoring features built into its systems to track the use of project proceeds by such agencies?	No.	
2.11	Are the beneficiaries required to contribute to project costs? If beneficiaries have an option to contribute in kind (in the form of labor), are proper guidelines formulated to record and value the labor contribution?	No.	
3	Staffing (Focus on entity responsible for FM processes – and state which entity is subject of the responses)		
3.1	What is the (proposed) organizational structure of the accounting department? Attach an organization chart.	See materials as attached.	
3.2	Identify the (proposed) accounts staff, including job title, responsibilities, educational background and professional experience. Attach job descriptions and CVs of key accounting staff.	(1) Tian Jingque: Division chief of financial division, responsible for the overall works of hospital finance. Graduated from accounting major. Since 1982, he has worked as an accountant for 34 years. With Intermediate Accounting Certificate, he is the general accountant of the hospital. (2) Yuan Yilin: Division member of financial division, responsible for the accounting and graduated from accounting major, with Preliminary Accounting Certificate.	
3.3	Is the project finance and accounting function staffed adequately?	Yes. Specific staff is designated for specific assignments.	
3.4	Is the finance and accounts staff adequately qualified and experienced?	Yes.	
3.5	Are the project accounts and finance staff trained in ADB procedures?	No.	

3.6	What is the duration of the contract with the finance and accounts staff?	Long term.	
3.7	Indicate key positions not contracted yet, and the estimated date of appointment.	No.	
3.8	Does the project have written position descriptions that clearly define duties, responsibilities, lines of supervision, and limits of authority for all of the officers, managers and staff?	Yes. Clearly define responsibilities among staff in accordance with the requirement of the project.	
3.9	At what frequency are personnel transferred?	Not frequently.	
3.10	What is training policy for the finance and accounting staff?	Financial accountants have professional certificate and join continuing education as per required by the financial bureau.	
4.	Accounting Policies and Procedures (Focus on entity responsible for FM processes – and state which entity is subject of the responses)		
4.1	Does the entity have an accounting system that allows for the proper recording of project financial transactions, including the allocation of expenditures in accordance with the respective components, disbursement categories, and sources of funds? Will the project use the entity accounting system?	Yes. As a hospital, the entity is a public institution, therefore, new hospital accounting system and financial system accounting methods are adopted. In accordance with the requirements of MOF and the project, ADB project will establish capital account separately and record the financial transactions of the project in accordance with <i>WB Loan Project Accounting Method</i> .	
4.2	Are controls in place concerning the preparation and approval of transactions, ensuring that all transactions are correctly made and adequately explained?	Yes. The entity uses approval system for the transactions. The supplier will provide procured materials to be approved by the project team, then to financial bureau for review and finally to the project leaders for approval.	
4.3	Is the chart of accounts adequate to properly account for and report on project activities and disbursement categories?	Yes.	
4.4	Are cost allocations to the various funding sources made accurately and in accordance with established agreements?	Yes.	
4.5	Are the General Ledger and subsidiary ledgers reconciled and in balance?	Yes.	
4.6	Are all accounting and supporting documents retained on a permanent basis in a defined system that allows authorized users easy access?	Managed in accordance with <i>Accounting Archives Management Method</i> issued by MOF and National Archives.	
	Segregation of Duties		
4.7	Are the following functional responsibilities performed by different units or persons: (i) authorization to execute a transaction; (ii) recording of the transaction; and (iii) custody of assets involved in the transaction?	Yes.	

4.8	Are the functions of ordering, receiving, accounting for, and paying for goods and services appropriately segregated?	Yes.	
4.9	Are bank reconciliations prepared by someone other than those who make or approve payments?	Yes.	
	Budgeting System		
4.10	Do budgets include physical and financial targets?	Yes.	
4.11	Are budgets prepared for all significant activities in sufficient detail to provide a meaningful tool with which to monitor subsequent performance?	Yes.	
4.12	Are actual expenditures compared to the budget with reasonable frequency, and explanations required for significant variations from the budget?	Yes, frequently. No significant variations from the budget.	
4.13	Are approvals for variations from the budget required in advance or after the fact?	Approvals are required in advance.	
4.14	Who is responsible for preparation and approval of budgets?	The financial section is responsible for budget preparation to be approved by hospital committee.	
4.15	Are procedures in place to plan project activities, collect information from the units in charge of the different components, and prepare the budgets?	Yes.	
4.16	Are the project plans and budgets of project activities realistic, based on valid assumptions, and developed by knowledgeable individuals?	Prepared by staff with adequate knowledge and based on proper project plan.	
	Payments		
4.17	Do invoice-processing procedures provide for: (i) Copies of purchase orders and receiving reports to be obtained directly from issuing departments? (ii) Comparison of invoice quantities, prices and terms, with those indicated on the purchase order and with records of goods actually received? (iii) Comparison of invoice quantities with those indicated on the receiving reports? (iv) Checking the accuracy of calculations?	Yes.	
4.18	Are all invoices stamped PAID, dated, reviewed and approved, and clearly marked for account code assignment?	Yes.	
4.19	Do controls exist for the preparation of the payroll and are changes to the payroll properly authorized?	Yes. The personnel department will review the payroll first, and then submit to upper department of the county personnel bureau. The county personnel bureau will authorize the payroll in accordance with the requirements of relevant management document of upper level.	
	Policies And Procedures		
4.20	What is the basis of accounting (e.g., cash, accrual)?	Accrual accounting basis	
4.21	What accounting standards are followed?	Accounting Standards of PRC.	

4.22	Does the project have an adequate policies and procedures manual to guide activities and ensure staff accountability?	Prepared relevant policies and procedures manual.	
4.23	Is the accounting policy and procedure manual updated for the project activities?	Updated according to the relevant national policies.	
4.24	Do procedures exist to ensure that only authorized persons can alter or establish a new accounting principle, policy or procedure to be used by the entity?	Yes.	
4.25	Are there written policies and procedures covering all routine financial management and related administrative activities?	Yes.	
4.26	Do policies and procedures clearly define conflict of interest and related party transactions (real and apparent) and provide safeguards to protect the organization from them?	Yes. The policies and system clearly defined the interest conflicts and associated trade and prepared relevant measures to provide safeguards.	
4.27	Are manuals distributed to appropriate personnel?	Yes.	
	Cash and Bank		
4.28	Indicate names and positions of authorized signatories in the bank accounts.	Ji Zengliang	
4.29	Does the organization maintain an adequate, up-to-date cashbook, recording receipts and payments?	Yes.	
4.30	Do controls exist for the collection, timely deposit and recording of receipts at each collection location?	Yes.	
4.31	Are bank and cash reconciled on a monthly basis?	Yes.	
4.32	Are all unusual items on the bank reconciliation reviewed and approved by a responsible official?	Yes.	
4.33	Are all receipts deposited on a timely basis?	Yes.	
	Safeguard over Assets		
4.34	Is there a system of adequate safeguards to protect assets from fraud, waste and abuse?	Yes.	
4.35	Are subsidiary records of fixed assets and stocks kept up to date and reconciled with control accounts?	Yes.	
4.36	Are there periodic physical inventories of fixed assets and stocks?	Yes.	
4.37	Are assets sufficiently covered by insurance policies?	No.	
	Other Offices and Implementing Entities		
4.38	Are there any other regional offices or executing entities participating in implementation?	No.	
4.39	Has the project established controls and procedures for flow of funds, financial information, accountability, and audits in relation to the other offices or entities?		

4.40	Does information among the different offices/implementing agencies flow in an accurate and timely fashion?		
4.41	Are periodic reconciliations performed among the different offices/implementing agencies?		
	Advance Payments		
4.42	Does the entity have adequate guidelines for advance payments to individual staff and regional offices (if applicable)?	No.	
4.43	Do the guidelines clearly define proper authorizations, ceiling of advance amounts and appropriate liquidation periods?		
4.44	Are controls in place to monitor outstanding advances and ensure frequent liquidation? Are the outstanding advances periodically confirmed with the concerned staff?		
4.45	Do regional offices open separate bank accounts or maintain cashbooks to be used exclusively for advances from ADB financing, counterpart funding and other financiers? Are the bank accounts and cashbook reconciled to the general ledger or sub-ledger on a monthly basis?		
	Other		
4.46	Has the project advised employees, beneficiaries and other recipients to whom to report if they suspect fraud, waste or misuse of project resources or property?	Yes, report to the project leaders.	
5.	Internal Audit		
5.1	Is there an internal audit department in the entity?	Yes.	
5.2	What are the qualifications and experience of audit department staff?	Accounting qualification certificate, CPA, engaged in auditing works for many years with abundant auditing experience.	
5.3	To whom does the internal auditor report?	Julu Hospital Committee.	
5.4	Will the internal audit department include the project in its work program?	Yes.	
5.5	Are actions taken on the internal audit findings?	In accordance with audit results and system requirements, investigate the economic responsibilities of the principals and implement economic penalties.	
6.	External Audit		
6.1	Is the entity financial statement audited regularly by an independent auditor? Who is the auditor?	Julu audit bureau will audit.	
6.2	Are there any delays in audit of the entity? When are the audit reports issued?	Never. Issue the audit reports at year end.	
6.3	Is the audit of the entity conducted according to the International Standards on Auditing?	No. In accordance with National Standards on Auditing.	

6.4	Were there any major accountability issues brought out in the audit report of the past three years? Were there any issues noted in prior audit reports related to the operation of imprest account or use of SOE procedures?	No accountability issues during the procedure. No issues noted related to the operation of imprest account or use of SOE procedures.	
6.5	Will the entity auditor audit the project accounts or will another auditor be appointed to audit the project financial statements?	Another auditor will be appointed to audit the project financial statements.	
6.6	Are there any recommendations made by the auditors in prior audit reports or management letters that have not yet been implemented?	No.	
6.7	Is the project subject to any kind of audit from an independent governmental entity (e.g., the supreme audit institution) in addition to the external audit?		
6.8	Has the project prepared acceptable terms of reference for an annual project audit?	Yes.	
7.	Reporting and Monitoring		
7.1	Are financial statements prepared for the entity? In accordance with which accounting standards?	Yes. The financial statement is prepared in accordance with <i>Public Institutions Accounting Standards, Accounting Law and New Hospital Accounting System and Financial Procedures</i> , including balance sheet, profit and loss statement and cash flow statement. ADB project uses <i>WB Loan Project Accounting Method</i> to prepare financial statements.	
7.2	Are financial statements prepared for the implementing unit?	Yes.	
7.3	What is the frequency of preparation of financial statements? Are the reports prepared in a timely fashion so as to useful to management for decision making?	Prepare monthly report, quarterly report and yearly report. The timely and effective financial reports are very useful to management level for decision making.	
7.4	Does the reporting system need to be adapted to report on the project components?	Not needed.	
7.5	Does the reporting system have the capacity to link the financial information with the project's physical progress? If separate systems are used to gather and compile physical data, what controls are in place to reduce the risk that the physical data may not synchronize with the financial data?	Yes, link the financial information with the project's physical progress.	
7.6	Does the project have established financial management reporting responsibilities that specify what reports are to be prepared, what they are to contain, and how they are to be used?	Yes, established.	

7.7	Are financial management reports used by management?	Yes.	
7.8	Do the financial reports compare actual expenditures with budgeted and programmed allocations?	Yes.	
7.9	Are financial reports prepared directly by the automated accounting system or are they prepared by spreadsheets or some other means?	Prepared directly by the automated accounting system.	
8.	Information Systems		
8.1	Is the financial management system computerized?	Yes.	
8.2	Can the system produce the necessary project financial reports?	Yes.	
8.3	Is the staff adequately trained to maintain the system?	Adequate trainings have been provided, re-trainings will be provided regularly.	
8.4	Does the management organization and processing system safeguard the confidentiality, integrity and availability of the data?	The financial software is protected by passwords, authorized for approval, with data backups, the confidentiality, integrity and availability of the data can be ensured.	

3. Li County Finance Bureau and Li County Guangrongyuan

Name of agency		Li County Finance Bureau.	
Project component/Work Content that agency is responsible for		Financial Assurance	
Name of person responsible for filling this form		Chu Jianqiang	
Position, title and telephone of person responsible for filling this form		Foreign-related affairs section, chief, 13731259800	
Nature of agency's responsibility for the Project (check all that apply)		<input checked="" type="checkbox"/> Provide counterpart funding <input checked="" type="checkbox"/> Sign a follow on loan contract for ADB funds <input checked="" type="checkbox"/> Management of project construction <input type="checkbox"/> Management of contributions from NGOs or project beneficiaries <input type="checkbox"/> Project operation and maintenance <input checked="" type="checkbox"/> Financial management of project <input checked="" type="checkbox"/> Generate funds from tariffs, taxes or other sources to service the ADB loan <input type="checkbox"/> Other – describe	
Topic		Response	Potential Risk Event
1.	Executive/Implementing Agency		
1.1	What is the entity's legal status/registration?	Government agency legal person: Unified social credit code number 11130635791360239D	
1.2	Has the entity implemented an externally financed project in the past - if so, please provide details?	Yes. ADB loan Li County WWTP Phase II Project in 2008; ADB loan Baiyangdian Ecological Construction and Environment Rehabilitation Project; WB Tuberculosis Control Project.	
1.3	What are the statutory reporting requirements for the entity?	The budget and final account report as required by the <i>Budget Law</i> .	
1.4	Is the governing body for the project independent?	No.	
1.5	Is the organizational structure appropriate for the needs of the project?	Yes.	
2.	Funds Flow/Disbursement Arrangements		
2.1	Describe (proposed) project funds flow arrangements, including a chart and explanation of the flow of funds from ADB, government and other financiers.	See the main content of the report.	
2.2	Are the (proposed) arrangements to transfer the proceeds of the loan (from the government / Finance Ministry) to the entity satisfactory?	Yes.	
2.3	Does the entity have previous experience of using imprest fund and SOE procedures?	Yes.	
2.4	In which bank will the Imprest Account be opened?	Provincial financial bureau will be responsible for establishing the imprest account.	
2.5	Does the (proposed) implementing unit (EA, IA or PIU) have experience in the management of disbursements from ADB?	Yes.	

2.7	Does the entity have/need to develop capacity to manage foreign exchange risks?	No.	
2.8	How are the counterpart funds accessed?	The county finance will provide counterpart funds in the budget.	
2.9	How are payments made for the counterpart funds?	The PIUs apply for payments in accordance with the project progress, and will be paid after the approval of audit.	
2.10	If part of the project is implemented by communities or NGOs, does the PIU have the necessary reporting and monitoring features built into its systems to track the use of project proceeds by such agencies?	No involvement of other organizations.	
2.11	Are the beneficiaries required to contribute to project costs? If beneficiaries have an option to contribute in kind (in the form of labor), are proper guidelines formulated to record and value the labor contribution?	Not required.	
3	Staffing (Focus on entity responsible for FM processes – and state which entity is subject of the responses)		
3.1	What is the (proposed) organizational structure of the accounting department? Attach an organization chart.	The organization chart of Li County Financial Bureau is seen in annex 1.	
3.2	Identify the (proposed) accounts staff, including job title, responsibilities, educational background and professional experience. Attach job descriptions and CVs of key accounting staff.	He Jianliang, chief, worked in foreign investment section since 1995. Zhao Hongjie, chief, worked in foreign investment section since 2005.	
3.3	Is the project finance and accounting function staffed adequately?	Yes.	
3.4	Is the finance and accounts staff adequately qualified and experienced?	Yes.	
3.5	Are the project accounts and finance staff trained in ADB procedures?	Yes, accepted.	
3.6	What is the duration of the contract with the finance and accounts staff?	Civil servant and not limited to contract period.	
3.7	Indicate key positions not contracted yet, and the estimated date of appointment.	No.	
3.8	Does the project have written position descriptions that clearly define duties, responsibilities, lines of supervision, and limits of authority for all of the officers, managers and staff?	Yes.	
3.9	At what frequency are personnel transferred?	Not changed basically.	
3.10	What is training policy for the finance and accounting staff?	Accept trainings by different levels of financial units.	

4.	Accounting Policies and Procedures (Focus on entity responsible for FM processes – and state which entity is subject of the responses)		
4.1	Does the entity have an accounting system that allows for the proper recording of project financial transactions, including the allocation of expenditures in accordance with the respective components, disbursement categories, and sources of funds? Will the project use the entity accounting system?	The fiscal budget general accounting system includes these contents above. The project fund will use the accounting system of the entity in the financial system.	
4.2	Are controls in place concerning the preparation and approval of transactions, ensuring that all transactions are correctly made and adequately explained?	Yes. The foreign-related business is designated to handle with fund affairs concerning ADB and WB projects. The fund utilization shall be approved by leaders of bureau.	
4.3	Is the chart of accounts adequate to properly account for and report on project activities and disbursement categories?	Yes	
4.4	Are cost allocations to the various funding sources made accurately and in accordance with established agreements?	Yes	
4.5	Are the General Ledger and subsidiary ledgers reconciled and in balance?	Yes	
4.6	Are all accounting and supporting documents retained on a permanent basis in a defined system that allows authorized users easy access?	Yes	
	Segregation of Duties		
4.7	Are the following functional responsibilities performed by different units or persons: (i) authorization to execute a transaction; (ii) recording of the transaction; and (iii) custody of assets involved in the transaction?	Yes. Implemented by different departments.	
4.8	Are the functions of ordering, receiving, accounting for, and paying for goods and services appropriately segregated?	Yes	
4.9	Are bank reconciliations prepared by someone other than those who make or approve payments?	Yes	
	Budgeting System		
4.10	Do budgets include physical and financial targets?	Yes	
4.11	Are budgets prepared for all significant activities in sufficient detail to provide a meaningful tool with which to monitor subsequent performance?	Yes	
4.12	Are actual expenditures compared to the budget with reasonable frequency, and explanations required for significant variations from the budget?	Yes. Once per quarter. In case of significant variations, report the county people's congress to approve and adjust the budget.	
4.13	Are approvals for variations from the budget required in advance or after the fact?	To be decided according to actual conditions.	
4.14	Who is responsible for preparation and approval of budgets?	The governmental departments of all levels prepare their own budget to be approved by the county People's Congress.	

4.15	Are procedures in place to plan project activities, collect information from the units in charge of the different components, and prepare the budgets?	Yes	
4.16	Are the project plans and budgets of project activities realistic, based on valid assumptions, and developed by knowledgeable individuals?	Yes	
	Payments		
4.17	Do invoice-processing procedures provide for: (i) Copies of purchase orders and receiving reports to be obtained directly from issuing departments? (ii) Comparison of invoice quantities, prices and terms, with those indicated on the purchase order and with records of goods actually received? (iii) Comparison of invoice quantities with those indicated on the receiving reports? (iv) Checking the accuracy of calculations?	Yes	
4.18	Are all invoices stamped PAID, dated, reviewed and approved, and clearly marked for account code assignment?	Yes	
4.19	Do controls exist for the preparation of the payroll and are changes to the payroll properly authorized?	Yes	
	Policies And Procedures		
4.20	What is the basis of accounting (e.g., cash, accrual)?	Cash accounting basis.	
4.21	What accounting standards are followed?	Accounting Standards of PRC.	
4.22	Does the project have an adequate policies and procedures manual to guide activities and ensure staff accountability?	Yes.	
4.23	Is the accounting policy and procedure manual updated for the project activities?	The accounting standards will be updated to the national policies. The procedure manual will be consistently updated.	
4.24	Do procedures exist to ensure that only authorized persons can alter or establish a new accounting principle, policy or procedure to be used by the entity?	Yes	
4.25	Are there written policies and procedures covering all routine financial management and related administrative activities?	Yes	
4.26	Do policies and procedures clearly define conflict of interest and related party transactions (real and apparent) and provide safeguards to protect the organization from them?	Yes	
4.27	Are manuals distributed to appropriate personnel?	Yes	
	Cash and Bank		
4.28	Indicate names and positions of authorized signatories in the bank accounts.	Peng Zhenzhong, director of financial bureau.	

4.29	Does the organization maintain an adequate, up-to-date cashbook, recording receipts and payments?	Yes	
4.30	Do controls exist for the collection, timely deposit and recording of receipts at each collection location?	Yes	
4.31	Are bank and cash reconciled on a monthly basis?	Yes, paid on a monthly basis.	
4.32	Are all unusual items on the bank reconciliation reviewed and approved by a responsible official?	Yes	
4.33	Are all receipts deposited on a timely basis?	Yes	
	Safeguard over Assets		
4.34	Is there a system of adequate safeguards to protect assets from fraud, waste and abuse?	Yes	
4.35	Are subsidiary records of fixed assets and stocks kept up to date and reconciled with control accounts?	Yes	
4.36	Are there periodic physical inventories of fixed assets and stocks?	Yes	
4.37	Are assets sufficiently covered by insurance policies?	Yes	
	Other Offices and Implementing Entities		
4.38	Are there any other regional offices or executing entities participating in implementation?	No.	
4.39	Has the project established controls and procedures for flow of funds, financial information, accountability, and audits in relation to the other offices or entities?	Not applicable	
4.40	Does information among the different offices/implementing agencies flow in an accurate and timely fashion?	Not applicable	
4.41	Are periodic reconciliations performed among the different offices/implementing agencies?	Not applicable.	
	Advance Payments		
4.42	Does the entity have adequate guidelines for advance payments to individual staff and regional offices (if applicable)?	Yes	
4.43	Do the guidelines clearly define proper authorizations, ceiling of advance amounts and appropriate liquidation periods?	Yes	
4.44	Are controls in place to monitor outstanding advances and ensure frequent liquidation? Are the outstanding advances periodically confirmed with the concerned staff?	Yes	
4.45	Do regional offices open separate bank accounts or maintain cashbooks to be used exclusively for advances from ADB financing, counterpart funding and other financiers? Are the bank accounts and cashbook reconciled to the general ledger or sub-ledger on a monthly basis?	Not applicable	
	Other		
4.46	Has the project advised employees, beneficiaries and other recipients to whom to report if they suspect fraud, waste or misuse of project resources or property?	Yes	

5.	Internal Audit		
5.1	Is there an internal audit department in the entity?	Yes.	
5.2	What are the qualifications and experience of audit department staff?	Accounting personnel, accounting qualification certificates, with many years of accounting and auditing experience.	
5.3	To whom does the internal auditor report?	Bureau Party	
5.4	Will the internal audit department include the project in its work program?	Yes.	
5.5	Are actions taken on the internal audit findings?	<i>Financial Supervision and Inspection Manual.</i>	
6.	External Audit		
6.1	Is the entity financial statement audited regularly by an independent auditor? Who is the auditor?	Audit gency, will audit once every two or three years. The audit department entrust the county audit bureau to audit.	
6.2	Are there any delays in audit of the entity? When are the audit reports issued?	Never delay.	
6.3	Is the audit of the entity conducted according to the International Standards on Auditing?	No. According to National Standards on Auditing.	
6.4	Were there any major accountability issues brought out in the audit report of the past three years? Were there any issues noted in prior audit reports related to the operation of imprest account or use of SOE procedures?	No	
6.5	Will the entity auditor audit the project accounts or will another auditor be appointed to audit the project financial statements?	Audited by the audit bureau.	
6.6	Are there any recommendations made by the auditors in prior audit reports or management letters that have not yet been implemented?	No	
6.7	Is the project subject to any kind of audit from an independent governmental entity (e.g., the supreme audit institution) in addition to the external audit?	Audit bureau is an independent government entity.	
6.8	Has the project prepared acceptable terms of reference for an annual project audit?	Yes. The foreign investment department of provincial audit department will be responsible for auditing.	

7.	Reporting and Monitoring		
7.1	Are financial statements prepared for the entity? In accordance with which accounting standards?	Yes. The financial statements are prepared in accordance with <i>Budget Law of PRC</i> and <i>Sector accounts Reporting Instructions</i> .	
7.2	Are financial statements prepared for the implementing unit?	Yes.	
7.3	What is the frequency of preparation of financial statements? Are the reports prepared in a timely fashion so as to useful to management for decision making?	Monthly, yes.	
7.4	Does the reporting system need to be adapted to report on the project components?	Not needed.	
7.5	Does the reporting system have the capacity to link the financial information with the project's physical progress? If separate systems are used to gather and compile physical data, what controls are in place to reduce the risk that the physical data may not synchronize with the financial data?	Yes.	
7.6	Does the project have established financial management reporting responsibilities that specify what reports are to be prepared, what they are to contain, and how they are to be used?	Yes	
7.7	Are financial management reports used by management?	Yes	
7.8	Do the financial reports compare actual expenditures with budgeted and programmed allocations?	Yes	
7.9	Are financial reports prepared directly by the automated accounting system or are they prepared by spreadsheets or some other means?	Prepared directly by the automated accounting system.	
8.	Information Systems		
8.1	Is the financial management system computerized?	Yes	
8.2	Can the system produce the necessary project financial reports?	Yes	
8.3	Is the staff adequately trained to maintain the system?	Yes	
8.4	Does the management organization and processing system safeguard the confidentiality, integrity and availability of the data?	Authorized for log-in, timely data backup.	

Name of agency	Li County Guangrongyuan
Project component/Work Content that agency is responsible for	Construction unit.
Name of person responsible for filling this form	Peng Jinfang
Position, title and telephone of person responsible for filling this form	Financial principal of Honorable Court, 13463224111

Nature of agency's responsibility for the Project (check all that apply)		<input type="checkbox"/> Provide counterpart funding <input type="checkbox"/> Sign a follow on loan contract for ADB funds <input checked="" type="checkbox"/> Management of project construction <input type="checkbox"/> Management of contributions from NGOs or project beneficiaries <input type="checkbox"/> Project operation and maintenance <input checked="" type="checkbox"/> Financial management of project <input type="checkbox"/> Generate funds from tariffs, taxes or other sources to service the ADB loan <input type="checkbox"/> Other – describe	
Topic		Response	Potential Risk Event
1.	Executive/Implementing Agency		
1.1	What is the entity's legal status/registration?	Public Institution Legal Person. Unified Social Credit Code Certificate Number: 2130635403821591M	
1.2	Has the entity implemented an externally financed project in the past - if so, please provide details?	No.	
1.3	What are the statutory reporting requirements for the entity?	In accordance with institutional agency accounting system, financial system, accounting law and other regulations, establish accounting books, use the accounting items properly, fill in the accounting vouchers correctly, registration of accounts and prepare financial statements timely.	
1.4	Is the governing body for the project independent?	No. The entity is affiliated to the civil affairs bureau, thus it has no independent decision-making right.	
1.5	Is the organizational structure appropriate for the needs of the project?	Yes. The entity establishes temporary PMO to provide staffing to facilitate project implementation in accordance with the project requirements.	
2.	Funds Flow/Disbursement Arrangements		
2.1	Describe (proposed) project funds flow arrangements, including a chart and explanation of the flow of funds from ADB, government and other financiers.	See the main content of the report.	
2.2	Are the (proposed) arrangements to transfer the proceeds of the loan (from the government / Finance Ministry) to the entity satisfactory?	Yes. The onlend procedure is: Provincial Finance department→Li County finance bureau	
2.3	Does the entity have previous experience of using imprest fund and SOE procedures?	No.	
2.4	In which bank will the Imprest Account be opened?	Provincial Finance department is responsible for establishing the imprest account.	
2.5	Does the (proposed) implementing unit (EA, IA or PIU) have experience in the management of disbursements from ADB?	No.	
2.7	Does the entity have/need to develop capacity to manage foreign exchange risks?	No.	

2.8	How are the counterpart funds accessed?	The county finance bureau will provide counterpart funds in accordance with the requirements of the project.	
2.9	How are payments made for the counterpart funds?	The supplier will provide invoice in accordance with the project progress to be reviewed by the financial bureau for payment.	
2.10	If part of the project is implemented by communities or NGOs, does the PIU have the necessary reporting and monitoring features built into its systems to track the use of project proceeds by such agencies?	At present, there is no involvement of other organizations.	
2.11	Are the beneficiaries required to contribute to project costs? If beneficiaries have an option to contribute in kind (in the form of labor), are proper guidelines formulated to record and value the labor contribution?	Not required.	
3	Staffing (Focus on entity responsible for FM processes – and state which entity is subject of the responses)		
3.1	What is the (proposed) organizational structure of the accounting department? Attach an organization chart.	The organization chart of Accounting Department in Li County Civil Affairs Bureau is seen in annex 1.	
3.2	Identify the (proposed) accounts staff, including job title, responsibilities, educational background and professional experience. Attach job descriptions and CVs of key accounting staff.	Zhang Zhaohui: Director of accounting department in Li County Civil Affairs Bureau (and Financial director of Honorable Court), bachelor degree, worked in Li County Finance Bureau since 1989, Senior Title of Professional Accounting. Peng Jinfang: Financial Principal of Guangrongyuan, bachelor degree, with 8 years of financial experience. Intermediate Title of Professional Accounting.	
3.3	Is the project finance and accounting function staffed adequately?	Yes.	
3.4	Is the finance and accounts staff adequately qualified and experienced?	Yes.	
3.5	Are the project accounts and finance staff trained in ADB procedures?	No.	
3.6	What is the duration of the contract with the finance and accounts staff?	Civil servant or public institutional staff. Long term.	
3.7	Indicate key positions not contracted yet, and the estimated date of appointment.	At present, the existing financial and accounting staff will be responsible for the financial affairs of the project.	

3.8	Does the project have written position descriptions that clearly define duties, responsibilities, lines of supervision, and limits of authority for all of the officers, managers and staff?	Yes. The staffs engaged in the project are all civil servants or public institutional staff, with clear job descriptions, assignments, lines of supervision and limits of authority.	
3.9	At what frequency are personnel transferred?	No changes basically.	
3.10	What is training policy for the finance and accounting staff?	Accept the trainings held by financial departments of all levels.	
4.	Accounting Policies and Procedures (Focus on entity responsible for FM processes – and state which entity is subject of the responses)		
4.1	Does the entity have an accounting system that allows for the proper recording of project financial transactions, including the allocation of expenditures in accordance with the respective components, disbursement categories, and sources of funds? Will the project use the entity accounting system?	Yes. As a public institution, the entity adopts Public Institution Accounting System, Financial System Accounting Methods. In accordance with the requirements of MOF and project, ADB loan project shall establish the account separately and record the financial transactions in accordance with <i>WB loan Project Accounting Method</i> .	
4.2	Are controls in place concerning the preparation and approval of transactions, ensuring that all transactions are correctly made and adequately explained?	Yes. The entity has financial staff of Guangrongyuan to be responsible for financial affairs. In accordance with <i>Public Institution Accounting System</i> , the fund utilization shall be approved by the leaders of Guangrongyuan and directors of Business department and then director of the entity. The project will be implemented in accordance with regulations of <i>WB Loan Project Accounting Method</i> [2000]No.13.	
4.3	Is the chart of accounts adequate to properly account for and report on project activities and disbursement categories?	Yes. At present, Public Institutions Accounting System is appropriate for the project. The PIUs will establish accounting items in accordance with <i>WB Loan Project Accounting Method</i> during the implementation period.	
4.4	Are cost allocations to the various funding sources made accurately and in accordance with established agreements?	Yes.	
4.5	Are the General Ledger and subsidiary ledgers reconciled and in balance?	Yes.	
4.6	Are all accounting and supporting documents retained on a permanent basis in a defined system that allows authorized users easy access?	Yes. At present, accounting vouchers and relevant supporting documents will be stored in accordance with <i>Public Institutions Accounting System</i> . After the project is implemented, it will be stored in accordance with <i>WB Loan Project Accounting Method</i> and will be reviewed by the authorized members.	
	Segregation of Duties		

4.7	Are the following functional responsibilities performed by different units or persons: (i) authorization to execute a transaction; (ii) recording of the transaction; and (iii) custody of assets involved in the transaction?	Yes.	
4.8	Are the functions of ordering, receiving, accounting for, and paying for goods and services appropriately segregated?	Yes.	
4.9	Are bank reconciliations prepared by someone other than those who make or approve payments?	Yes.	
	Budgeting System		
4.10	Do budgets include physical and financial targets?	Yes.	
4.11	Are budgets prepared for all significant activities in sufficient detail to provide a meaningful tool with which to monitor subsequent performance?	Yes.	
4.12	Are actual expenditures compared to the budget with reasonable frequency, and explanations required for significant variations from the budget?	Yes. Once every quarter. In case of significant variations, report to the leaders of civil affairs bureau for approval and adjusting the budget.	
4.13	Are approvals for variations from the budget required in advance or after the fact?	At present, in accordance with Budget Law and other management procedures, the actual expenditure is more than the budget. The budget needs adding in accordance with principles of financial budget increase of the county financial bureau, livelihood first, priorities first, as well as the principle of comprehensive budget; No approval issues will incur if the actual expenditure is less than the budget. During the implementation period, the project will be in accordance with the <i>WB Loan Project Accounting Measures</i> .	
4.14	Who is responsible for preparation and approval of budgets?	Each sections of Honorable Court will be responsible for preparation, the financial department is responsible for summarizing the budgets, accounting department director of civil affairs bureau will be responsible for review, and bureau leaders will be responsible for approval. Submit to the county financial bureaus to summarize to be delivered to county people's congress for approval.	
4.15	Are procedures in place to plan project activities, collect information from the units in charge of the different components, and prepare the budgets?	Yes.	
4.16	Are the project plans and budgets of project activities realistic, based on valid assumptions, and developed by knowledgeable individuals?	Yes.	

	Payments		
4.17	Do invoice-processing procedures provide for: (i) Copies of purchase orders and receiving reports to be obtained directly from issuing departments? (ii) Comparison of invoice quantities, prices and terms, with those indicated on the purchase order and with records of goods actually received? (iii) Comparison of invoice quantities with those indicated on the receiving reports? (iv) Checking the accuracy of calculations?	All Yes.	
4.18	Are all invoices stamped PAID, dated, reviewed and approved, and clearly marked for account code assignment?	Yes.	
4.19	Do controls exist for the preparation of the payroll and are changes to the payroll properly authorized?	The payroll is prepared with view of local salary level by the financial staff of Guangrongyuan to be approved by the main leaders. Then it will be delivered to human resources and social security bureau for approval. The changes of payroll will be approved in accordance with relevant payroll adjustment documents or relevant awarding and punishment procedures.	
	Policies And Procedures		
4.20	What is the basis of accounting (e.g., cash, accrual)?	Cash accounting basis	
4.21	What accounting standards are followed?	Accounting Standards of PRC.	
4.22	Does the project have an adequate policies and procedures manual to guide activities and ensure staff accountability?	Will prepare. The project will be implemented in accordance with policies and procedures after the project takes into effectiveness.	
4.23	Is the accounting policy and procedure manual updated for the project activities?	The existing <i>Public Institutions Accounting System</i> will be updated to national policies. The project will establish the accounting policy procedures in accordance with <i>WB Loan Project Accounting Method</i> after the project is implemented.	
4.24	Do procedures exist to ensure that only authorized persons can alter or establish a new accounting principle, policy or procedure to be used by the entity?	Yes.	
4.25	Are there written policies and procedures covering all routine financial management and related administrative activities?	Yes.	
4.26	Do policies and procedures clearly define conflict of interest and related party transactions (real and apparent) and provide safeguards to protect the organization from them?	Yes.	
4.27	Are manuals distributed to appropriate personnel?	The manuals are being prepared and will be delivered to relevant staff.	

	Cash and Bank		
4.28	Indicate names and positions of authorized signatories in the bank accounts.	Wang Shufang, Dean of Guangrongyuan, legal person.	
4.29	Does the organization maintain an adequate, up-to-date cashbook, recording receipts and payments?	Yes.	
4.30	Do controls exist for the collection, timely deposit and recording of receipts at each collection location?	Yes.	
4.31	Are bank and cash reconciled on a monthly basis?	Yes. Reviewed on a monthly basis.	
4.32	Are all unusual items on the bank reconciliation reviewed and approved by a responsible official?	Yes.	
4.33	Are all receipts deposited on a timely basis?	Yes.	
	Safeguard over Assets		
4.34	Is there a system of adequate safeguards to protect assets from fraud, waste and abuse?	Yes. <i>Management Procedures for Fixed Assets.</i>	
4.35	Are subsidiary records of fixed assets and stocks kept up to date and reconciled with control accounts?	Yes.	
4.36	Are there periodic physical inventories of fixed assets and stocks?	Yes.	
4.37	Are assets sufficiently covered by insurance policies?	Yes.	
	Other Offices and Implementing Entities		
4.38	Are there any other regional offices or executing entities participating in implementation?	No.	
4.39	Has the project established controls and procedures for flow of funds, financial information, accountability, and audits in relation to the other offices or entities?	Not applicable.	
4.40	Does information among the different offices/implementing agencies flow in an accurate and timely fashion?	Not applicable.	
4.41	Are periodic reconciliations performed among the different offices/implementing agencies?	Not applicable.	
	Advance Payments		
4.42	Does the entity have adequate guidelines for advance payments to individual staff and regional offices (if applicable)?	Yes, have adequate guidance for advance payments to individual staff.	
4.43	Do the guidelines clearly define proper authorizations, ceiling of advance amounts and appropriate liquidation periods?	Yes.	
4.44	Are controls in place to monitor outstanding advances and ensure frequent liquidation? Are the outstanding advances periodically confirmed with the concerned staff?	Yes. The business transaction department and financial inspection department have designated specific staff to monitor the settlement status of advances, with inspection methods for advance payment.	

4.45	Do regional offices open separate bank accounts or maintain cashbooks to be used exclusively for advances from ADB financing, counterpart funding and other financiers? Are the bank accounts and cashbook reconciled to the general ledger or sub-ledger on a monthly basis?	Not applicable.	
	Other		
4.46	Has the project advised employees, beneficiaries and other recipients to whom to report if they suspect fraud, waste or misuse of project resources or property?	Yes.	
5.	Internal Audit		
5.1	Is there an internal audit department in the entity?	No.	
5.2	What are the qualifications and experience of audit department staff?		
5.3	To whom does the internal auditor report?		
5.4	Will the internal audit department include the project in its work program?		
5.5	Are actions taken on the internal audit findings?		
6.	External Audit		
6.1	Is the entity financial statement audited regularly by an independent auditor? Who is the auditor?	The auditor will audit every three or four years, including leaders off-office auditing, significant project auditing. The audit department entrusts county audit bureau. The provincial audit department will be responsible for auditing the project once per year.	
6.2	Are there any delays in audit of the entity? When are the audit reports issued?	Never delay. In May or June of next fiscal year.	
6.3	Is the audit of the entity conducted according to the International Standards on Auditing?	No. In accordance with the National Standards on Auditing.	
6.4	Were there any major accountability issues brought out in the audit report of the past three years? Were there any issues noted in prior audit reports related to the operation of imprest account or use of SOE procedures?	No.	
6.5	Will the entity auditor audit the project accounts or will another auditor be appointed to audit the project financial statements?	Audited by the audit bureau.	
6.6	Are there any recommendations made by the auditors in prior audit reports or management letters that have not yet been implemented?	No.	

6.7	Is the project subject to any kind of audit from an independent governmental entity (e.g., the supreme audit institution) in addition to the external audit?	The audit is an independent government entity.	
6.8	Has the project prepared acceptable terms of reference for an annual project audit?	Foreign investment department of provincial audit department.	
7.	Reporting and Monitoring		
7.1	Are financial statements prepared for the entity? In accordance with which accounting standards?	PRC MOF No.72, Public Institution Accounting Standards. The project will prepare project financial statements in accordance with <i>WB Loan Project Accounting Method</i> .	
7.2	Are financial statements prepared for the implementing unit?	Yes.	
7.3	What is the frequency of preparation of financial statements? Are the reports prepared in a timely fashion so as to useful to management for decision making?	Monthly, yes.	
7.4	Does the reporting system need to be adapted to report on the project components?	No need to change, the project adopts another reporting system.	
7.5	Does the reporting system have the capacity to link the financial information with the project's physical progress? If separate systems are used to gather and compile physical data, what controls are in place to reduce the risk that the physical data may not synchronize with the financial data?	Yes, the project enhances to link the financial information with the PMO.	
7.6	Does the project have established financial management reporting responsibilities that specify what reports are to be prepared, what they are to contain, and how they are to be used?	<i>WB Loan Project Accounting Method</i> have made specific regulations.	
7.7	Are financial management reports used by management?	Yes.	
7.8	Do the financial reports compare actual expenditures with budgeted and programmed allocations?	Yes.	
7.9	Are financial reports prepared directly by the automated accounting system or are they prepared by spreadsheets or some other means?	Prepared directly by the automated accounting system.	
8.	Information Systems		
8.1	Is the financial management system computerized?	Yes, use UF U8 accounting software.	
8.2	Can the system produce the necessary project financial reports?	Yes.	
8.3	Is the staff adequately trained to maintain the system?	Yes. The system have trained the operation staff at first, and then will provide necessary trainings on the update of the system.	

8.4	Does the management organization and processing system safeguard the confidentiality, integrity and availability of the data?	The software is protected by passwords and authorized for approval. With data backup, the confidentiality, integrity and availability of the data can be ensured.	
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4. She County Finance Bureau and Hebei RuiqinYuan Elder Care Corporation

Name of agency	She County Finance Bureau	
Project component/Work Content that agency is responsible for	On-lend Agreement	
Name of person responsible for filling this form	Yang Junli	
Position, title and telephone of person responsible for filling this form	Foreign-related affairs section, 13703108612	
Nature of agency's responsibility for the Project (check all that apply)	<input type="checkbox"/> Provide counterpart funding <input checked="" type="checkbox"/> Sign a follow on loan contract for ADB funds <input type="checkbox"/> Management of project construction <input type="checkbox"/> Management of contributions from NGOs or project beneficiaries <input type="checkbox"/> Project operation and maintenance <input checked="" type="checkbox"/> Financial management of project <input type="checkbox"/> Generate funds from tariffs, taxes or other sources to service the ADB loan <input type="checkbox"/> Other – describe	
Topic	Response	Potential Risk Event
1. Executive/Implementing Agency		
1.1 What is the entity's legal status/registration?	Governmental agency legal person.	
1.2 Has the entity implemented an externally financed project in the past - if so, please provide details?	WB Loan Projects: 1. Water Saving Irrigation Project 2. Disease Prevention Project	
1.3 What are the statutory reporting requirements for the entity?	The budget and final account report required by the budget law..	
1.4 Is the governing body for the project independent?	No.	
1.5 Is the organizational structure appropriate for the needs of the project?	Yes.	
2. Funds Flow/Disbursement Arrangements		
2.1 Describe (proposed) project funds flow arrangements, including a chart and explanation of the flow of funds from ADB, government and other financiers.	See the main content of the report.	
2.2 Are the (proposed) arrangements to transfer the proceeds of the loan (from the government / Finance Ministry) to the entity satisfactory?	Yes.	
2.3 Does the entity have previous experience of using imprest fund and SOE procedures?	Yes.	

2.4	In which bank will the Imprest Account be opened?	The provincial financial department will be responsible for establishing the Imprest Account.	
2.5	Does the (proposed) implementing unit (EA, IA or PIU) have experience in the management of disbursements from ADB?	Yes.	
2.7	Does the entity have/need to develop capacity to manage foreign exchange risks?	Yes.	
2.8	How are the counterpart funds accessed?	Will not provide counterpart fund.	
2.9	How are payments made for the counterpart funds?	Will not provide counterpart fund.	
2.10	If part of the project is implemented by communities or NGOs, does the PIU have the necessary reporting and monitoring features built into its systems to track the use of project proceeds by such agencies?	No involvement of other organizations.	
2.11	Are the beneficiaries required to contribute to project costs? If beneficiaries have an option to contribute in kind (in the form of labor), are proper guidelines formulated to record and value the labor contribution?	Not required.	
3	Staffing (Focus on entity responsible for FM processes – and state which entity is subject of the responses)		
3.1	What is the (proposed) organizational structure of the accounting department? Attach an organization chart.		
3.2	Identify the (proposed) accounts staff, including job title, responsibilities, educational background and professional experience. Attach job descriptions and CVs of key accounting staff.	Zhao Shujun General budget accountant CPA Senior Accountant.	
3.3	Is the project finance and accounting function staffed adequately?	Yes.	
3.4	Is the finance and accounts staff adequately qualified and experienced?	Yes.	
3.5	Are the project accounts and finance staff trained in ADB procedures?	Yes.	
3.6	What is the duration of the contract with the finance and accounts staff?	Long term.	

3.7	Indicate key positions not contracted yet, and the estimated date of appointment.	Long term.	
3.8	Does the project have written position descriptions that clearly define duties, responsibilities, lines of supervision, and limits of authority for all of the officers, managers and staff?	No written form.	
3.9	At what frequency are personnel transferred?	Not frequently.	
3.10	What is training policy for the finance and accounting staff?	Continuing education.	
4.	Accounting Policies and Procedures <i>(Focus on entity responsible for FM processes – and state which entity is subject of the responses)</i>		
4.1	Does the entity have an accounting system that allows for the proper recording of project financial transactions, including the allocation of expenditures in accordance with the respective components, disbursement categories, and sources of funds? Will the project use the entity accounting system?	The financial general budget accounting system includes the content above. The project fund will use the accounting system of the entity.	
4.2	Are controls in place concerning the preparation and approval of transactions, ensuring that all transactions are correctly made and adequately explained?	Yes.	
4.3	Is the chart of accounts adequate to properly account for and report on project activities and disbursement categories?	Yes.	
4.4	Are cost allocations to the various funding sources made accurately and in accordance with established agreements?	Yes.	
4.5	Are the General Ledger and subsidiary ledgers reconciled and in balance?	Yes.	
4.6	Are all accounting and supporting documents retained on a permanent basis in a defined system that allows authorized users easy access?	Yes.	
	Segregation of Duties		

4.7	Are the following functional responsibilities performed by different units or persons: (i) authorization to execute a transaction; (ii) recording of the transaction; and (iii) custody of assets involved in the transaction?	Yes.	
4.8	Are the functions of ordering, receiving, accounting for, and paying for goods and services appropriately segregated?	Yes.	
4.9	Are bank reconciliations prepared by someone other than those who make or approve payments?	Yes.	
	Budgeting System	Yes.	
4.10	Do budgets include physical and financial targets?	Yes.	
4.11	Are budgets prepared for all significant activities in sufficient detail to provide a meaningful tool with which to monitor subsequent performance?	Yes.	
4.12	Are actual expenditures compared to the budget with reasonable frequency, and explanations required for significant variations from the budget?	Yes, once every quarter. In case of significant variations, report to the county people's congress for adjustment and approval.	
4.13	Are approvals for variations from the budget required in advance or after the fact?	To the actual conditions.	
4.14	Who is responsible for preparation and approval of budgets?	The governmental department of all levels will provide budget by their own. The financial bureau will summarize the budgets to be approved by the county people's congress.	
4.15	Are procedures in place to plan project activities, collect information from the units in charge of the different components, and prepare the budgets?	Yes.	
4.16	Are the project plans and budgets of project activities realistic, based on valid assumptions, and developed by knowledgeable individuals?	Yes.	

	Payments		
4.17	Do invoice-processing procedures provide for: (i) Copies of purchase orders and receiving reports to be obtained directly from issuing departments? (ii) Comparison of invoice quantities, prices and terms, with those indicated on the purchase order and with records of goods actually received? (iii) Comparison of invoice quantities with those indicated on the receiving reports? (iv) Checking the accuracy of calculations?	All Yes.	
4.18	Are all invoices stamped PAID, dated, reviewed and approved, and clearly marked for account code assignment?	Yes.	
4.19	Do controls exist for the preparation of the payroll and are changes to the payroll properly authorized?	Yes.	
	Policies And Procedures		
4.20	What is the basis of accounting (e.g., cash, accrual)?	Cash accounting basis.	
4.21	What accounting standards are followed?	Accounting Standards of PRC.	
4.22	Does the project have an adequate policies and procedures manual to guide activities and ensure staff accountability?	Yes.	
4.23	Is the accounting policy and procedure manual updated for the project activities?	Accounting policy will be updated according to national policies. The procedure manual will be consistently updated.	
4.24	Do procedures exist to ensure that only authorized persons can alter or establish a new accounting principle, policy or procedure to be used by the entity?	Cash accounting basis.	
4.25	Are there written policies and procedures covering all routine financial management and related administrative activities?	Yes.	
4.26	Do policies and procedures clearly define conflict of interest and related party transactions (real and apparent) and provide safeguards to protect the organization from them?	Yes.	

4.27	Are manuals distributed to appropriate personnel?	Yes.	
Cash and Bank			
4.28	Indicate names and positions of authorized signatories in the bank accounts.		
4.29	Does the organization maintain an adequate, up-to-date cashbook, recording receipts and payments?	Yes	
4.30	Do controls exist for the collection, timely deposit and recording of receipts at each collection location?	Yes.	
4.31	Are bank and cash reconciled on a monthly basis?	Yes.	
4.32	Are all unusual items on the bank reconciliation reviewed and approved by a responsible official?	Yes.	
4.33	Are all receipts deposited on a timely basis?	Yes.	
Safeguard over Assets			
4.34	Is there a system of adequate safeguards to protect assets from fraud, waste and abuse?	Yes	
4.35	Are subsidiary records of fixed assets and stocks kept up to date and reconciled with control accounts?	Yes	
4.36	Are there periodic physical inventories of fixed assets and stocks?	Yes	
4.37	Are assets sufficiently covered by insurance policies?		
Other Offices and Implementing Entities			
4.38	Are there any other regional offices or executing entities participating in implementation?	No	
4.39	Has the project established controls and procedures for flow of funds, financial information, accountability, and audits in relation to the other offices or entities?	Not applicable	
4.40	Does information among the different offices/implementing agencies flow in an accurate and timely fashion?	Not applicable	
4.41	Are periodic reconciliations performed among the different offices/implementing agencies?	Not applicable	

	Advance Payments		
4.42	Does the entity have adequate guidelines for advance payments to individual staff and regional offices (if applicable)?	Yes	
4.43	Do the guidelines clearly define proper authorizations, ceiling of advance amounts and appropriate liquidation periods?	Yes	
4.44	Are controls in place to monitor outstanding advances and ensure frequent liquidation? Are the outstanding advances periodically confirmed with the concerned staff?	Yes.	
4.45	Do regional offices open separate bank accounts or maintain cashbooks to be used exclusively for advances from ADB financing, counterpart funding and other financiers? Are the bank accounts and cashbook reconciled to the general ledger or sub-ledger on a monthly basis?	Not applicable.	
	Other		
4.46	Has the project advised employees, beneficiaries and other recipients to whom to report if they suspect fraud, waste or misuse of project resources or property?	Yes	
5.	Internal Audit		
5.1	Is there an internal audit department in the entity?	Yes.	
5.2	What are the qualifications and experience of audit department staff?	Accounting personnel, accounting qualification certificates, with many years of accounting and auditing experience.	
5.3	To whom does the internal auditor report?	Bureau Party	
5.4	Will the internal audit department include the project in its work program?	Yes.	
5.5	Are actions taken on the internal audit findings?	<i>Financial Supervision and Inspection Manual.</i>	
6.	External Audit		
6.1	Is the entity financial statement audited regularly by an independent auditor? Who is the auditor?	The county audit bureau will audit every two or three years.	
6.2	Are there any delays in audit of the entity? When are the audit reports issued?	Never delay	

6.3	Is the audit of the entity conducted according to the International Standards on Auditing?	No. according to National Standards on Auditing.	
6.4	Were there any major accountability issues brought out in the audit report of the past three years? Were there any issues noted in prior audit reports related to the operation of imprest account or use of SOE procedures?	No.	
6.5	Will the entity auditor audit the project accounts or will another auditor be appointed to audit the project financial statements?	Audited by audit bureau	
6.6	Are there any recommendations made by the auditors in prior audit reports or management letters that have not yet been implemented?	No.	
6.7	Is the project subject to any kind of audit from an independent governmental entity (e.g., the supreme audit institution) in addition to the external audit?	The audit bureau is an independent government entity.	
6.8	Has the project prepared acceptable terms of reference for an annual project audit?	Yes. The foreign investment department of provincial audit department will be responsible for auditing the project.	
7.	Reporting and Monitoring		
7.1	Are financial statements prepared for the entity? In accordance with which accounting standards?	Yes. In accordance with Budget Law of PRC, <i>Sector accounts Reporting instructions</i> .	
7.2	Are financial statements prepared for the implementing unit?	Yes.	
7.3	What is the frequency of preparation of financial statements? Are the reports prepared in a timely fashion so as to useful to management for decision making?	Monthly, yes.	
7.4	Does the reporting system need to be adapted to report on the project components?	Not needed.	

7.5	Does the reporting system have the capacity to link the financial information with the project's physical progress? If separate systems are used to gather and compile physical data, what controls are in place to reduce the risk that the physical data may not synchronize with the financial data?	Yes.	
7.6	Does the project have established financial management reporting responsibilities that specify what reports are to be prepared, what they are to contain, and how they are to be used?	Yes.	
7.7	Are financial management reports used by management?	Yes.	
7.8	Do the financial reports compare actual expenditures with budgeted and programmed allocations?	Yes.	
7.9	Are financial reports prepared directly by the automated accounting system or are they prepared by spreadsheets or some other means?	Prepared directly by the automated accounting system.	
8.	Information Systems		
8.1	Is the financial management system computerized?	Yes.	
8.2	Can the system produce the necessary project financial reports?	Yes.	
8.3	Is the staff adequately trained to maintain the system?	Yes.	
8.4	Does the management organization and processing system safeguard the confidentiality, integrity and availability of the data?	Authorized for login, timely data backup.	

Name of agency	Hebei RunqinYuan Elderly Care Co., Ltd.
Project component/Work Content that agency is responsible for	Construction, Operation, Maintenance, Operation
Name of person responsible for filling this form	Zhang Chunhui
Position, title and telephone of person responsible for filling this form	Financial department, accountant, 15832003527

Nature of agency's responsibility for the Project (check all that apply)		<input checked="" type="checkbox"/> Provide counterpart funding <input checked="" type="checkbox"/> Sign a follow on loan contract for ADB funds <input checked="" type="checkbox"/> Management of project construction <input type="checkbox"/> Management of contributions from NGOs or project beneficiaries <input checked="" type="checkbox"/> Project operation and maintenance <input checked="" type="checkbox"/> Financial management of project <input checked="" type="checkbox"/> Generate funds from tariffs, taxes or other sources to service the ADB loan <input type="checkbox"/> Other – describe	
Topic		Response	Potential Risk Event
1.	Executive/Implementing Agency		
1.1	What is the entity's legal status/registration?	Enterprise legal person, Industrial and commercial registration number: 130426040021365	
1.2	Has the entity implemented an externally financed project in the past - if so, please provide details?	No.	
1.3	What are the statutory reporting requirements for the entity?	Accounting system of small enterprises, balance sheet, profit and loss statement, cash flow statement.	
1.4	Is the governing body for the project independent?	Yes.	
1.5	Is the organizational structure appropriate for the needs of the project?	Yes.	
2.	Funds Flow/Disbursement Arrangements		
2.1	Describe (proposed) project funds flow arrangements, including a chart and explanation of the flow of funds from ADB, government and other financiers.	See the main content of the report.	
2.2	Are the (proposed) arrangements to transfer the proceeds of the loan (from the government / Finance Ministry) to the entity satisfactory?	Yes.	
2.3	Does the entity have previous experience of using imprest fund and SOE procedures?	No.	
2.4	In which bank will the Imprest Account be opened?	The provincial financial department will be responsible for establishing the imprest account.	
2.5	Does the (proposed) implementing unit (EA, IA or PIU) have experience in the management of disbursements from ADB?	No.	
2.7	Does the entity have/need to develop capacity to manage foreign exchange risks?	No.	
2.8	How are the counterpart funds accessed?	Investment from corporation legal person and loan from commercial banks.	
2.9	How are payments made for the counterpart funds?	Paid in accordance with physical works progress.	

2.10	If part of the project is implemented by communities or NGOs, does the PIU have the necessary reporting and monitoring features built into its systems to track the use of project proceeds by such agencies?	No.	
2.11	Are the beneficiaries required to contribute to project costs? If beneficiaries have an option to contribute in kind (in the form of labor), are proper guidelines formulated to record and value the labor contribution?	No.	
3	Staffing (Focus on entity responsible for FM processes – and state which entity is subject of the responses)		
3.1	What is the (proposed) organizational structure of the accounting department? Attach an organization chart.	Accountant and cashier will report to CFO.	
3.2	Identify the (proposed) accounts staff, including job title, responsibilities, educational background and professional experience. Attach job descriptions and CVs of key accounting staff.	Shi Yongxiu: CFO. Financial management for more than twenty years. Ning Yanling, accountant, financial management for more than ten years; Zhang Chunhui: Cashier.	
3.3	Is the project finance and accounting function staffed adequately?	Yes.	
3.4	Is the finance and accounts staff adequately qualified and experienced?	Yes.	
3.5	Are the project accounts and finance staff trained in ADB procedures?	No.	
3.6	What is the duration of the contract with the finance and accounts staff?	Five years.	
3.7	Indicate key positions not contracted yet, and the estimated date of appointment.	No.	
3.8	Does the project have written position descriptions that clearly define duties, responsibilities, lines of supervision, and limits of authority for all of the officers, managers and staff?	Have designated staff with detailed job description.	
3.9	At what frequency are personnel transferred?	Not frequently.	
3.10	What is training policy for the finance and accounting staff?	With accounting qualification certificate, and post compulsory education held by financial bureau.	

4.	Accounting Policies and Procedures (Focus on entity responsible for FM processes – and state which entity is subject of the responses)		
4.1	Does the entity have an accounting system that allows for the proper recording of project financial transactions, including the allocation of expenditures in accordance with the respective components, disbursement categories, and sources of funds? Will the project use the entity accounting system?	At present, the accounting system is: Accounting System of small enterprises. Not applicable for ADB project. The project will conduct financial accounting in accordance with <i>WB loan Project Accounting Method</i> .	
4.2	Are controls in place concerning the preparation and approval of transactions, ensuring that all transactions are correctly made and adequately explained?	Yes.	
4.3	Is the chart of accounts adequate to properly account for and report on project activities and disbursement categories?	Yes.	
4.4	Are cost allocations to the various funding sources made accurately and in accordance with established agreements?	Yes.	
4.5	Are the General Ledger and subsidiary ledgers reconciled and in balance?	Yes.	
4.6	Are all accounting and supporting documents retained on a permanent basis in a defined system that allows authorized users easy access?	Yes	
	Segregation of Duties		
4.7	Are the following functional responsibilities performed by different units or persons: (i) authorization to execute a transaction; (ii) recording of the transaction; and (iii) custody of assets involved in the transaction?	Yes.	
4.8	Are the functions of ordering, receiving, accounting for, and paying for goods and services appropriately segregated?	Yes.	
4.9	Are bank reconciliations prepared by someone other than those who make or approve payments?	Yes.	
	Budgeting System		
4.10	Do budgets include physical and financial targets?	There is no complete budget system, and it is being established and improved.	
4.11	Are budgets prepared for all significant activities in sufficient detail to provide a meaningful tool with which to monitor subsequent performance?	Yes.	

4.12	Are actual expenditures compared to the budget with reasonable frequency, and explanations required for significant variations from the budget?	Will have.	
4.13	Are approvals for variations from the budget required in advance or after the fact?	To be decided in accordance with actual conditions.	
4.14	Who is responsible for preparation and approval of budgets?	The specific principals will be responsible for the budget preparation; the financial department will summarize the budgets to be approved by the leaders of the corporation.	
4.15	Are procedures in place to plan project activities, collect information from the units in charge of the different components, and prepare the budgets?	Yes.	
4.16	Are the project plans and budgets of project activities realistic, based on valid assumptions, and developed by knowledgeable individuals?	Yes.	
Payments			
4.17	Do invoice-processing procedures provide for: (i) Copies of purchase orders and receiving reports to be obtained directly from issuing departments? (ii) Comparison of invoice quantities, prices and terms, with those indicated on the purchase order and with records of goods actually received? (iii) Comparison of invoice quantities with those indicated on the receiving reports? (iv) Checking the accuracy of calculations?	Yes.	
4.18	Are all invoices stamped PAID, dated, reviewed and approved, and clearly marked for account code assignment?	Yes.	
4.19	Do controls exist for the preparation of the payroll and are changes to the payroll properly authorized?	Yes.	
Policies And Procedures			
4.20	What is the basis of accounting (e.g., cash, accrual)?	Accrual accounting basis.	
4.21	What accounting standards are followed?	Accounting Standards of PRC.	
4.22	Does the project have an adequate policies and procedures manual to guide activities and ensure staff accountability?	Not yet.	
4.23	Is the accounting policy and procedure manual updated for the project activities?	The accounting policy will be prepared and updated in accordance with national policies; The procedure manual will be consistently updated.	

4.24	Do procedures exist to ensure that only authorized persons can alter or establish a new accounting principle, policy or procedure to be used by the entity?	Yes.	
4.25	Are there written policies and procedures covering all routine financial management and related administrative activities?	No.	
4.26	Do policies and procedures clearly define conflict of interest and related party transactions (real and apparent) and provide safeguards to protect the organization from them?	Yes.	
4.27	Are manuals distributed to appropriate personnel?	No.	
	Cash and Bank		
4.28	Indicate names and positions of authorized signatories in the bank accounts.	Yin Yuhua Legal Person.	
4.29	Does the organization maintain an adequate, up-to-date cashbook, recording receipts and payments?	Yes.	
4.30	Do controls exist for the collection, timely deposit and recording of receipts at each collection location?	Yes.	
4.31	Are bank and cash reconciled on a monthly basis?	Yes.	
4.32	Are all unusual items on the bank reconciliation reviewed and approved by a responsible official?	Yes.	
4.33	Are all receipts deposited on a timely basis?	Yes.	
	Safeguard over Assets		
4.34	Is there a system of adequate safeguards to protect assets from fraud, waste and abuse?	Yes. But there is no written form.	
4.35	Are subsidiary records of fixed assets and stocks kept up to date and reconciled with control accounts?	Yes.	
4.36	Are there periodic physical inventories of fixed assets and stocks?	Yes.	
4.37	Are assets sufficiently covered by insurance policies?	No.	
	Other Offices and Implementing Entities		
4.38	Are there any other regional offices or executing entities participating in implementation?	No.	

4.39	Has the project established controls and procedures for flow of funds, financial information, accountability, and audits in relation to the other offices or entities?	Yes.	
4.40	Does information among the different offices/implementing agencies flow in an accurate and timely fashion?	Yes.	
4.41	Are periodic reconciliations performed among the different offices/implementing agencies?	No.	
	Advance Payments		
4.42	Does the entity have adequate guidelines for advance payments to individual staff and regional offices (if applicable)?	No.	
4.43	Do the guidelines clearly define proper authorizations, ceiling of advance amounts and appropriate liquidation periods?	No.	
4.44	Are controls in place to monitor outstanding advances and ensure frequent liquidation? Are the outstanding advances periodically confirmed with the concerned staff?	No.	
4.45	Do regional offices open separate bank accounts or maintain cashbooks to be used exclusively for advances from ADB financing, counterpart funding and other financiers? Are the bank accounts and cashbook reconciled to the general ledger or sub-ledger on a monthly basis?	Not applicable	
	Other		
4.46	Has the project advised employees, beneficiaries and other recipients to whom to report if they suspect fraud, waste or misuse of project resources or property?	No.	
5.	Internal Audit		
5.1	Is there an internal audit department in the entity?	No.	
5.2	What are the qualifications and experience of audit department staff?		
5.3	To whom does the internal auditor report?		
5.4	Will the internal audit department include the project in its work program?		
5.5	Are actions taken on the internal audit findings?		

6.	External Audit		
6.1	Is the entity financial statement audited regularly by an independent auditor? Who is the auditor?	Not yet. The corporation will engage accounting firm to audit and issue the qualified audit reports. ADB loan project will be audited by the provincial audit department.	
6.2	Are there any delays in audit of the entity? When are the audit reports issued?	No.	
6.3	Is the audit of the entity conducted according to the International Standards on Auditing?	National Standards on Auditing.	
6.4	Were there any major accountability issues brought out in the audit report of the past three years? Were there any issues noted in prior audit reports related to the operation of imprest account or use of SOE procedures?	No.	
6.5	Will the entity auditor audit the project accounts or will another auditor be appointed to audit the project financial statements?	The provincial auditing department will designate auditors to audit the project.	
6.6	Are there any recommendations made by the auditors in prior audit reports or management letters that have not yet been implemented?	No.	
6.7	Is the project subject to any kind of audit from an independent governmental entity (e.g., the supreme audit institution) in addition to the external audit?	No.	
6.8	Has the project prepared acceptable terms of reference for an annual project audit?	Yes.	
7.	Reporting and Monitoring		
7.1	Are financial statements prepared for the entity? In accordance with which accounting standards?	Balance sheet, profit and loss statement, cash flow statement. On the basis of <i>Accounting Standards of Small Enterprises</i> .	
7.2	Are financial statements prepared for the implementing unit?	Yes.	
7.3	What is the frequency of preparation of financial statements? Are the reports prepared in a timely fashion so as to useful to management for decision making?	Prepare monthly report, quarterly report and yearly report. The timely and effective financial reports are very useful to management for decision making.	
7.4	Does the reporting system need to be adapted to report on the project components?	Not needed.	

7.5	Does the reporting system have the capacity to link the financial information with the project's physical progress? If separate systems are used to gather and compile physical data, what controls are in place to reduce the risk that the physical data may not synchronize with the financial data?	Yes.	
7.6	Does the project have established financial management reporting responsibilities that specify what reports are to be prepared, what they are to contain, and how they are to be used?	Yes.	
7.7	Are financial management reports used by management?	Yes.	
7.8	Do the financial reports compare actual expenditures with budgeted and programmed allocations?	Yes.	
7.9	Are financial reports prepared directly by the automated accounting system or are they prepared by spreadsheets or some other means?	Prepared directly by the automated accounting system.	
8.	Information Systems		
8.1	Is the financial management system computerized?	Yes. Kindess Software	
8.2	Can the system produce the necessary project financial reports?	Yes.	
8.3	Is the staff adequately trained to maintain the system?	Adequately trained and will receive re-trainings regularly.	
8.4	Does the management organization and processing system safeguard the confidentiality, integrity and availability of the data?	The financial software is protected by passwords and authorized for approval. With data backup, the confidentiality, integrity and availability of the data can be ensured.	

5. Xinji County Finance Bureau and Xinji JuyouleYuan Elder Care Corporation

Name of agency	Xij City Finance Bureau
Project component/Work Content that agency is responsible for	Sign the ADB loan onlending contract
Name of person responsible for filling this form	Wang Xiao
Position, title and telephone of person responsible for filling this form	Enterprise section of financial bureau, Deputy section chief, 83221039

Nature of agency's responsibility for the Project (check all that apply)		<input type="checkbox"/> Provide counterpart funding <input checked="" type="checkbox"/> Sign a follow on loan contract for ADB funds <input type="checkbox"/> Management of project construction <input type="checkbox"/> Management of contributions from NGOs or project beneficiaries <input type="checkbox"/> Project operation and maintenance <input checked="" type="checkbox"/> Financial management of project <input type="checkbox"/> Generate funds from tariffs, taxes or other sources to service the ADB loan <input type="checkbox"/> Other – describe	
Topic		Response	Potential Risk Event
1.	Executive/Implementing Agency		
1.1	What is the entity's legal status/registration?	Governmental agency legal person/unified social credit code: 111301810007477613	
1.2	Has the entity implemented an externally financed project in the past - if so, please provide details?	Yes. WB Loan Tuberculosis Control Project, with the total size of USD 60454.49 and repayment term from Feb 2011 to Feb 2022.	
1.3	What are the statutory reporting requirements for the entity?	Financial total budget accounting system.	
1.4	Is the governing body for the project independent?	No. The budget section will arrange budget. The business section (enterprise section) will manage the project fund, the treasury section will disburse the project loan.	
1.5	Is the organizational structure appropriate for the needs of the project?	Yes.	
2.	Funds Flow/Disbursement Arrangements		
2.1	Describe (proposed) project funds flow arrangements, including a chart and explanation of the flow of funds from ADB, government and other financiers.	See the main content of the report.	
2.2	Are the (proposed) arrangements to transfer the proceeds of the loan (from the government / Finance Ministry) to the entity satisfactory?	Yes.	
2.3	Does the entity have previous experience of using imprest fund and SOE procedures?	Yes.	
2.4	In which bank will the Imprest Account be opened?	The provincial financial department will be responsible for establishing the imprest account.	
2.5	Does the (proposed) implementing unit (EA, IA or PIU) have experience in the management of disbursements from ADB?	No.	
2.7	Does the entity have/need to develop capacity to manage foreign exchange risks?	No.	
2.8	How are the counterpart funds accessed?	No counterpart fund is provided.	
2.9	How are payments made for the counterpart funds?	No counterpart fund is provided.	

2.10	If part of the project is implemented by communities or NGOs, does the PIU have the necessary reporting and monitoring features built into its systems to track the use of project proceeds by such agencies?	No.	
2.11	Are the beneficiaries required to contribute to project costs? If beneficiaries have an option to contribute in kind (in the form of labor), are proper guidelines formulated to record and value the labor contribution?	No.	
3	Staffing (Focus on entity responsible for FM processes – and state which entity is subject of the responses)		
3.1	What is the (proposed) organizational structure of the accounting department? Attach an organization chart.	Budget section will design indicators based on budget arrangement—The business section(enterprise section) will allocate fund indicators based on project progress—The treasury section will disburse fund in accordance with the indicators of enterprise section.	
3.2	Identify the (proposed) accounts staff, including job title, responsibilities, educational background and professional experience. Attach job descriptions and CVs of key accounting staff.	(1) Budget Division (Zhang Libing, Hebei University of Economy and Trade, bachelor degree, worked in financial bureau for 16 years). Release indicators according to budget; (2) Business Division: (Enterprise section) : Wang Xiao, bachelor degree, work in financial system for 26 years, arrange the indicator progress on the project progress; (3) Treasury Division (Zhang Pu, Shanxi Institute of Finance and Economics, bachelor degree, work in financial bureau for 16 years), disburse fund in accordance with indicators.	
3.3	Is the project finance and accounting function staffed adequately?	Yes.	
3.4	Is the finance and accounts staff adequately qualified and experienced?	Yes.	
3.5	Are the project accounts and finance staff trained in ADB procedures?	No.	
3.6	What is the duration of the contract with the finance and accounts staff?	No fixed term.	
3.7	Indicate key positions not contracted yet, and the estimated date of appointment.	No.	

3.8	Does the project have written position descriptions that clearly define duties, responsibilities, lines of supervision, and limits of authority for all of the officers, managers and staff?	No.	
3.9	At what frequency are personnel transferred?	Not frequently.	
3.10	What is training policy for the finance and accounting staff?	Continuing education training of accountants, state-owned asset management training.	
4.	Accounting Policies and Procedures <i>(Focus on entity responsible for FM processes – and state which entity is subject of the responses)</i>		
4.1	Does the entity have an accounting system that allows for the proper recording of project financial transactions, including the allocation of expenditures in accordance with the respective components, disbursement categories, and sources of funds? Will the project use the entity accounting system?	The entity has accounting system. The project will use <i>WB Loan Project Accounting Method</i> .	
4.2	Are controls in place concerning the preparation and approval of transactions, ensuring that all transactions are correctly made and adequately explained?	Yes. The financial bureau will participate into the project transactions from signing agreements to disbursement of loans.	
4.3	Is the chart of accounts adequate to properly account for and report on project activities and disbursement categories?	Yes.	
4.4	Are cost allocations to the various funding sources made accurately and in accordance with established agreements?	Yes.	
4.5	Are the General Ledger and subsidiary ledgers reconciled and in balance?	Yes.	
4.6	Are all accounting and supporting documents retained on a permanent basis in a defined system that allows authorized users easy access?	Retained on a permanent basis.	
	Segregation of Duties		
4.7	Are the following functional responsibilities performed by different units or persons: (i) authorization to execute a transaction; (ii) recording of the transaction; and (iii) custody of assets involved in the transaction?	Yes.	
4.8	Are the functions of ordering, receiving, accounting for, and paying for goods and services appropriately segregated?	Yes.	
4.9	Are bank reconciliations prepared by someone other than those who make or approve payments?	Yes.	
	Budgeting System		
4.10	Do budgets include physical and financial targets?	Yes. Prepare budget in accordance with the project implementation progress.	

4.11	Are budgets prepared for all significant activities in sufficient detail to provide a meaningful tool with which to monitor subsequent performance?	Yes.	
4.12	Are actual expenditures compared to the budget with reasonable frequency, and explanations required for significant variations from the budget?	No.	
4.13	Are approvals for variations from the budget required in advance or after the fact?	No	
4.14	Who is responsible for preparation and approval of budgets?	Each authority department (entity) will be responsible for preparing the budget and the county people's congress will be responsible for approval.	
4.15	Are procedures in place to plan project activities, collect information from the units in charge of the different components, and prepare the budgets?	The department prepares draft budget—The financial bureau raises comments—The department revises the draft budget to be submitted to the financial bureau—The financial bureau summarizes the budget and reports to the city government—The city government reports to People's Congress—The People's Congress approves the financial bureau to approve draft budget—The financial bureau approves the formal budget.	
4.16	Are the project plans and budgets of project activities realistic, based on valid assumptions, and developed by knowledgeable individuals?	Yes.	
Payments			
4.17	Do invoice-processing procedures provide for: (i) Copies of purchase orders and receiving reports to be obtained directly from issuing departments? (ii) Comparison of invoice quantities, prices and terms, with those indicated on the purchase order and with records of goods actually received? (iii) Comparison of invoice quantities with those indicated on the receiving reports? (iv) Checking the accuracy of calculations?	Yes.	
4.18	Are all invoices stamped PAID, dated, reviewed and approved, and clearly marked for account code assignment?	All the invoices stamped paid, dated, reviewed and approved, but no clearly marked for account code assignment.	
4.19	Do controls exist for the preparation of the payroll and are changes to the payroll properly authorized?	Yes. The changes of payroll are authorized in the personnel department.	
Policies And Procedures			
4.20	What is the basis of accounting (e.g., cash, accrual)?	Cash accounting basis.	
4.21	What accounting standards are followed?	Accounting Standards of PRC.	

4.22	Does the project have an adequate policies and procedures manual to guide activities and ensure staff accountability?	No.	
4.23	Is the accounting policy and procedure manual updated for the project activities?	No.	
4.24	Do procedures exist to ensure that only authorized persons can alter or establish a new accounting principle, policy or procedure to be used by the entity?	Yes.	
4.25	Are there written policies and procedures covering all routine financial management and related administrative activities?	Yes.	
4.26	Do policies and procedures clearly define conflict of interest and related party transactions (real and apparent) and provide safeguards to protect the organization from them?	Yes.	
4.27	Are manuals distributed to appropriate personnel?	Yes.	
	Cash and Bank		
4.28	Indicate names and positions of authorized signatories in the bank accounts.		
4.29	Does the organization maintain an adequate, up-to-date cashbook, recording receipts and payments?	Yes.	
4.30	Do controls exist for the collection, timely deposit and recording of receipts at each collection location?	Yes.	
4.31	Are bank and cash reconciled on a monthly basis?	Yes.	
4.32	Are all unusual items on the bank reconciliation reviewed and approved by a responsible official?	Yes	
4.33	Are all receipts deposited on a timely basis?	Yes	
	Safeguard over Assets		
4.34	Is there a system of adequate safeguards to protect assets from fraud, waste and abuse?	Fixed asset management system.	
4.35	Are subsidiary records of fixed assets and stocks kept up to date and reconciled with control accounts?	Yes.	
4.36	Are there periodic physical inventories of fixed assets and stocks?	Yes.	
4.37	Are assets sufficiently covered by insurance policies?	No, except for vehicles.	
	Other Offices and Implementing Entities		
4.38	Are there any other regional offices or executing entities participating in implementation?	No.	

4.39	Has the project established controls and procedures for flow of funds, financial information, accountability, and audits in relation to the other offices or entities?	No.	
4.40	Does information among the different offices/implementing agencies flow in an accurate and timely fashion?	No.	
4.41	Are periodic reconciliations performed among the different offices/implementing agencies?	No.	
	Advance Payments		
4.42	Does the entity have adequate guidelines for advance payments to individual staff and regional offices (if applicable)?	No.	
4.43	Do the guidelines clearly define proper authorizations, ceiling of advance amounts and appropriate liquidation periods?	No.	
4.44	Are controls in place to monitor outstanding advances and ensure frequent liquidation? Are the outstanding advances periodically confirmed with the concerned staff?	No.	
4.45	Do regional offices open separate bank accounts or maintain cashbooks to be used exclusively for advances from ADB financing, counterpart funding and other financiers? Are the bank accounts and cashbook reconciled to the general ledger or sub-ledger on a monthly basis?	No.	
	Other		
4.46	Has the project advised employees, beneficiaries and other recipients to whom to report if they suspect fraud, waste or misuse of project resources or property?	Yes	
5.	Internal Audit		
5.1	Is there an internal audit department in the entity?	Yes, Inspection section. Inspect and supervise the implementation status of fund, including all units using fiscal fund.	
5.2	What are the qualifications and experience of audit department staff?	Accounting certificate.	
5.3	To whom does the internal auditor report?	Party Committee.	
5.4	Will the internal audit department include the project in its work program?	Yes.	
5.5	Are actions taken on the internal audit findings?	Accelerate disbursement progress, review the usage status.	
6.	External Audit		
6.1	Is the entity financial statement audited regularly by an independent auditor? Who is the auditor?	Xinji City audit bureau will conduct annual auditing.	

6.2	Are there any delays in audit of the entity? When are the audit reports issued?	No. Xinji City audit department will issue audit reports.	
6.3	Is the audit of the entity conducted according to the International Standards on Auditing?	According to National Standards on Accounting.	
6.4	Were there any major accountability issues brought out in the audit report of the past three years? Were there any issues noted in prior audit reports related to the operation of imprest account or use of SOE procedures?	No issues.	
6.5	Will the entity auditor audit the project accounts or will another auditor be appointed to audit the project financial statements?	The provincial audit department will designate auditors to audit the financial statements of the project.	
6.6	Are there any recommendations made by the auditors in prior audit reports or management letters that have not yet been implemented?	No.	
6.7	Is the project subject to any kind of audit from an independent governmental entity (e.g., the supreme audit institution) in addition to the external audit?	No.	
6.8	Has the project prepared acceptable terms of reference for an annual project audit?	Accept the audit of foreign investment department of provincial audit department.	
7.	Reporting and Monitoring		
7.1	Are financial statements prepared for the entity? In accordance with which accounting standards?	Yes, the entity will prepare financial statements in accordance with <i>Budget Law of PRC</i> and <i>Sector accounts Reporting Instructions</i> .	
7.2	Are financial statements prepared for the implementing unit?	Yes.	
7.3	What is the frequency of preparation of financial statements? Are the reports prepared in a timely fashion so as to useful to management for decision making?	Monthly report and annual report.	
7.4	Does the reporting system need to be adapted to report on the project components?	Not needed.	
7.5	Does the reporting system have the capacity to link the financial information with the project's physical progress? If separate systems are used to gather and compile physical data, what controls are in place to reduce the risk that the physical data may not synchronize with the financial data?	Yes.	

7.6	Does the project have established financial management reporting responsibilities that specify what reports are to be prepared, what they are to contain, and how they are to be used?	No.	
7.7	Are financial management reports used by management?	Yes.	
7.8	Do the financial reports compare actual expenditures with budgeted and programmed allocations?	Yes.	
7.9	Are financial reports prepared directly by the automated accounting system or are they prepared by spreadsheets or some other means?	Prepared directly by the automated accounting system.	
8.	Information Systems		
8.1	Is the financial management system computerized?	Yes.	
8.2	Can the system produce the necessary project financial reports?	Yes.	
8.3	Is the staff adequately trained to maintain the system?	Yes.	
8.4	Does the management organization and processing system safeguard the confidentiality, integrity and availability of the data?	Yes, with passwords and data backup.	

Name of agency	Xinji JuyouleYuan Elderly Care Co., Ltd.	
Project component/Work Content that agency is responsible for	Xinji Elderly Care Service Center	
Name of person responsible for filling this form	Niu Mouxiang	
Position, title and telephone of person responsible for filling this form	13832121674	
Nature of agency's responsibility for the Project (check all that apply)	<input checked="" type="checkbox"/> Provide counterpart funding <input type="checkbox"/> Sign a follow on loan contract for ADB funds <input checked="" type="checkbox"/> Management of project construction <input type="checkbox"/> Management of contributions from NGOs or project beneficiaries <input checked="" type="checkbox"/> Project operation and maintenance <input checked="" type="checkbox"/> Financial management of project <input checked="" type="checkbox"/> Generate funds from tariffs, taxes or other sources to service the ADB loan <input type="checkbox"/> Other – describe	
Topic	Response	Potential Risk Event

1.	Executive/Implementing Agency		
1.1	What is the entity's legal status/registration?	Enterprise Legal Person 91130181 MA07UC3Q10	
1.2	Has the entity implemented an externally financed project in the past - if so, please provide details?	None	
1.3	What are the statutory reporting requirements for the entity?	Corporation Accounting Standards	
1.4	Is the governing body for the project independent?	Yes	
1.5	Is the organizational structure appropriate for the needs of the project?	Yes	
2.	Funds Flow/Disbursement Arrangements		
2.1	Describe (proposed) project funds flow arrangements, including a chart and explanation of the flow of funds from ADB, government and other financiers.	See the main content.	
2.2	Are the (proposed) arrangements to transfer the proceeds of the loan (from the government / Finance Ministry) to the entity satisfactory?	Reasonable	
2.3	Does the entity have previous experience of using imprest fund and SOE procedures?	No	
2.4	In which bank will the Imprest Account be opened?	The provincial financial department will establish the Imprest Account.	
2.5	Does the (proposed) implementing unit (EA, IA or PIU) have experience in the management of disbursements from ADB?	None.	
2.7	Does the entity have/need to develop capacity to manage foreign exchange risks?	No	
2.8	How are the counterpart funds accessed?	The enterprise provide some, the remaining will be commercial loan.	
2.9	How are payments made for the counterpart funds?	Transferred payment.	
2.10	If part of the project is implemented by communities or NGOs, does the PIU have the necessary reporting and monitoring features built into its systems to track the use of project proceeds by such agencies?	No.	
2.11	Are the beneficiaries required to contribute to project costs? If beneficiaries have an option to contribute in kind (in the form of labor), are proper guidelines formulated to record and value the labor contribution?	No	
3	Staffing <i>(Focus on entity responsible for FM processes – and state which entity is subject of the responses)</i>		
3.1	What is the (proposed) organizational structure of the accounting department? Attach an organization chart.	Accountant Financial Division Cashier	

3.2	Identify the (proposed) accounts staff, including job title, responsibilities, educational background and professional experience. Attach job descriptions and CVs of key accounting staff.	Financial manager Section chief Account Cashier	
3.3	Is the project finance and accounting function staffed adequately?	Yes.	
3.4	Is the finance and accounts staff adequately qualified and experienced?	Yes.	
3.5	Are the project accounts and finance staff trained in ADB procedures?	No	
3.6	What is the duration of the contract with the finance and accounts staff?	Long-term	
3.7	Indicate key positions not contracted yet, and the estimated date of appointment.		
3.8	Does the project have written position descriptions that clearly define duties, responsibilities, lines of supervision, and limits of authority for all of the officers, managers and staff?	Not yet	
3.9	At what frequency are personnel transferred?	No.	
3.10	What is training policy for the finance and accounting staff?		
4.	Accounting Policies and Procedures (Focus on entity responsible for FM processes – and state which entity is subject of the responses)		
4.1	Does the entity have an accounting system that allows for the proper recording of project financial transactions, including the allocation of expenditures in accordance with the respective components, disbursement categories, and sources of funds? Will the project use the entity accounting system?	No. In accordance with <i>Accounting Method for WB Loan Project</i>	
4.2	Are controls in place concerning the preparation and approval of transactions, ensuring that all transactions are correctly made and adequately explained?	The company is newly founded, all the systems are being established.	
4.3	Is the chart of accounts adequate to properly account for and report on project activities and disbursement categories?	Yes.	
4.4	Are cost allocations to the various funding sources made accurately and in accordance with established agreements?	Yes.	

4.5	Are the General Ledger and subsidiary ledgers reconciled and in balance?	Yes.	
4.6	Are all accounting and supporting documents retained on a permanent basis in a defined system that allows authorized users easy access?	Retained on the term of accounting files.	
	Segregation of Duties		
4.7	Are the following functional responsibilities performed by different units or persons: (i) authorization to execute a transaction; (ii) recording of the transaction; and (iii) custody of assets involved in the transaction?	Yes.	
4.8	Are the functions of ordering, receiving, accounting for, and paying for goods and services appropriately segregated?	Yes.	
4.9	Are bank reconciliations prepared by someone other than those who make or approve payments?	Yes.	
	Budgeting System	As the company is newly founded company, it hasn't prepared any budget.	
4.10	Do budgets include physical and financial targets?		
4.11	Are budgets prepared for all significant activities in sufficient detail to provide a meaningful tool with which to monitor subsequent performance?		
4.12	Are actual expenditures compared to the budget with reasonable frequency, and explanations required for significant variations from the budget?		
4.13	Are approvals for variations from the budget required in advance or after the fact?		
4.14	Who is responsible for preparation and approval of budgets?		
4.15	Are procedures in place to plan project activities, collect information from the units in charge of the different components, and prepare the budgets?		
4.16	Are the project plans and budgets of project activities realistic, based on valid assumptions, and developed by knowledgeable individuals?		
	Payments		
4.17	Do invoice-processing procedures provide for: (i) Copies of purchase orders and receiving reports to be obtained directly from issuing departments? (ii) Comparison of invoice quantities, prices and terms, with those indicated on the purchase order and with records of goods actually received? (iii) Comparison of invoice quantities with those indicated on the receiving reports? (iv) Checking the accuracy of calculations?	Yes.	

4.18	Are all invoices stamped PAID, dated, reviewed and approved, and clearly marked for account code assignment?	Yes.	
4.19	Do controls exist for the preparation of the payroll and are changes to the payroll properly authorized?	Yes.	
	Policies And Procedures		
4.20	What is the basis of accounting (e.g., cash, accrual)?	Accrual System.	
4.21	What accounting standards are followed?	Accounting Standards of PRC.	
4.22	Does the project have an adequate policies and procedures manual to guide activities and ensure staff accountability?	Not established yet.	
4.23	Is the accounting policy and procedure manual updated for the project activities?		
4.24	Do procedures exist to ensure that only authorized persons can alter or establish a new accounting principle, policy or procedure to be used by the entity?	Yes.	
4.25	Are there written policies and procedures covering all routine financial management and related administrative activities?	Will have.	
4.26	Do policies and procedures clearly define conflict of interest and related party transactions (real and apparent) and provide safeguards to protect the organization from them?	Yes.	
4.27	Are manuals distributed to appropriate personnel?		
	Cash and Bank		
4.28	Indicate names and positions of authorized signatories in the bank accounts.	Li Zhiliang	
4.29	Does the organization maintain an adequate, up-to-date cashbook, recording receipts and payments?	The company is just founded.	
4.30	Do controls exist for the collection, timely deposit and recording of receipts at each collection location?	Yes.	
4.31	Are bank and cash reconciled on a monthly basis?	Yes.	
4.32	Are all unusual items on the bank reconciliation reviewed and approved by a responsible official?	Yes.	
4.33	Are all receipts deposited on a timely basis?	Yes.	
	Safeguard over Assets		
4.34	Is there a system of adequate safeguards to protect assets from fraud, waste and abuse?	Yes.	

4.35	Are subsidiary records of fixed assets and stocks kept up to date and reconciled with control accounts?	Yes.	
4.36	Are there periodic physical inventories of fixed assets and stocks?	Yes.	
4.37	Are assets sufficiently covered by insurance policies?	Yes.	
	Other Offices and Implementing Entities		
4.38	Are there any other regional offices or executing entities participating in implementation?	No.	
4.39	Has the project established controls and procedures for flow of funds, financial information, accountability, and audits in relation to the other offices or entities?	No.	
4.40	Does information among the different offices/implementing agencies flow in an accurate and timely fashion?		
4.41	Are periodic reconciliations performed among the different offices/implementing agencies?		
	Advance Payments		
4.42	Does the entity have adequate guidelines for advance payments to individual staff and regional offices (if applicable)?	As the company is newly founded, no guidelines for advance payments have been established.	
4.43	Do the guidelines clearly define proper authorizations, ceiling of advance amounts and appropriate liquidation periods?		
4.44	Are controls in place to monitor outstanding advances and ensure frequent liquidation? Are the outstanding advances periodically confirmed with the concerned staff?		
4.45	Do regional offices open separate bank accounts or maintain cashbooks to be used exclusively for advances from ADB financing, counterpart funding and other financiers? Are the bank accounts and cashbook reconciled to the general ledger or sub-ledger on a monthly basis?		
	Other		
4.46	Has the project advised employees, beneficiaries and other recipients to whom to report if they suspect fraud, waste or misuse of project resources or property?		
5.	Internal Audit		
5.1	Is there an internal audit department in the entity?	No.	
5.2	What are the qualifications and experience of audit department staff?		
5.3	To whom does the internal auditor report?		

5.4	Will the internal audit department include the project in its work program?		
5.5	Are actions taken on the internal audit findings?		
6.	External Audit		
6.1	Is the entity financial statement audited regularly by an independent auditor? Who is the auditor?	As the company is newly founded, no external audit has been conducted.	
6.2	Are there any delays in audit of the entity? When are the audit reports issued?		
6.3	Is the audit of the entity conducted according to the International Standards on Auditing?		
6.4	Were there any major accountability issues brought out in the audit report of the past three years? Were there any issues noted in prior audit reports related to the operation of imprest account or use of SOE procedures?		
6.5	Will the entity auditor audit the project accounts or will another auditor be appointed to audit the project financial statements?	External audit personnel.	
6.6	Are there any recommendations made by the auditors in prior audit reports or management letters that have not yet been implemented?		
6.7	Is the project subject to any kind of audit from an independent governmental entity (e.g., the supreme audit institution) in addition to the external audit?		
6.8	Has the project prepared acceptable terms of reference for an annual project audit?	Yes.	
7.	Reporting and Monitoring		
7.1	Are financial statements prepared for the entity? In accordance with which accounting standards?	Accounting Standards of Enterprises.	
7.2	Are financial statements prepared for the implementing unit?	Yes.	
7.3	What is the frequency of preparation of financial statements? Are the reports prepared in a timely fashion so as to useful to management for decision making?	Monthly, quarterly and yearly reports, providing information for managers through timely financial statements.	
7.4	Does the reporting system need to be adapted to report on the project components?		

7.5	Does the reporting system have the capacity to link the financial information with the project's physical progress? If separate systems are used to gather and compile physical data, what controls are in place to reduce the risk that the physical data may not synchronize with the financial data?	The financial department links with the infrastructures department timely to ensure physical data synchronize with the financial data as possible.	
7.6	Does the project have established financial management reporting responsibilities that specify what reports are to be prepared, what they are to contain, and how they are to be used?	Yes.	
7.7	Are financial management reports used by management?	Yes.	
7.8	Do the financial reports compare actual expenditures with budgeted and programmed allocations?		
7.9	Are financial reports prepared directly by the automated accounting system or are they prepared by spreadsheets or some other means?	Prepared by other means.	
8.	Information Systems		
8.1	Is the financial management system computerized?		
8.2	Can the system produce the necessary project financial reports?		
8.3	Is the staff adequately trained to maintain the system?		
8.4	Does the management organization and processing system safeguard the confidentiality, integrity and availability of the data?		

6. Yanshan University

Name of agency	Yanshan University		
Project component/Work Content that agency is responsible for	Be responsible for all the works of the subproject		
Name of person responsible for filling this form	Ou Yangyuan		
Position, title and telephone of person responsible for filling this form	Deputy director of planning and finance division, 0335-8387678		
Nature of agency's responsibility for the Project (check all that apply)	<input checked="" type="checkbox"/> Provide counterpart funding <input checked="" type="checkbox"/> Sign a follow on loan contract for ADB funds <input checked="" type="checkbox"/> Management of project construction <input checked="" type="checkbox"/> Management of contributions from NGOs or project beneficiaries <input checked="" type="checkbox"/> Project operation and maintenance <input checked="" type="checkbox"/> Financial management of project <input checked="" type="checkbox"/> Generate funds from tariffs, taxes or other sources to service the ADB loan <input type="checkbox"/> Other – describe		
Topic	Response	Potential Risk Event	
1. Executive/Implementing Agency			
1.1	What is the entity's legal status/registration?	Public institute legal person Yanshan University Unified Social Credit Code: 1213 0000402485546	
1.2	Has the entity implemented an externally financed project in the past - if so, please provide details?	Yes(JPY Loan)	
1.3	What are the statutory reporting requirements for the entity?	In accordance with institutional agency accounting system, financial system, accounting law and other regulations, establish accounting books, use the accounting items properly, fill in the accounting vouchers correctly, registration of accounts and prepare financial statements timely.	
1.4	Is the governing body for the project independent?	Yes.	
1.5	Is the organizational structure appropriate for the needs of the project?	Yes.	
2. Funds Flow/Disbursement Arrangements			
2.1	Describe (proposed) project funds flow arrangements, including a chart and explanation of the flow of funds from ADB, government and other financiers.	See Main text of the report	
2.2	Are the (proposed) arrangements to transfer the proceeds of the loan (from the government / Finance Ministry) to the entity satisfactory?	Yes.	
2.3	Does the entity have previous experience of using imprest fund and SOE procedures?	No.	
2.4	In which bank will the Imprest Account be opened?	The Provincial Finance Department will open the Imprest Account.	

2.5	Does the (proposed) implementing unit (EA, IA or PIU) have experience in the management of disbursements from ADB?	No.	
2.7	Does the entity have/need to develop capacity to manage foreign exchange risks?	No.	
2.8	How are the counterpart funds accessed?	Self-funded from the increased tuitions by the unit.	
2.9	How are payments made for the counterpart funds?	Self-funded.	
2.10	If part of the project is implemented by communities or NGOs, does the PIU have the necessary reporting and monitoring features built into its systems to track the use of project proceeds by such agencies?	No.	
2.11	Are the beneficiaries required to contribute to project costs? If beneficiaries have an option to contribute in kind (in the form of labor), are proper guidelines formulated to record and value the labor contribution?	Not required.	
3	Staffing (Focus on entity responsible for FM processes – and state which entity is subject of the responses)		
3.1	What is the (proposed) organizational structure of the accounting department? Attach an organization chart.	Organizational structure of the accounting department are described in below	
3.2	Identify the (proposed) accounts staff, including job title, responsibilities, educational background and professional experience. Attach job descriptions and CVs of key accounting staff.	Qi Weixin: Director of Planning and Finance Division, Leading(backup)Talents of national accountant, senior accountant. Zhang Tiehong: Senior accountant, bachelor, engaged in financial works for more than 20 years.	
3.3	Is the project finance and accounting function staffed adequately?	Yes.	
3.4	Is the finance and accounts staff adequately qualified and experienced?	Yes.	
3.5	Are the project accounts and finance staff trained in ADB procedures?	Yes.	
3.6	What is the duration of the contract with the finance and accounts staff?	No fixed duration as they work for public institutes.	
3.7	Indicate key positions not contracted yet, and the estimated date of appointment.	All mobilized.	
3.8	Does the project have written position descriptions that clearly define duties, responsibilities, lines of supervision, and limits of authority for all of the officers, managers and staff?	Yes.	
3.9	At what frequency are personnel transferred?	Not frequently.	
3.10	What is training policy for the finance and accounting staff?	Participate into the trainings held by the upper units.	

4.	Accounting Policies and Procedures (Focus on entity responsible for FM processes – and state which entity is subject of the responses)		
4.1	Does the entity have an accounting system that allows for the proper recording of project financial transactions, including the allocation of expenditures in accordance with the respective components, disbursement categories, and sources of funds? Will the project use the entity accounting system?	Yes. As a public institution, the entity adopts <i>Public Institution Accounting System, College Accounting Methods</i> . The project will account and audit separately, record the financial transactions in accordance with <i>WB loan Project Accounting Method</i> .	
4.2	Are controls in place concerning the preparation and approval of transactions, ensuring that all transactions are correctly made and adequately explained?	Yes. We have complete financial system, including: Internal Control Standards of Yanshan University(trial), Management Method of Fund Approval, Usage and Reimbursement of Yanshan University(trial), etc. All transactions can be reflected truly.	
4.3	Is the chart of accounts adequate to properly account for and report on project activities and disbursement categories?	Yes. We use Public Institution Accounting System and College Accounting System which are applicable for all subjects. After implementation, we will establish and apply the subject of Accounting in accordance with the requirements of <i>WB Loan Project Accounting Method</i> .	
4.4	Are cost allocations to the various funding sources made accurately and in accordance with established agreements?	Yes.	
4.5	Are the General Ledger and subsidiary ledgers reconciled and in balance?	Yes.	
4.6	Are all accounting and supporting documents retained on a permanent basis in a defined system that allows authorized users easy access?	Yes.	
	Segregation of Duties		
4.7	Are the following functional responsibilities performed by different units or persons: (i) authorization to execute a transaction; (ii) recording of the transaction; and (iii) custody of assets involved in the transaction?	Yes.	
4.8	Are the functions of ordering, receiving, accounting for, and paying for goods and services appropriately segregated?	Yes.	
4.9	Are bank reconciliations prepared by someone other than those who make or approve payments?	Yes.	
	Budgeting System		
4.10	Do budgets include physical and financial targets?	Yes.	
4.11	Are budgets prepared for all significant activities in sufficient detail to provide a meaningful tool with which to monitor subsequent performance?	Yes.	
4.12	Are actual expenditures compared to the budget with reasonable frequency, and explanations required for significant variations from the budget?	Yes, frequently. In case of significant variations, we will figure out the detailed reasons. If the actual expenditure is more than the budget, we need to get the approval of Party Committee of the College.	

4.13	Are approvals for variations from the budget required in advance or after the fact?	At present the approvals for variations are approved in advance. The project will transact in accordance with relevant requirements of <i>WB Loan Project Accounting Measures</i> .	
4.14	Who is responsible for preparation and approval of budgets?	Budget will be prepared by the medium-level units. The planning and finance division will review preliminarily and summarize the budgets, to be approved by the Congress of College Staff.	
4.15	Are procedures in place to plan project activities, collect information from the units in charge of the different components, and prepare the budgets?	Yes.	
4.16	Are the project plans and budgets of project activities realistic, based on valid assumptions, and developed by knowledgeable individuals?	Yes.	
	Payments		
4.17	Do invoice-processing procedures provide for: (i) Copies of purchase orders and receiving reports to be obtained directly from issuing departments? (ii) Comparison of invoice quantities, prices and terms, with those indicated on the purchase order and with records of goods actually received? (iii) Comparison of invoice quantities with those indicated on the receiving reports? (iv) Checking the accuracy of calculations?	Yes.	
4.18	Are all invoices stamped PAID, dated, reviewed and approved, and clearly marked for account code assignment?	Yes.	
4.19	Do controls exist for the preparation of the payroll and are changes to the payroll properly authorized?	Yes.	
	Policies And Procedures		
4.20	What is the basis of accounting (e.g., cash, accrual)?	Cash.	
4.21	What accounting standards are followed?	Accounting Standards of PRC.	
4.22	Does the project have an adequate policies and procedures manual to guide activities and ensure staff accountability?	The policies and procedures manual are in the process of being prepared.	
4.23	Is the accounting policy and procedure manual updated for the project activities?	The existing accounting system of Public Institution Accounting System will be updated in accordance with national policies. After implementation, new accounting policies and procedures will be established in accordance with WB Loan Project Accounting Method.	
4.24	Do procedures exist to ensure that only authorized persons can alter or establish a new accounting principle, policy or procedure to be used by the entity?	Yes.	

4.25	Are there written policies and procedures covering all routine financial management and related administrative activities?	Yes	
4.26	Do policies and procedures clearly define conflict of interest and related party transactions (real and apparent) and provide safeguards to protect the organization from them?	Ys. Safeguards are provided.	
4.27	Are manuals distributed to appropriate personnel?	On the preparation progress.	
	Cash and Bank		
4.28	Indicate names and positions of authorized signatories in the bank accounts.	Liu Hongmin(Yanshan University, Headmaster), Legal Person.	
4.29	Does the organization maintain an adequate, up-to-date cashbook, recording receipts and payments?	Yes.	
4.30	Do controls exist for the collection, timely deposit and recording of receipts at each collection location?	Yes.	
4.31	Are bank and cash reconciled on a monthly basis?	Yes.	
4.32	Are all unusual items on the bank reconciliation reviewed and approved by a responsible official?	Yes.	
4.33	Are all receipts deposited on a timely basis?	Yes.	
	Safeguard over Assets		
4.34	Is there a system of adequate safeguards to protect assets from fraud, waste and abuse?	Yes.	
4.35	Are subsidiary records of fixed assets and stocks kept up to date and reconciled with control accounts?	Yes.	
4.36	Are there periodic physical inventories of fixed assets and stocks?	Yes.	
4.37	Are assets sufficiently covered by insurance policies?	No.	
	Other Offices and Implementing Entities		
4.38	Are there any other regional offices or executing entities participating in implementation?	No.	
4.39	Has the project established controls and procedures for flow of funds, financial information, accountability, and audits in relation to the other offices or entities?	Not applicable.	
4.40	Does information among the different offices/implementing agencies flow in an accurate and timely fashion?	Not applicable.	
4.41	Are periodic reconciliations performed among the different offices/implementing agencies?	Not applicable.	

	Advance Payments		
4.42	Does the entity have adequate guidelines for advance payments to individual staff and regional offices (if applicable)?	Yes.	
4.43	Do the guidelines clearly define proper authorizations, ceiling of advance amounts and appropriate liquidation periods?	Yes.	
4.44	Are controls in place to monitor outstanding advances and ensure frequent liquidation? Are the outstanding advances periodically confirmed with the concerned staff?	Yes, established. Confirm the unused advance with relevant staff on a regular basis.	
4.45	Do regional offices open separate bank accounts or maintain cashbooks to be used exclusively for advances from ADB financing, counterpart funding and other financiers? Are the bank accounts and cashbook reconciled to the general ledger or sub-ledger on a monthly basis?	Not applicable.	
	Other		
4.46	Has the project advised employees, beneficiaries and other recipients to whom to report if they suspect fraud, waste or misuse of project resources or property?	Yes.	
5.	Internal Audit		
5.1	Is there an internal audit department in the entity?	Yes.	
5.2	What are the qualifications and experience of audit department staff?	Engaged in accounting for many years, with the title of accountant or above.	
5.3	To whom does the internal auditor report?	Principal leader and legal person.	
5.4	Will the internal audit department include the project in its work program?	Included.	
5.5	Are actions taken on the internal audit findings?	Figure out the reasons and rectify the matters in accordance with regulations.	
6.	External Audit		
6.1	Is the entity financial statement audited regularly by an independent auditor? Who is the auditor?	Including timely and untimely auditing. The audit department is Hebei Auditing Department.	
6.2	Are there any delays in audit of the entity? When are the audit reports issued?	No.	
6.3	Is the audit of the entity conducted according to the International Standards on Auditing?	No. In accordance with Accounting Standards of PRC.	
6.4	Were there any major accountability issues brought out in the audit report of the past three years? Were there any issues noted in prior audit reports related to the operation of imprest account or use of SOE procedures?	None.	

6.5	Will the entity auditor audit the project accounts or will another auditor be appointed to audit the project financial statements?	Audited by the auditors of the unit.	
6.6	Are there any recommendations made by the auditors in prior audit reports or management letters that have not yet been implemented?	No.	
6.7	Is the project subject to any kind of audit from an independent governmental entity (e.g., the supreme audit institution) in addition to the external audit?	Yes. Auditing Department of Hebei Province.	
6.8	Has the project prepared acceptable terms of reference for an annual project audit?	Yes.	
7.	Reporting and Monitoring		
7.1	Are financial statements prepared for the entity? In accordance with which accounting standards?	MOF No.72 in PRC, Accounting Standards of Public Institutions. The project will prepare financial statements in accordance with <i>WB Loaned Project Accounting Measures</i> .	
7.2	Are financial statements prepared for the implementing unit?	Yes.	
7.3	What is the frequency of preparation of financial statements? Are the reports prepared in a timely fashion so as to useful to management for decision making?	Prepared on monthly basis. Report timely.	
7.4	Does the reporting system need to be adapted to report on the project components?	No required. The report of college and the report of project are separate.	
7.5	Does the reporting system have the capacity to link the financial information with the project's physical progress? If separate systems are used to gather and compile physical data, what controls are in place to reduce the risk that the physical data may not synchronize with the financial data?	Yes. In the project, strengthen the linkage between the financial office and PMO.	
7.6	Does the project have established financial management reporting responsibilities that specify what reports are to be prepared, what they are to contain, and how they are to be used?	Implemented in accordance with the <i>WB Loaned Project Accounting Measures</i> .	
7.7	Are financial management reports used by management?	Yes.	
7.8	Do the financial reports compare actual expenditures with budgeted and programmed allocations?	Yes.	
7.9	Are financial reports prepared directly by the automated accounting system or are they prepared by spreadsheets or some other means?	By automated accounting system.	
8.	Information Systems		
8.1	Is the financial management system computerized?	Yes.	

8.2	Can the system produce the necessary project financial reports?	Yes.	
8.3	Is the staff adequately trained to maintain the system?	Yes.	
8.4	Does the management organization and processing system safeguard the confidentiality, integrity and availability of the data?	Yes.	

Organizational Structure of the Accounting Department of Yanshan University

