
LOAN NUMBER 3629-PRC

LOAN AGREEMENT
(Ordinary Operations)

Air Quality Improvement in the Greater Beijing–Tianjin–Hebei Region –
Regional Emission Reduction and Pollution Control Facility Project

between

PEOPLE'S REPUBLIC OF CHINA

and

ASIAN DEVELOPMENT BANK

DATED 18 October 2018

PRC 51181

LOAN AGREEMENT
(Ordinary Operations)

LOAN AGREEMENT dated 18 October 2018 between PEOPLE'S REPUBLIC OF CHINA ("Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

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

(B) the Project will be carried out by China Energy Conservation and Environment Protection Group ("CECEP"), and for this purpose the Borrower will make available to CECEP the proceeds of the loan provided for herein upon terms and conditions acceptable to ADB; and

(C) ADB has agreed to make a loan to the Borrower from ADB's ordinary capital resources upon the terms and conditions set forth herein and in the Project Agreement of even date herewith between ADB and CECEP;

NOW THEREFORE the parties hereto agree as follows:

ARTICLE I

Loan Regulations; Definitions

Section 1.01. All the provisions of ADB's Ordinary Operations Loan Regulations, dated 1 January 2017 ("Loan Regulations"), are hereby made applicable to this Loan Agreement with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications:

(a) Section 2.01(uu) is deleted and the following is substituted therefor:

"Project Agreement" means the Project Agreement of even date herewith between ADB and CECEP, as such agreement may be amended from time to time; and such project agreement includes all schedules to the Project Agreement.

(b) The term "Project Executing Agency" appearing in Section 7.01(a)(i), 9.01(d), 9.01(f), 9.01(k), 10.01(c) and 10.02(c) of the Loan Regulations shall be substituted by the term "CECEP".

Section 1.02. Wherever used in this Loan Agreement, the several terms defined in the Loan Regulations have the respective meanings therein set forth unless modified herein or the context otherwise requires. Additional terms used in this Loan Agreement have the following meanings:

- (a) "Account Bank" means an Entrusted Bank approved by ADB to act for CECEP as account-holding bank and for the Facility as account-holding bank and Entrusted Bank in this Project;
- (b) "BTH region" has the meaning set out in the PAM;
- (c) "Energy Performance Contract" means a contract setting out the terms of a Subproject, entered into by an ESCO and a third party that will host the Subproject (a "host") that is a Qualified Enterprise, whereunder the ESCO provides Goods, Works and/or services to the host and which either (i) sets out the Project requirements to be achieved by the Subproject or (ii) is supplemented by a supplementary agreement acceptable to ADB that requires the host to perform or cooperate in any Project requirements that need to be performed by the host or that require the host's cooperation in order to be performed by the ESCO;
- (d) "Entrusted Bank" means (i) a bank or banks approved in writing by ADB to act as the entrusted bank for the Facility to make Entrusted Loans and to perform other functions as specified from time to time in a Framework Cooperation Agreement between the Facility and the Entrusted Bank; or (ii) a bank acceptable to ADB retained by a Fund to make Entrusted Loans;
- (e) "Entrusted Loan" means a secured or unsecured loan made under an Entrusted Loan Agreement and using Relent Proceeds (i) made by the Facility or a Fund to a Qualified Subborrower or (ii) made by the Facility to a Fund;
- (f) "Entrusted Loan Agreement" means an agreement for debt financing to be provided at the Facility's or a Fund's risk, administered by an Entrusted Bank, using templates approved by ADB, whereunder (i) the Facility or a Fund makes a loan to a Qualified Subborrower for a Qualified Debt Subproject or (ii) the Facility makes a loan to a Fund and, in either case, which provides that it is a default if the borrower fails to comply with ADB's Project requirements for the use of ADB funds to be implemented by the Qualified Subborrower or by the Fund, which requirements, in the case of a loan to a Qualified Subborrower, may be set out in the Entrusted Loan Agreement or in a separate Subproject Agreement, and, in the case of a loan to a Fund, may be set out in the Entrusted Loan Agreement or in the Limited Partnership Agreement for such Fund;
- (g) "Equity Investment" means an investment of equity by the Facility into a Fund or by the Facility or a Fund into a Qualified Investee to support a Qualified Equity Subproject;
- (h) "Equity Investment Agreement" means an agreement between a Qualified Investee and the Facility or a Fund, using a template approved by ADB, whereunder the Facility or the Fund makes an Equity Investment in the Qualified Investee and which provides that

the investee must use the investment in accordance with all of the Project requirements in this Loan Agreement, the Project Agreement, the PAM and the ESMS to be achieved by Qualified Investees and by the relevant type of Qualified Equity Subproject, either a Subproject supported by Put-Protected Equity or by an Equity investment without a Put;

- (i) "ESCO" means a Qualified Enterprise acceptable to ADB that is an energy services company and that will pursue Subprojects in cooperation with other companies under Energy Performance Contracts;
- (j) "ESMS" means an environmental and social management system that meets the requirements of the Safeguards Policy Statement and has been approved in writing by ADB;
- (k) "Facility" means a limited partnership having CECEP as the sole limited partner and the Management Company as the general partner and facility manager, formed under a Limited Partnership Agreement;
- (l) "Framework Cooperation Agreement" means an agreement, acceptable to ADB, between (i) CECEP, the Facility and the Account Bank or (ii) between each Fund and an Entrusted Bank, and that addresses the Entrusted Bank's responsibilities in connection with Entrusted Loans, Project Implementing Contracts, cofinancing, Project-related accounts and their operation, requirements related to Entrusted Banks set out in the Project Agreement or the PAM and such other matters as ADB determines to be reasonable and prudent;
- (m) "Free Limit" means the RMB equivalent, at the time of approval of an Entrusted Loan or Equity Investment to a Qualified Enterprise, of €80,000,000 (eighty million Euro) or such other sum as shall from time to time be agreed between ADB and CECEP;
- (n) "Fund" means an equity and/or debt investment fund, approved by ADB in each case, that meets all of the criteria for investments by the Facility into Funds set out in this Loan Agreement, the Project Agreement or the PAM, into which the Facility makes an equity or debt investment, and which will make Entrusted Loans or Equity Investments in Qualified Enterprises;
- (o) "Goods" means equipment and materials to be financed out of the Relent Proceeds, including related services such as transportation, insurance, installation, commissioning, training, and initial maintenance;
- (p) "Limited Partnership Agreement" means an agreement, approved by ADB in each case, between (i) CECEP as limited partner and the Management Company as general partner and facility manager, which incorporates all of the requirements herein for CECEP to invest in the

Facility and for the Management Company to perform all of the roles identified for it in relation to the Facility and the Funds in this Project Agreement, the PAM and the ESMS, including funding Facility and Fund administration costs; or (ii) between the Facility and a Fund and/or the Fund's other investors, general partner or fund manager, as appropriate, for debt and/or equity investment by the Facility into the Fund, and which incorporates all of the requirements for the Fund to make Entrusted Loans and Equity Investments and to return monies to the Facility as provided in this Loan Agreement, the Project Agreement, the PAM and the ESMS;

- (q) "Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook (2017, as amended from time to time);
- (r) "Management Agreement" means an agreement acceptable to ADB between CECEP and the Management Company whereunder the Management Company agrees to perform the roles and tasks identified for it in relation to the Funds in the Project Agreement, the PAM and the ESMS, if any of such roles and tasks are not set out in the Facility Limited Partnership Agreement;
- (s) "Management Company" means CECEP Huayu Fund Management Co., Ltd. or another company in the CECEP group, with equivalent experience, approved by ADB in such role after due diligence;
- (t) "Onlending Agreement" means the agreement between the Borrower and CECEP referred to in Section 3.02 of this Loan Agreement;
- (u) "PAM" means the project administration manual for the Project dated 7 November 2017 and agreed between CECEP and ADB, as updated from time to time in accordance with the respective administrative procedures of the Borrower and ADB;
- (v) "Procurement Guidelines" means ADB's Procurement Guideline (2015);
- (w) "Procurement Manual" means the procurement manual for the Project in the PAM;
- (x) "Project Implementing Contracts" means agreements that implement the transactions, terms and requirements contemplated by this Loan Agreement, the Project Agreement and the PAM, including the Onlending Agreement, Framework Cooperation Agreements, Subproject Agreements (including a separate form of Subproject Agreement for use with Entrusted Loans to ESCOs), Entrusted Loan Agreements, Equity Investment Agreements, Energy Savings Contracts, Management Agreement if required, Limited Partnership Agreements, Put contracts and other contracts and agreements required under this Loan Agreement, the Project Agreement or the

PAM to be acceptable to ADB, to use templates approved by or acceptable to ADB or to be approved by ADB;

- (y) "Put" means an option contract using a template acceptable to ADB whereunder a creditworthy third party, not the issuer of the Equity Investment, agrees that it will, at the Facility or a Fund's option, buy an Equity Investment from the Facility or a Fund and that meets the requirements in the Project Agreement and the PAM;
- (z) "Put-protected Equity" means an investment in a Qualified Investee, structured as equity and fully secured by a Put;
- (aa) "Qualified Debt Subproject" means an undertaking that satisfies all requirements in this Loan Agreement, the Project Agreement and the PAM for subprojects to be supported by Entrusted Loans;
- (bb) "Qualified Enterprise" means a Qualified Subborrower or a Qualified Investee;
- (cc) "Qualified Equity Subproject" means an undertaking that satisfies all requirements in this Loan Agreement, the Project Agreement and the PAM for subprojects to be supported by the applicable type of Equity Investment: Put-Protected Equity or Equity Investment without a Put;
- (dd) "Qualified Investee" means a company, other than the Facility or a Fund, that satisfies all requirements (other than those solely applicable to the Facility or to Funds) in this Loan Agreement, the Project Agreement and the PAM for a company to receive either Put-Protected Equity or Equity Investment without a Put;
- (ee) "Qualified Subborrower" means a recipient of an Entrusted Loan (other than a Fund) that satisfies all requirements for recipients of Entrusted Loans (other than those solely applicable to Funds) in this Loan Agreement, the Project Agreement and the PAM;
- (ff) "Recycled Funds" means (i) the principal amount of Entrusted Loans that are repaid to the Facility; (ii) the original investment amount of Equity Investments that are divested by the Facility; and (iii) the original investment amounts of any equity the Facility has invested in Funds that are returned to the Facility;
- (gg) "Relent Proceeds" means all proceeds of the Loan made available to CECEP under the Onlending Agreement, all such proceeds made available to CECEP that CECEP makes available to the Facility, all such proceeds made available to the Facility that the Facility makes available to a Fund, all such proceeds made available to Funds and the Facility that they make available to Qualified Enterprises, and all Recycled Funds;
- (hh) "Safeguard Policy Statement" means the Safeguard Policy Statement of ADB (2009);

- (ii) "Specified Air Pollutants" means CO₂, PM_{2.5}, PM₁₀, O₃, SO₂, VOCs and NO_x (all as defined in the PAM) and such other air pollutants as ADB may agree from time to time;
- (jj) "Subproject" means Qualified Debt Subproject or Qualified Equity Subproject;
- (kk) "Subproject Agreement" means an agreement between the Facility or a Fund and a Qualified Subborrower, ancillary to an Entrusted Loan Agreement, which sets out all of the Project requirements to be achieved by the Qualified Subborrower and the Qualified Debt Subproject; and
- (ll) "Works" means construction or civil works to be financed out of the Relent Proceeds, including services such as drilling or mapping, and project related services that are provided as part of a single responsibility or turnkey contract.

ARTICLE II

The Loan

Section 2.01. (a) ADB agrees to lend to the Borrower from ADB's ordinary capital resources an amount of four hundred twenty-eight million Euro (€428,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.06 of this Loan Agreement.

(b) The Loan has a principal repayment period of 5 years, and a grace period as defined in subsection (c) hereinafter.

(c) The term "grace period" as used in subsection (b) hereinabove means the period prior to the first Principal Payment Date in accordance with the amortization schedule set forth in Schedule 1 to this Loan Agreement.

Section 2.02. The Borrower shall pay to ADB interest on the principal amount of the Loan withdrawn and outstanding from time to time at a rate for each Interest Period equal to the sum of:

- (a) Euribor; and
- (b) 0.60% as provided by Section 3.02 of the Loan Regulations less a credit of 0.10% as provided by Section 3.03 of the Loan Regulations.

Section 2.03. The Borrower shall pay a commitment charge of 0.15% per annum. Such charge shall accrue on the full amount of the Loan (less amounts withdrawn from time to time), commencing 60 days after the date of this Loan Agreement.

Section 2.04. Interest and other charges on the Loan shall be payable semiannually on 1 June and 1 December in each year.

Section 2.05. The Borrower shall repay the principal amount of the Loan withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Loan Agreement.

Section 2.06. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management:

- (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, whether withdrawn and outstanding or unwithdrawn, to an Approved Currency;
- (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding from a Floating Rate to a Fixed Rate, or vice versa; and
- (iii) the setting of limits on the Floating Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on said Floating Rate.

(b) Any conversion requested pursuant to subsection (a) hereinabove that is accepted by ADB shall be considered a "Conversion", as defined in Section 2.01(f) of the Loan Regulations, and shall be effected in accordance with the provisions of Article V of the Loan Regulations and the Conversion Guidelines.

ARTICLE III

Use of Proceeds of the Loan

Section 3.01. The Project for which the Loan is made is the financing by CECEP, through the Facility and Funds, of specific subprojects by making Entrusted Loans or Equity Investments for the purposes of reducing concentrations of Specified Air Pollutants in the BTH region, in accordance with this Loan Agreement and the Project Agreement.

Section 3.02. The Borrower shall onlend the Loan proceeds to CECEP under an Onlending Agreement providing for (i) the onlending of the proceeds of the Loan to CECEP at the same interest rates, bearing the same fees and having the same tenors as the Loan; (ii) CECEP to bear the foreign exchange rate risk of the Loan; and (iii) the carrying out of the Project and the rights of the Borrower and ADB with respect thereto, including undertakings from CECEP to perform all of its obligations under the Project Agreement. Such Onlending Agreement shall be on terms and conditions acceptable to ADB, and shall be without prejudice to, and without limitation on, the obligations of the Borrower under this Loan Agreement. The parties shall retain all of their rights and obligations under

such agreement during the term of the Loan Agreement. The Borrower shall cause CECEP to invest all Loan proceeds into the Facility.

Section 3.03. (a) Except as ADB may otherwise agree, the proceeds of the Loan shall be used only, through the Facility and Funds, for making Entrusted Loans and Equity Investments in accordance with the terms herein and in the Project Agreement, and Relent Proceeds shall be applied exclusively to the cost of Goods and Works and other items of expenditure required to carry out Subprojects.

(b) Except as ADB may otherwise agree, the Borrower shall procure, or cause to be procured, all Goods and Works in accordance with the provisions of Schedule 3 to this Loan Agreement.

Section 3.04. The Loan Closing Date for the purposes of Section 9.02 of the Loan Regulations shall be 30 November 2023 or such other date as may from time to time be agreed between the Borrower and ADB.

ARTICLE IV

Particular Covenants

Section 4.01. (a) The Borrower shall cause CECEP to carry out the Project with due diligence and efficiency and in conformity with sound applicable technical, financial, business and development practices.

(b) In the carrying out of the Project, the Borrower shall perform or cause to be performed, all the obligations set forth in Schedule 4 to this Loan Agreement and in the Project Agreement.

Section 4.02. In addition to the reports and information set forth in Section 7.04 of the Loan Regulations, the Borrower shall furnish, or cause to be furnished, to ADB all such reports and information as ADB shall reasonably request concerning (a) the Qualified Enterprises, the Subprojects, the Facility, the Funds, the Entrusted Loans, the Equity Investments and the Puts; and (b) the administration, operations and financial condition of CECEP.

Section 4.03. The Borrower shall enable ADB's representatives to inspect the Facility, Qualified Enterprises and Funds, and all Goods and Works, and any relevant records and documents maintained by CECEP, the Facility, any Fund or the Management Company.

Section 4.04. The Borrower shall promptly take all action, including the provision of funds, facilities, services and other resources, which shall be necessary on its part to enable CECEP to perform its obligations under the Project Agreement, and shall not take or permit any action which would interfere with the performance of such obligations.

Section 4.05. The Borrower shall exercise its rights under the Onlending Agreement in such a manner as to protect the interests of the Borrower and ADB and to accomplish the purposes of the Loan.

ARTICLE V

Effectiveness

Section 5.01. A date 90 days after the date of this Loan Agreement is specified for the effectiveness of this Loan Agreement for the purposes of Section 10.04 of the Loan Regulations.

ARTICLE VI

Miscellaneous

Section 6.01. The Borrower's Minister of Finance and any Vice Minister of Finance are designated as representatives of the Borrower for the purposes of Section 12.02 of the Loan Regulations.

Section 6.02. The following addresses are specified for the purposes of Section 12.01 of the Loan Regulations:

For the Borrower

Ministry of Finance
Sanlihe, Xicheng
District Beijing 100820
People's Republic of China

Facsimile Number:

(8610) 6855-2061

For ADB

Asian Development Bank
6 ADB Avenue Mandaluyong City
1550 Metro Manila
Philippines

Facsimile Numbers:

(632) 636-2444
(632) 636-2302.

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be signed in their respective names as of the day and year first above written and to be delivered at the principal office of ADB.

PEOPLE'S REPUBLIC OF CHINA

By 

 LIU WEIHUA
 Authorized Representative

ASIAN DEVELOPMENT BANK

By 

 BENEDICT BINGHAM
 Authorized Representative

SCHEDULE 1

Amortization Schedule

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (Installment Share). If the proceeds of the Loan shall have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by ADB by multiplying: (a) the total principal amount of the Loan withdrawn and outstanding as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayment amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

Date Payment Due	Installment Share (Expressed as a % based on 10% annuity)
1 June 2028	7.950458
1 December 2028	8.347981
1 June 2029	8.765380
1 December 2029	9.203649
1 June 2030	9.663831
1 December 2030	10.147023
1 June 2031	10.654374
1 December 2031	11.187093
1 June 2032	11.746448
1 December 2032	12.333763
Total	100.000000

2. If the proceeds of the Loan shall not have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:

- (a) to the extent that any proceeds of the Loan shall have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the amount withdrawn and outstanding as of such date in accordance with paragraph 1 of this Schedule; and
- (b) any withdrawal made after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by ADB by multiplying the amount of each such withdrawal by a fraction, the numerator of which shall be the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (the

Original Installment Share) and the denominator of which shall be the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such repayment amounts to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. Withdrawals made within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the withdrawn principal amount of the Loan to an Approved Currency, the amount so converted in said Approved Currency that shall be repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by ADB by multiplying such amount in its currency of denomination immediately prior to said Conversion by either: (i) the exchange rate that reflects the amounts of principal in said Approved Currency payable by ADB under the Currency Hedge Transaction relating to said Conversion; or (ii) if ADB so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

5. If the principal amount of the Loan withdrawn and outstanding from time to time shall be denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.

SCHEDULE 2**Allocation and Withdrawal of Loan Proceeds**General

1. The table attached to this Schedule sets forth the Categories of items of expenditure to be financed out of the proceeds of the Loan and the allocation of the Loan proceeds to each such Category ("Table"). (Reference to "Category" in this Schedule is to a Category or Subcategory of the Table).

Basis for Withdrawal from the Loan Account

2. Except as ADB may otherwise agree, the proceeds of the Loan shall be allocated to items of expenditure, and disbursed on the basis of the withdrawal percentage for each item of expenditure set forth in the Table.

Reallocation

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

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

Disbursement Procedures

4. Except as ADB may otherwise agree, the Loan proceeds shall be disbursed in accordance with the Loan Disbursement Handbook.

Retroactive Financing

5. Withdrawals from the Loan Account may be made with ADB's prior approval for (a) refinancing, with Entrusted Loans, loans made by CECEP or the Facility to Qualified

Subborrowers for Qualified Debt Subprojects before the Effective Date, and (b) making Entrusted Loans to Qualified Subborrowers to finance Qualified Debt Subprojects commenced before the Effective Date, provided that in all cases any loan being refinanced and each expenditure supported by any such Entrusted Loan was incurred not earlier than 12 months before the date of this Loan Agreement, and provided further, that all subprojects receiving any refinancing or other retroactive financing have been vetted under the ESMS and are fully compliant; subject to a maximum amount for all such refinancings or other retroactive financings equivalent to 20% of the Loan amount.

Condition for Withdrawals from Loan Account

6. Notwithstanding any other provision of this Loan Agreement, no withdrawals shall be made from the Loan Account until (a) the Onlending Agreement and the Framework Cooperation Agreement with the Account Bank and with the Entrusted Bank for any Fund then in existence have been signed; (b) a Limited Partnership Agreement has been signed for the Facility and for any Fund then in existence; (c) if ADB considers it necessary, a Management Agreement with the Managements Company has been signed; (d) templates for an Entrusted Loan Agreement for loans to Funds, an Entrusted Loan Agreement for loans to Qualified Subborrowers, a Subproject Agreement ancillary to Entrusted Loan Agreements for use in connection with Entrusted Loans to Qualified Subborrowers, an Equity Investment Agreement and Put for Put-protected Equity investments and for Equity Investments without a Put and such other Project Implementing Contracts as ADB may specify have been approved by ADB; (e) CECEP shall have opened in the Account Bank a Euro account for receiving funds from ADB and a Renminbi account for receiving converted monies from the Euro account, and the Facility shall have opened in the Account Bank a Renminbi account for receiving Recycled Funds, all on terms acceptable to ADB; (f) an ESMS has been adopted by CECEP, the Management Company, the Facility and by any Fund that has then come into existence; and (g) a binding undertaking acceptable to ADB from CECEP or from all of the shareholders of the Management Company to contribute registered capital to the Management Company in such amounts and at such times as required to pay the costs of administering the Facility and the Funds to satisfy Project standards and requirements.

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS Air Quality Improvement in the Greater Beijing–Tianjin–Hebei Region -- Regional Emission Reduction and Pollution Control Facility Project			
Number	Item	Total Amount Allocated for ADB Financing (Euro) Category	Basis for Withdrawal from the Loan Account
1	Provision of Entrusted Loans and Equity Investments*	€ 428,000,000	100% of total expenditure claimed
	TOTAL	€ 428,000,000	

* Subject to the conditions for withdrawal described in paragraph 6 of Schedule 2.

SCHEDULE 3**Procurement of Goods and Works**General

1. The procurement of Goods and Works shall be subject to and governed by the Procurement Guidelines.
2. All terms used in this Schedule and not otherwise defined in this Loan Agreement have the meanings provided in the Procurement Guidelines.

Procurement for Subprojects

3. The Borrower shall cause CECEP, through the Facility and the Funds, to ensure that each Qualified Subborrower and Qualified Investee undertakes procurement of Goods and Works in accordance with the Procurement Guidelines and with due attention to economy and efficiency and using established private sector or commercial practices acceptable to ADB as specified in the Procurement Manual in the PAM.

Industrial or Intellectual Property Rights

4. (a) The Borrower shall cause CECEP, through the Facility and the Funds, to ensure that all Goods and Works (including without limitation all computer hardware, software and systems, whether separately procured or incorporated within other goods and services procured) do not violate or infringe any industrial property or intellectual property right or claim of any third party.

(b) The Borrower shall cause CECEP, through the Facility and the Funds, to ensure that all contracts entered into by a Qualified Subborrower or Qualified Investee for the procurement of Goods and Works contain appropriate representations, warranties and, if appropriate, indemnities from the contractor or supplier with respect to the matters referred to in subparagraph (a) hereinabove.

5. The Borrower shall cause CECEP, through the Facility and the Funds, to ensure that all contracts financed in whole or in part by Relent Proceeds entered into by a Qualified Subborrower or Qualified Investee with consultants contain appropriate representations, warranties and, if appropriate, indemnities from the consultants to ensure that the consulting services do not violate or infringe any industrial property or intellectual property right or claim of any third party.

SCHEDULE 4**Execution of Project**Implementation Arrangements

1. The Borrower shall ensure that the Project is implemented in accordance with the detailed arrangements set forth in the PAM. Any subsequent change to the PAM shall become effective only after approval of such change by CECEP and ADB. In the event of any discrepancy between the PAM and this Loan Agreement, the provisions of this Loan Agreement shall prevail.

Qualified Subborrower

2. The Borrower, through CECEP, shall ensure that the Entrusted Loans provided for in this Loan Agreement and the Project Agreement to be made by the Facility or by the Funds to persons other than Funds are provided to creditworthy corporate entities that meet the selection criteria for recipients of Entrusted Loans set out from time to time in the PAM.

Qualified Investee

3. The Borrower, through CECEP, shall ensure that the Equity Investments provided for in this Loan Agreement and the Project Agreement to be made by the Facility or by the Funds into investees other than Funds are provided to corporate entities that meet the selection criteria for recipients of the particular type of equity financing to be provided, as set out from time to time in the PAM.

Investments in Funds

4. Where the Facility invests in Funds, the Borrower shall, through CECEP, ensure that such investments meet all criteria for debt or equity investments into Funds set out from time to time in this Project Agreement or the PAM.

Qualified Debt Subproject

5. The Borrower, through CECEP, shall ensure that the Entrusted Loans provided for in this Loan Agreement to be made by the Facility, other than to Funds, and to be made by the Funds are used to carry out subprojects that meet all of the following criteria: (i) the subproject is designed to effect air quality improvement in the BTH region through low- carbon, energy-efficiency, air emissions reduction or related technologies; (ii) the subproject does not involve prohibited activities listed in Appendix 5 to the Safeguard Policy Statement; (iii) the subproject does not involve any involuntary resettlement impacts or indigenous peoples impacts within the meanings of the Safeguard Policy Statement; (iv) the subproject is not Category A for environment within the meaning of the Safeguard Policy Statement; and (v) the subproject satisfies all applicable detailed technical, safeguards, financial and other criteria for Subprojects to obtain Entrusted Loans, as set out from time to time in the Project Agreement, the PAM and the ESMS.

Qualified Equity Subproject

6. The Borrower, through CECEP, shall ensure that the Equity Investments provided for in this Loan Agreement to be made by the Facility, other than into Funds, or by the Funds are used to carry out subprojects that meet all of the following criteria: (a) in the case of Equity Investments without a Put, the subproject comprises the commercial development of proprietary technology or know-how or, in the case of Put-Protected Equity, the subproject comprises a capital-intensive subproject housed in a special purpose vehicle where the sponsor lacks sufficient registered capital to raise necessary debt funding or the subproject is a capital intensive subproject in an enterprise that needs equity financing to match its risk profile; (b) the subproject is in the field of energy efficiency, environmental protection, clean energy, resource recycling and utilization or other related fields or Project-targeted industries specified from time to time in the PAM; (c) the subproject does not involve prohibited activities listed in Appendix 5 to the Safeguard Policy Statement; (d) the subproject does not involve any involuntary resettlement impacts or indigenous peoples impacts within the meanings of the Safeguard Policy Statement; (e) the subproject is not Category A for environment within the meaning of the Safeguard Policy Statement; and (f) the subproject satisfies all applicable detailed technical, safeguards, financial and other criteria for Subprojects to obtain the applicable type of Equity Investment, Put-Protected Equity or Equity Investment without a Put, as set out from time to time in the Project Agreement, the PAM and the ESMS.

Onlending Agreements; Project Implementing Contracts

7. The Borrower shall not make any proceeds of the Loan available to CECEP until (a) CECEP has signed an Onlending Agreement with the Borrower acceptable to ADB that reflects all Project activities and undertakings to be performed by CECEP and by the Management Company, the Qualified Subborrowers, Qualified Investees, the Facility and Funds; and (b) ADB has reviewed and approved the Project Implementing Contracts specified herein and in the Project Agreement to be approved by or acceptable to ADB prior to initial Loan withdrawal.