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LOAN NUMBER 3074-PRC

LOAN AGREEMENT  
(Ordinary Operations)

(Yunnan Sustainable Road Maintenance (Sector) Project)

between

PEOPLE'S REPUBLIC OF CHINA

and

ASIAN DEVELOPMENT BANK

DATED 30 MAY 2014

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PRC 45030

**LOAN AGREEMENT  
(Ordinary Operations)**

LOAN AGREEMENT dated 30 May 2014 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 Schedule 1 to this Loan Agreement;

(B) the Project shall be carried out by Yunnan Provincial Government (hereinafter called "YPG") through Yunnan Provincial Department of Transport (hereinafter called "YPDOT") and for this purpose, the Borrower shall make available through YPG to YPDOT the proceeds of the loan provided for herein upon terms and conditions satisfactory to ADB; and

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

NOW THEREFORE the parties hereto agree as follows:

**ARTICLE I**

**Loan Regulations; Definitions**

Section 1.01. All the provisions of the Ordinary Operations Loan Regulations Applicable to LIBOR-Based Loans Made from ADB's Ordinary Capital Resources, dated 1 July 2001 ("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(50) is deleted and the following is substituted therefor:

"Project Agreement" means the Project Agreement of even date herewith between ADB and the Yunnan Provincial Government.

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

**Commitment Charge; Credit; Maturity Premium.**

(a) The Borrower shall pay a commitment charge on the unwithdrawn amount of the Loan at the rate and on the terms specified in the Loan Agreement.

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

(c) The Borrower shall pay a maturity premium at the rate specified in the Loan Agreement, which maturity premium shall remain fixed for the term of the Loan. ADB shall add the maturity premium to the interest payable by the Borrower.

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

**Rebate.** (a) Following any announcement by ADB that the Fixed Spread applicable to new Loans shall be reduced, ADB shall provide a Rebate to any Borrower with an outstanding Loan on which a higher Fixed Spread is applicable. The amount of the Rebate shall be determined by multiplying (i) the difference between the Fixed Spread applicable to the outstanding Loan and the Fixed Spread that will be applied to new Loans (expressed as a percentage per annum), by (ii) the principal amount of the outstanding Loan on which the Borrower shall pay interest for all interest periods commencing on and after the effective date of the lower Fixed Spread that will be applied to new Loans.

(b) Following any announcement by ADB that its Funding Cost Margin calculations with respect to any Loan Currency (or Approved Currency) in any Semester resulted in ADB achieving savings, ADB shall provide a Rebate to the Borrower. The amount of the Rebate shall be determined by multiplying (i) the Funding Cost Margin (expressed as a percentage per annum) by (ii) the principal amount of the Loan on which the Borrower shall pay interest for the Interest Period commencing immediately after the Semester for which the Funding Cost Margin was calculated. ADB shall apply the amount of the Rebate against the interest payable by the Borrower for the Interest Period commencing immediately after the Semester for which the Funding Cost Margin was calculated.

(d) Section 3.07 is deleted and the following is substituted therefor:

**Surcharge.** (a) Following any announcement by ADB that the Fixed Spread applicable to new Loans shall be increased, any Borrower with an outstanding Loan on which a lower Fixed Spread is applicable shall pay ADB a Surcharge. The amount of the Surcharge shall be determined by multiplying (i) the difference between the Fixed Spread that will be applied to new Loans and the Fixed Spread applicable to the outstanding Loan (expressed as a percentage per annum),

by (ii) the principal amount of the outstanding Loan on which the Borrower shall pay interest for all interest periods commencing on and after the effective date of the higher Fixed Spread that will be applied to new Loans.

(b) Following any announcement by ADB that its Funding Cost Margin calculations with respect to any Loan Currency (or Approved Currency) in any Semester resulted in ADB incurring additional costs, the Borrower shall pay ADB a Surcharge. The amount of the Surcharge shall be determined by multiplying (i) the Funding Cost Margin (expressed as a percentage per annum) by (ii) the principal amount of the Loan on which the Borrower shall pay interest for the Interest Period commencing immediately after the Semester for which the Funding Cost Margin was calculated. ADB shall add the amount of the Surcharge to the interest payable by the Borrower for the Interest Period commencing immediately after the Semester for which the Funding Cost Margin was calculated.

Section 1.02. Wherever used in this Loan Agreement, 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) “ADB-financed Subprojects” means each and any of the Subprojects for road rehabilitation works, including construction or civil Works, under Outputs 1 and 2 of the Project that are to be financed by ADB;

(b) “Consulting Guidelines” means the Guidelines on the Use of Consultants by Asian Development Bank and its Borrowers (2013, as amended from time to time);

(c) “Consulting Services” means the services to be financed out of the proceeds of the Loan as described in paragraph 3 of Schedule 1 to this Loan Agreement;

(d) “Dehong Subproject” means the YPG Subproject in Ruili country of Dehong Prefecture in Yunnan Province, involving Routine Maintenance work on a network of paved roads, and piloting performance-based road maintenance contracts, as described in the PAM;

(e) “Environmental Assessment and Review Framework” or “EARF” means the environmental assessment and review framework prepared for the Project in accordance with the Safeguard Policy Statement;

(f) “Environmental Management Plan” or “EMP” means each of the 9 environmental management plans prepared for the Phase I Subprojects, the Dehong Subproject and the Wenshan Subproject, including any update thereto, incorporated in the IEE, and any of the environmental management plans that may be required to be prepared for the Phase II-IV Subprojects pursuant to the EARF;

(g) “Environmental Safeguards” means the principles and requirements set forth in Chapter V, Appendix 1, and Appendix 4 (as applicable) of the SPS;

(h) “ESSU” means the long-term environment and social safeguards and safety management unit to be established within the maintenance section of YHAB under Output 4 of the Project;

(i) “Ethnic Minorities Development Plan” or “EMDP” means any ethnic minorities development plan for the Project or any Subprojects, including any update thereto, to be prepared and submitted by YPG and YPDOT and cleared by ADB, in accordance with the Indigenous Peoples Safeguards and in the circumstances specified in paragraph 30 of the Schedule to the Project Agreement;

(j) “Goods” means equipment and materials to be financed out of the proceeds of the Loan, including related services such as transportation, insurance, installation, commissioning, training, and initial maintenance, but excluding Consulting Services;

(k) “HDM-IV” means the Highway Design and Maintenance-IV Software, being a decision-making tool for assessing engineering and economic viability of road projects in varying circumstances, developed with support from the World Bank, ADB and other international institutions;

(l) “High Priority Road Maintenance Project” means a road maintenance project identified in the Preliminary Subproject List as among those which, based on annual Subproject Software Analysis, present the highest benefits-to-cost ratio for maintenance work;

(m) “Indigenous Peoples Safeguards” means the principles and requirements set forth in Chapter V, Appendix 3, and Appendix 4 (as applicable) of the SPS;

(n) “Initial Environmental Examination” or “IEE” means the consolidated initial environmental examination for the Phase I Subprojects, the Dehong Subproject and the Wenshan Subproject, including any update thereto, prepared and submitted by YPG and YPDOT and cleared by ADB;

(o) “Institutional Development Plan” means the sector institutional development plan for modernization of YHAB prepared for the Project and set out in Linked Document 16;

(p) “Involuntary Resettlement Safeguards” means the principles and requirements set forth in Chapter V, Appendix 2, and Appendix 4 (as applicable) of the SPS;

(q) “Linked Document” means any of the documents linked to the Report and Recommendation of the President of ADB concerning the Project;

(r) “Loan Disbursement Handbook” means ADB’s Loan Disbursement Handbook (2012, as amended from time to time);

(s) “Management Letter” means formal communications from the auditor to the client management in accordance with the International Standard on Auditing 265

(communicating deficiencies in internal control to those charged with governance and management), which is not required to be provided separately as it is equivalent to the Audit Findings and Recommendations prepared by the Project auditor and submitted to ADB;

(t) “Operational Manual” means the operational manual as set out in Linked Document 19;

(u) “PAM” means the project administration manual for the Project dated 25 September 2013 and agreed between the Borrower through YPG and ADB, as updated from time to time in accordance with the respective administrative procedures of the Borrower and ADB;

(v) “Performance and Sustainability Report” means the performance and sustainability assessment report in the form appended to the PAM, provided annually for the preceding calendar year period;

(w) “Phase I” means the package of 4 Subprojects to occur in the first phase of civil Works;

(x) “Phase I Subproject” means any of the ADB-financed Subprojects for road rehabilitation referred to in paragraph 2(a)(i) of Schedule 1 to the Loan Agreement or the YPG Subprojects under Phase I, and any of the Dehong Subproject and Wenshan Subproject;

(y) “Phases II, III, and IV” mean, respectively, each of Phase II, III and IV of the Project, each consisting of a package of Subprojects to occur during the corresponding phase of civil Works and meeting the Subproject Selection Criteria;

(z) “Phase II-IV Subproject” means each and any Subproject under Phase II, Phase III, or Phase IV;

(aa) “PRC Highway Maintenance Standard” means the prevailing standard for highway maintenance in force in the territory of the Borrower;

(bb) “PRC Highway Performance Assessment Standard” means the prevailing standard for highway performance assessment in force in the territory of the Borrower;

(cc) “Procurement Guidelines” means ADB’s Procurement Guidelines (2013, as amended from time to time);

(dd) “Procurement Plan” means the procurement plan for the Project dated 25 September 2013 and agreed between the Borrower and ADB, as updated from time to time in accordance with the Procurement Guidelines, the Consulting Guidelines, and other arrangements agreed with ADB;

(ee) “Prohibited Activities List” means the list of prohibited activities appearing as Appendix 5 of the SPS;

(ff) “Project Area” means Yunnan Province of the People’s Republic of China;

(gg) “Project Executing Agency” for the purposes of, and within the meaning of, the Loan Regulations means YPG through YPDOT or any successor thereto acceptable to ADB, which is responsible for the carrying out of the Project;

(hh) “Project Management Consultants” means the project management consultants to be engaged for the Project under Output 4;

(ii) “Project Roads” means roads in the Trunk Road Network which are selected for rehabilitation and maintenance works under the Project in accordance with the terms of this Loan Agreement and the Project Agreement;

(jj) “Rehabilitation works” means (i) the category of heavy maintenance work, as defined under the PRC Highway Maintenance Standard, generally involving replacement of pavement, among others, and (ii) the category of intermediate maintenance work, as defined under the PRC Highway Maintenance Standard, generally involving pavement sealing and overlays, among others;

(kk) “Resettlement Plan” or “RP” means any resettlement plan to be prepared for any Subproject in accordance with the RF and the SPS in the circumstances specified in paragraph 28 of the Schedule to the Project Agreement;

(ll) “RF” means the resettlement framework for the Project, including any update thereto, prepared and submitted by YPDOT and cleared by ADB;

(mm) “Road Asset Management Software” means software to be introduced under Output 3 and which is designed to prioritize road maintenance works on the basis of cost-benefit considerations, taking into consideration engineering principles and economic rationales;

(nn) “Road Condition Survey” means the annual survey of road conditions to be conducted on the Trunk Road Network by YHAB in accordance with the PRC Highway Performance Assessment Standard;

(oo) “Road Sector Maintenance Strategy” means the road sector maintenance strategy set out in Linked Document 15;

(pp) “Road Sector Roadmap” means the sector performance plan in the form of the road sector roadmap set out in Linked Document 17;

(qq) “Routine Maintenance works” means the category of routine maintenance works, as defined under the PRC Highway Maintenance Standard, generally involving routine maintenance and small repairs;

(rr) “Safeguard Policy Statement” or “SPS” means ADB's Safeguard Policy Statement (2009);

(ss) “Safeguards Monitoring Report” means each report prepared and submitted by YPDOT to ADB that describes progress with implementation of and compliance with the EMPs, the EARF, the RF, the RP(s) and the EMDP (as applicable), including any corrective and preventative actions;

(tt) “Social Development Action Plan” or “SDAP” means the social development action plan developed and endorsed by YHAP and ADB for the project and set out in the PAM;

(uu) “Subproject” means each or any of the YPG Subprojects and the ADB-financed Subprojects;

(vv) “Subproject Selection Criteria” means the selection criteria for the Phase II-IV Subprojects as referred to in paragraph 8 of the Schedule to the Project Agreement;

(ww) “Trunk Road Network” means the road network in Yunnan Province managed by or under the jurisdiction of YHAB;

(xx) “Wenshan Subproject” means the Subproject for Routine Maintenance work on roads in Wenshan Prefecture of Yunnan Province, and piloting performance-based road maintenance contracts, pursuant to paragraph 2(b) of Schedule 1 to this Loan Agreement;

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

(zz) “YHAB” means the Yunnan Highway Administration Bureau;

(aaa) “YPDOT” means the Yunnan Provincial Department of Transport;

(bbb) “YPFB” means the Yunnan Provincial Finance Bureau;

(ccc) “YPG” means the Yunnan Provincial Government; and

(ddd) “YPG Subprojects” means each and any of the Subprojects for road rehabilitation works, including construction or civil works that are to be financed exclusively by YPG.

## **ARTICLE II**

### **The Loan**

Section 2.01. (a) ADB agrees to lend to the Borrower from ADB's ordinary capital resources an amount of eighty million Dollars (\$80,000,000), 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 23 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 2 to this Loan Agreement.

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

- (a) LIBOR;
- (b) 0.60% as provided by Section 3.02 of the Loan Regulations less a credit of 0.20% as provided by Section 3.03 of the Loan Regulations; and
- (c) a maturity premium of 0.20% 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 June 1 and December 1 in each year.

Section 2.05. The Borrower shall repay the principal amount of the Loan withdrawn from the Loan Account in accordance with the provisions of Schedule 2 to this Loan Agreement.

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

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

(b) Any conversion requested pursuant to subsection (a) hereinabove that is accepted by ADB shall be considered a “Conversion”, as defined in Section 2.01(6) of the Loan Regulations, and shall be effected in accordance with the provisions of Article V of the Loan Regulations and the Conversion Guidelines.

## ARTICLE III

### Use of Proceeds of the Loan

Section 3.01. (a) The Borrower shall make the proceeds of the Loan available to YPG upon terms and conditions satisfactory to ADB and shall cause YPG to apply such proceeds to the financing of expenditures on the Project in accordance with the provisions of this Loan Agreement and the Project Agreement. Except as ADB may otherwise agree, the terms for the proceeds of the Loan made available to YPG shall include (i) a commitment charge and interest at the rates identical to those applied to the Loan; (ii) a repayment period including a grace period identical to that applied to the Loan; and (iii) YPG bearing the foreign exchange and interest rate variation risks.

(b) The Borrower shall through YPG ensure that YPDOT and YHAB shall apply the proceeds of the Loan to the financing of expenditures on the Project in accordance with the provisions of this Loan Agreement and the Project Agreement.

Section 3.02. The proceeds of the Loan shall be allocated and withdrawn in accordance with the provisions of Schedule 3 to this Loan Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and ADB.

Section 3.03. Except as ADB may otherwise agree, the Borrower shall procure, or cause to be procured, the items of expenditure to be financed out of the proceeds of the Loan in accordance with the provisions of Schedule 4 to this Loan Agreement. ADB may refuse to finance a contract where any such item has not been procured under procedures substantially in accordance with those agreed between the Borrower and ADB or where the terms and conditions of the contract are not satisfactory to ADB.

Section 3.04. Except as ADB may otherwise agree, the Borrower shall cause all items of expenditure financed out of the proceeds of the Loan to be used exclusively in the carrying out of the Project.

Section 3.05. The Loan Closing Date for the purposes of Section 9.02 of the Loan Regulations shall be 31 March 2019 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 through YPG cause YPDOT and YHAB 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 and operation of the Project facilities, the Borrower shall perform, or cause to be performed, all obligations set forth in Schedule 5 to this Loan Agreement and the Project Agreement.

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

Section 4.03. The Borrower shall ensure that the activities of its departments and agencies with respect to the carrying out of the Project and operation of the Project facilities are conducted and coordinated in accordance with sound administrative policies and procedures.

Section 4.04. The Borrower shall enable ADB's representatives to inspect the Project, the Goods and Works, and any relevant records and documents relating to the Project.

Section 4.05. The Borrower shall take all actions which shall be necessary on its part to enable each of YPG, YPDOT, and YHAB 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.

## **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 Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 12.02 of the Loan Regulations.

Section 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) 6855-1125.

For ADB


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

Facsimile Numbers:


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

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be signed in their respective names 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   
ZHAO JIANHUA  
Authorized Representative

ASIAN DEVELOPMENT BANK

By   
AYUMI KONISHI  
Director General  
East Asia Department

## SCHEDULE 1

### Description of the Project

1. The objective of the Project is to improve long term sustainability and safety of the Trunk Road Network in Yunnan Province.
2. The Project shall comprise four Outputs:
  - (a) **Output 1: Trunk Road Rehabilitation** – This Output includes Subprojects for rehabilitation and safety improvement of roads, constituting part of the YPG program for rehabilitating approximately 890 km of the Trunk Road Network in Yunnan Province, as set out below:
    - (i) Phase I Subprojects: 4 ADB-financed Subprojects for road Rehabilitation works and safety improvement works on: (1) the G213 Jinning road; (2) the G213 Yuxi road; (3) the G320 Dall road; and (4) the S211 Songyu road.
    - (ii) Phase II-IV Subprojects: Subprojects for road Rehabilitation works and safety improvement works, through the implementation of selected High Priority Road Maintenance Subprojects identified by YPDOT and YHAB, satisfying the Subproject Selection Criteria, and endorsed by ADB for each of Phase II, Phase III and Phase IV.
  - (b) **Output 2: Performance-Based Road Maintenance Pilots** – This Output supports piloting performance-based maintenance contracts in selected Subprojects as further described in the PAM.
  - (c) **Output 3: Road Asset Management System** – This Output includes support for establishment of a computerized road asset management system at YHAB, including (i) a road information database consolidating existing road inventory, road conditions, equipment, and traffic; (ii) road condition evaluation system; (iii) pavement management system; (iv) routine maintenance management system; and (v) interface with the Highway Design and Management Software for works planning.
  - (d) **Output 4: Institutional Development** – This Output includes (i) improvement of environmental, social and safety management capacity through support for the 3-person ESSU under the maintenance division of YHAB; (ii) strengthening of performance-based management through introduction of annual performance and sustainability assessment reports based upon the Road Sector Roadmap; (iii) provision of the Project Management Consultants to assist with screening of Phase II-IV Subprojects, and launching of ESSU operations and guidelines; and (iv) provision of a four-year program consisting of 100 person-months of overseas training in road

maintenance engineering, road asset management, performance based maintenance, road safety, and environmental and social safeguards management.

3. Consulting Services will be provided in respect of all Outputs.
4. The Project is expected to be completed by 30 September 2018.

**SCHEDULE 2****Amortization Schedule****(Yunnan Sustainable Road Maintenance (Sector) Project)**

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

Date Payment Due	Installment Share (Expressed as a % based on 5% annuity)
1 June 2019	1.182676
1 December 2019	1.212243
1 June 2020	1.242549
1 December 2020	1.273613
1 June 2021	1.305453
1 December 2021	1.338089
1 June 2022	1.371542
1 December 2022	1.405830
1 June 2023	1.440976
1 December 2023	1.477000
1 June 2024	1.513925
1 December 2024	1.551773
1 June 2025	1.590568
1 December 2025	1.630332
1 June 2026	1.671090
1 December 2026	1.712868
1 June 2027	1.755689
1 December 2027	1.799581
1 June 2028	1.844571
1 December 2028	1.890685
1 June 2029	1.937952
1 December 2029	1.986401
1 June 2030	2.036061
1 December 2030	2.086963
1 June 2031	2.139137



<u>Date Payment Due</u>	<u>Installment Share</u> (Expressed as a % based on 5% annuity)
1 December 2031	2.192615
1 June 2032	2.247431
1 December 2032	2.303616
1 June 2033	2.361207
1 December 2033	2.420237
1 June 2034	2.480743
1 December 2034	2.542761
1 June 2035	2.606330
1 December 2035	2.671489
1 June 2036	2.738276
1 December 2036	2.806733
1 June 2037	2.876901
1 December 2037	2.948824
1 June 2038	3.022544
1 December 2038	3.098108
1 June 2039	3.175561
1 December 2039	3.254950
1 June 2040	3.336323
1 December 2040	3.419731
1 June 2041	3.505225
1 December 2041	3.592828
<b>Total</b>	<b>100.000000</b>

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

(a) To the extent that any proceeds of the Loan shall have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the amount withdrawn and outstanding as of such date in accordance with paragraph 1 of this Schedule.

(b) Any withdrawal made after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by ADB by multiplying the amount of each such withdrawal by a fraction, the numerator of which shall be the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (the Original Installment Share) and the denominator of which shall be the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such repayment amounts to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

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

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

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

### SCHEDULE 3

#### Allocation and Withdrawal of Loan Proceeds

##### General

1. The table attached to this Schedule sets forth the Categories of 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 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.

##### Statement of Expenditures

5. The statement of expenditures procedure may be used for reimbursement of eligible expenditures in accordance with the Loan Disbursement Handbook and detailed arrangements agreed upon between the Borrower and ADB. Any individual payment to be reimbursed or liquidated under the statement of expenditures procedure shall not exceed the equivalent of \$200,000.

Retroactive Financing

6. Withdrawals from the Loan Account may be made for reimbursement of eligible expenditures incurred under the Project before the Effective Date, but not earlier than 12 months before the date of this Loan Agreement in connection with Works to be financed under Category 1A (Trunk Road Rehabilitation – Phase 1) or under Category 1E (Performance-based Maintenance – Wenshan Pilot), services to be financed under Category 2 (Consulting Services and Training), and Goods to be financed under Category 3 (Equipment and Software), subject to a maximum amount equivalent to 10% of the Loan amount.

TABLE

<b>ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Yunnan Sustainable Road Maintenance (Sector) Project)</b>				
<b>Number</b>	<b>Item</b>	<b>Total Amount Allocated for ADB Financing (\$)</b>		<b>Basis for Withdrawal from the Loan Account</b>
		<b>Category</b>	<b>Subcategory</b>	
1	Works	77,550,000		
1A	Trunk Road Rehabilitation – Phase I		13,210,000	62% of total expenditure claimed
1B	Trunk Road Rehabilitation – Phase II		20,000,000	62% of total expenditure claimed
1C	Trunk Road Rehabilitation – Phase III		20,000,000	62% of total expenditure claimed
1D	Trunk Road Rehabilitation – Phase IV		14,590,000	62% of total expenditure claimed
1E	Performance Based Maintenance – Wenshan Pilot *		9,750,000	100% of total expenditure claimed
2	Consulting Services and Training	2,150,000		100% of total expenditure claimed
3	Equipment and Software	300,000		100% of total expenditure claimed
	<b>Total</b>	<b>80,000,000</b>		

\* Financing allocated to this item under this Loan Agreement shall be utilized first at 100% of every claim until it has been disbursed in full. Thereafter, financing allocated to this item from Borrower sources shall be utilized at 100% of every claim.

## SCHEDULE 4

### Procurement of Goods, Works and Consulting Services

#### General

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

#### Goods and Works

3. Except as ADB may otherwise agree, Goods and Works shall only be procured on the basis of the methods of procurement set forth below:
  - (a) International Competitive Bidding;
  - (b) National Competitive Bidding; and
  - (c) Shopping.
4. The methods of procurement are subject to, among other things, the detailed arrangements and threshold values set forth in the Procurement Plan. The Borrower may only modify the methods of procurement or threshold values with the prior agreement of ADB, and modifications must be set out in updates to the Procurement Plan.

#### Domestic Preference

5. The Borrower through YPG, YPDOT or YHAB may grant a margin of preference in the evaluation of bids under international competitive bidding in accordance with paragraphs 2.55(a) and 2.56 of the Procurement Guidelines for domestically manufactured Goods.

#### National Competitive Bidding

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

#### Conditions for Award of Contracts

7. The Borrower shall ensure that YPG through YPDOT shall not award any Works contract which involves environmental impacts until YPDOT has incorporated the relevant provisions from the EMP into the Works contract.

8. The Borrower shall ensure that YPG through YPDOT shall not award and shall not permit YHAB to award any Works contract involving involuntary resettlement impacts under any Phase I Subproject or Phase II-IV Subprojects for which an RP is required to be prepared in accordance with the RF, until YPG through YPDOT has prepared and submitted to ADB the final RP based on the relevant detailed design and obtained ADB's clearance of such RP.

9. The Borrower shall ensure that YPG through YPDOT shall not award, and shall ensure that YHAB shall not award, any Works contract which involves adverse impacts on indigenous peoples; provided however that in the event that Works in respect of any Project facilities are later determined to potentially involve any impacts on indigenous peoples, as determined under the Safeguard Policy Statement, no Works contract shall be awarded until YPDOT has prepared and submitted to ADB a final EMDP and obtained ADB's clearance of such EMDP.

10. Notwithstanding any other provision of this Loan Agreement, the Borrower through YPG shall ensure that YPDOT and YHAB shall not award, any Works contract in respect of Works under each of the Categories 1B, 1C, or 1D in the Table, until YPDOT, YHAB and ADB shall have concluded a memorandum of understanding in respect of the corresponding Phase, following a joint review of preparatory steps, including selection of the proposed Subprojects for the upcoming Phase, and of the status of agreed measures under the Road Sector Roadmap.

#### Consulting Services

11. Except as ADB may otherwise agree, the Borrower shall apply quality- and cost-based selection for selecting and engaging Consulting Services.

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

#### Industrial or Intellectual Property Rights

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

(b) The Borrower shall ensure that all contracts for the procurement of Goods and Works contain appropriate representations, warranties and, if appropriate, indemnities from the contractor or supplier with respect to the matters referred to in subparagraph (a) of this paragraph.

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

ADB's Review of Procurement Decisions

15. Contracts procured under international competitive bidding procedures, contracts procured under national competitive bidding procedures, and contracts for Consulting Services shall be subject to prior review by ADB, unless otherwise agreed between the Borrower and ADB and set forth in the Procurement Plan.



**SCHEDULE 5****Execution of Project; Financial Matters**Implementation Arrangements

1. The Borrower through YPG shall ensure that YPDOT and YHAB shall implement the Project 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 YPDOT and ADB. In the event of any discrepancy between the PAM and this Loan Agreement, the provisions of this Loan Agreement shall prevail.

2. The Borrower through YPG, YPDOT and YHAB, shall ensure that throughout the Project implementation period, the ADB project office is staffed adequately with competent full-time personnel, according to the staffing schedule agreed with ADB.

Counterpart Financing

3. The Borrower shall through YPG ensure that (a) counterpart funds, necessary for the Project, are provided in time; and (b) additional counterpart funding is provided to cover any funding shortfalls that may occur during Project implementation.