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LOAN NUMBER 3308-PRC

LOAN AGREEMENT  
(Ordinary Operations)

(Chemical Industry Energy Efficiency and Emission Reduction Project)

between

PEOPLE'S REPUBLIC OF CHINA

and

ASIAN DEVELOPMENT BANK

DATED 29 JANUARY 2016

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PRC 47051

**LOAN AGREEMENT**  
**(Ordinary Operations)**

LOAN AGREEMENT dated 29 January 2016 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 will be carried out by the China National Chemical Corporation ("ChemChina"), the China Haohua Chemical Group Co., Ltd. ("CHC") through Beijing Zhonghao Huatai Energy Technology ("Huatai"), and the China Construction Bank Corporation and for this purpose the Borrower will make available, through China Construction Bank Corporation to ChemChina, and through ChemChina to CHC 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 between ADB of one part and China Construction Bank Corporation, Beijing Branch, ChemChina, and CHC of the other part;

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 on one part and China Construction Bank Corporation, Beijing Branch, ChemChina, and CHC on the other part.

(b) The term "Project Executing Agency" appearing in Section 7.04(b), 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 China Construction Bank Corporation, Beijing Branch through its Anhui Sub-branch, ChemChina, and CHC.

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

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

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

- (d) 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.

- (e) 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) "CCB" means China Construction Bank Corporation, Beijing Branch, through its Anhui Sub-branch duly incorporated in the territory of the Borrower, or any successor thereto acceptable to ADB;

(b) "CGY" means the Borrower's Zhonghao Chenguang Research Institute of Chemical Industry;

(c) "CHC" means China Haohua Chemical Group Co., Ltd. duly incorporated in the territory of the Borrower, or any successor thereto acceptable to ADB;

(d) "ChemChina" means China National Chemical Corporation duly incorporated in the territory of the Borrower, or any successor thereto acceptable to ADB;

(e) "CNY" or "Yuan" means currency of the Borrower;

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

(g) "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;

(h) "DSC" means Dezhou Shihua Chemical, a wholly owned subsidiary of CHC, located in Dezhou, Shandong Province of the Borrower;

(i) "EAR" or "Environmental Audit Report" means the environmental audit report prepared for the Project, including any update thereto, incorporated in the EIA or IEE, as applicable;

(j) "EIA" or "Environmental Impact Assessment" means the environmental impact assessment for the Subprojects, including any update thereto, prepared or to be prepared and submitted by ChemChina and cleared by ADB;

(k) "EMP" or "Environmental Management Plan" means each environmental management plan for the Subprojects, including any update thereto, incorporated in the EIA or IEE, as applicable;

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

(m) "ESCO" means energy service company;

(n) "ESMS" means the environmental and social management system for the Project, including any update thereto, prepared and submitted by the Borrower and cleared by ADB;

(o) "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;

(p) "HCFC-22" means hydrochlorofluorocarbon;

(q) "HIV/AIDS" means human immunodeficiency virus/acquired immune deficiency syndrome;

(r) "Huatai" means Beijing Zhonghao Huatai Energy Technology duly incorporated in the territory of the Borrower, or any successor thereto acceptable to ADB;

(s) "IEE" or "Initial Environmental Examination" means each initial environmental examination for Subprojects of the Subsequent Batches, including any update thereto, to be prepared, if needed, and submitted by ChemChina pursuant to the requirements set forth in the ESMS;

(t) "IDA" means an interest difference account to be established at CCB, as more fully described in paragraph 16 of Schedule to the Project Agreement and the PAM;

(u) "Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook (2015, as amended from time to time);

(v) "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;

(w) "Montreal Protocol" means an international treaty designed to protect the ozone layer by phasing out the production of numerous substances that are responsible for ozone depletion;

(x) "O&M" means operations and maintenance;

(y) "Onlending Agreement" means any agreement for relending or onlending the proceeds of the Loan, as more fully described in Sections 3.01(a) and (b) of this Loan Agreement;

(z) "PAM" means the project administration manual for the Project dated 8 September 2015 and agreed between CCB, ChemChina, CHC and ADB, as updated from time to time in accordance with the respective administrative procedures of the Borrower and ADB;

(aa) "PIU" means the Project implementing unit established at Huatai for implementation of the Project and as described in the PAM;

(bb) "Procurement Guidelines" means ADB's Procurement Guidelines (2015, as amended from time to time);

(cc) "Procurement Plan" means the procurement plan for the Project dated 8 September 2015 and agreed between CCB, ChemChina, CHC, and ADB, as updated from time to time in accordance with the Procurement Guidelines, the Consulting Guidelines, and other arrangements agreed with ADB;

(dd) "Project Executing Agency" for the purposes of, and within the meaning of, the Loan Regulations means ChemChina, which is responsible for the carrying out of the Project;

(ee) "Project facilities" means facilities to be constructed, rehabilitated, upgraded, produced, and/or maintained under the Project;

(ff) "Project Implementing Agency" means CHC through PIU, which is responsible for implementing the Project, as more fully described in the PAM;

(gg) "PVC" means polyvinyl chloride;

(hh) "REF" means the revolving escrow fund to be deposited into, and/or repaid to, the REF account;

(ii) "REF account" means the revolving escrow fund account to be established at CCB for financing of the Subprojects under the Project;

(jj) "REF and IDA Management Agreement" means an agreement between CCB and CHC outlining the roles and responsibilities of CCB and CHC with respect to the management and administration of the REF account and the IDA;

(kk) "Residual Exchange Rate Risk" means the risk of decline of CNY's value against the Dollar between the duration of disbursement by ADB and repayment of the Loan back to ADB;

(ll) "Safeguards Monitoring Report" means each report prepared and submitted by the Borrower to ADB that describes progress with implementation of and compliance with the EMP, and the ESMS (as applicable), including any corrective and preventative actions;

(mm) "Selection Criteria" means a set of technical, financial, economic, social and safeguards criteria for selection of Subprojects, to be financed under the Project, as agreed between ChemChina, CHC, CCB, and ADB and as described in the PAM;

(nn) "SPS" or "Safeguard Policy Statement" means ADB's Safeguard Policy Statement (2009);

(oo) "Statement of Utilization of Funds" shall have the meaning ascribed to it in the PAM;

(pp) "Subborrower" means an enterprise, which satisfies the Selection Criteria and to which PIU proposes to make a Subloan;

(qq) "Subloan" means a loan proposed to be made by CHC through CCB out of the proceeds of the Loan to a Subborrower for a Subproject;

(rr) "Subloan Agreement" means an agreement to be signed between CCB, a Subborrower and any other party as applicable for a Subloan and referred to in Section 3.01(c) of this Loan Agreement;

(ss) "Subproject" means any subproject to be financed under the Project, which satisfies the Selection Criteria, including the Subprojects of the First Batch and the Subprojects of the Subsequent Batches;

(tt) "Subproject Agreement" means an agreement to be signed between CHC, a Subborrower and any other party as applicable for implementation of Subprojects and as referred to in Section 3.01 (c) of this Loan Agreement;

(uu) "Subproject of the First Batch" means subproject 1 and subproject 2 as described in paragraph 2 of Schedule 1 to this Loan Agreement to be carried out by a Subborrower during the Project Implementation Period utilizing the proceeds of a Subloan, as more fully described in the PAM;

(vv) "Subproject of the Subsequent Batches" means a specific Subproject to be selected in accordance with the Selection Criteria and implemented in accordance with the PAM during the Project implementation and to be financed out of the REF; and

(ww) "Works" means construction or civil works to be financed out of the proceeds of the REF, including services such as drilling or mapping, and Project related services that are provided as part of a single responsibility or turnkey contract, but excluding Consulting Services.

## ARTICLE II

### The Loan

Section 2.01. (a) ADB agrees to lend to the Borrower from ADB's ordinary capital resources an amount of one hundred million Dollars (\$100,000,000), 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 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; 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 15 April and 15 October in each year.

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

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

- (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, whether withdrawn and outstanding or unwithdrawn, to an Approved Currency;
- (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding from a Floating Rate to a Fixed Rate, or vice versa; and



- (iii) the setting of limits on the Floating Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on said Floating Rate.

(b) Any conversion requested pursuant to 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 onlend the proceeds of the Loan to CCB through its headquarters under an Onlending Agreement. Such Onlending Agreement shall be without prejudice to, and without limitation on the obligations of the Borrower under this Loan Agreement.

(a) The Borrower shall cause CCB to ensure that the proceeds of the Loan are onlent to ChemChina and through ChemChina to CHC under their respective Onlending Agreements upon terms and conditions, including (i) commitment charge and interest at the rates identical to those applied to the Loan; (ii) CCB through its headquarters charging 1% margin as onlending fee; (iii) a repayment period including a grace period identical to those applied to the Loan; and (iv) ChemChina bearing the foreign exchange and interest rate variation risks.

(b) The Borrower, through ChemChina, shall cause CHC to (i) entrust CCB with the management of the Loan proceeds; (ii) establish the REF Account and IDA at CCB; (iii) execute the REF and IDA Management Agreement with CCB; and (iv) onlend, through CCB, the proceeds of the Loan to Subborrowers under the Subloan Agreements and the Subproject Agreements both in form and on terms and conditions acceptable to ADB, including the conditions that (i) Subborrowers shall bear the foreign exchange and interest rate variation risks for their respective Subproject; and (ii) CHC shall bear the Residual Exchange Rate Risk and interest rate variation risk.

Section 3.02. (a) Except as ADB may otherwise agree, the proceeds of the Loan shall be used only for making Subloans to Subborrowers and shall be applied exclusively to the cost of Goods and Consulting Services and other items of expenditure required to carry out such Subprojects.

(b) Except as ADB may otherwise agree, the Borrower shall cause CHC through ChemChina to procure all Goods and Consulting Services in accordance with the provisions of Schedule 4 to this Loan Agreement.

Section 3.03. The proceeds of the Loan shall be allocated and withdrawn for the implementation of Subprojects 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 3.04. The Loan Closing Date for the purposes of Section 9.02 of the Loan Regulations shall be 31 August 2021 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 the Project to be carried out 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 obligations set forth in Schedule 5 to this Loan Agreement and 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 the Subborrowers, CCB, the Subprojects and the Subloans..

Section 4.03. The Borrower shall enable ADB's representatives to inspect any Subborrower, any Subproject, the Goods, and any relevant records and documents related to the Project maintained by CCB.

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

Section 4.05. (a) The Borrower shall through ChemChina cause CHC, and CCB to exercise their respective rights under their respective Onlending Agreements, Subloan Agreements, the Subproject Agreements and the REF and IDA Management Agreement in such a manner as to protect the interests of the Borrower and ADB and to accomplish the purposes of the Loan.

(b) No rights or obligations under the Onlending Agreements, Subloan Agreements, the Subproject Agreements, and the REF and IDA Management Agreement shall be assigned, amended, abrogated or waived without the prior concurrence of ADB.

## **ARTICLE V**

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

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

(a) Any party to the REF and IDA Management Agreement shall have failed to perform any of its material obligations under the REF and IDA Management Agreement;

(b) The REF and IDA Management Agreement shall have been repealed, suspended, amended or modified without obtaining prior agreement of ADB;

(c) Any material organizational change, either financial or operational, or any material change to the legal character, ownership or control of CCB shall have been made, provided that such change is determined to adversely affect CCB's ability to perform its obligations under this Loan Agreement, the Project Agreement or the REF and IDA Management Agreement; and

(d) CCB and CHC shall have failed to identify suitable Subprojects by the Loan Closing Date.

Section 5.02. The following are specified as additional events for acceleration of maturity for the purposes of Section 9.07(a)(iv) of the Loan Regulations: any of the events specified in Section 5.01 of this Loan Agreement shall have occurred.

## **ARTICLE VI**

### **Effectiveness**

Section 6.01. A date 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 VII**

### **Miscellaneous**

Section 7.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 12.02 of the Loan Regulations.

Section 7.02. The following addresses are specified for the purposes of Section 12.01 of the Loan Regulations:

For the Borrower

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

Facsimile Number:

(8610) 6855-2061.

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

  
\_\_\_\_\_  
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 improved energy efficiency and reduced emissions from PVC and fluoropolymer production by ChemChina.
2. The Project for which the Loan is made is the financing of specific Subprojects by making Subloans in accordance with the PAM, this Loan Agreement, and the Project Agreement and includes the following Subprojects:
  - (i) Subproject 1. Demonstration of more efficient and less hazardous PVC technology at a commercial scale at DSC; and
  - (ii) Subproject 2. Improvement of energy efficiency and greenhouse gas abatement through ESCO approach at CGY.
3. The Project will include provision of Consulting Services to provide support for (a) Project implementation; and (b) safeguards and related matters.
4. The Project is expected to be completed by 28 February 2021.

## SCHEDULE 2

### Amortization Schedule

#### (Chemical Industry Energy Efficiency and Emission Reduction Project)

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

<u>Payment Due</u>	<u>Installment Share</u> (Expressed as a %)
15 April 2026	10.000000
15 October 2026	10.000000
15 April 2027	10.000000
15 October 2027	10.000000
15 April 2028	10.000000
15 October 2028	10.000000
15 April 2029	10.000000
15 October 2029	10.000000
15 April 2030	10.000000
15 October 2030	10.000000
<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 for the Subprojects

##### 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, by notice to the Borrower, (i) reallocate to such Category, to the extent required to meet the estimated shortfall, amounts of the Loan which have been allocated to another Category but, in the opinion of ADB, are not needed to meet other expenditures, and (ii) if such reallocation cannot fully meet the estimated shortfall, reduce the withdrawal percentage applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made; and

(b) if the amount of the Loan allocated to any Category appears to exceed all agreed expenditures in that Category, ADB may, by notice to the Borrower, reallocate such excess amount to any other Category.

##### Disbursement Procedures

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 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 procurement of Goods and Consulting Services, subject to a maximum amount equivalent to 20% of the Loan amount.



Conditions for Withdrawals from Loan Account

6. Notwithstanding any other provision of this Loan Agreement, no withdrawals shall be made from the Loan Account until CHC has certified to ADB that (a) the Subproject Agreements for the Subprojects of the First Batch have been duly authorized or ratified by, and executed and delivered on behalf of CHC, Huatai, and CGY and CHC and DSC, and are fully effective and legally binding upon the parties thereto; (b) the Subloan Agreements for the Subprojects of the First Batch have been duly authorized or ratified by, and executed and delivered on behalf of CCB and DSC and CCB and Huatai, and are fully effective and legally binding upon the parties thereto; and (c) the ESMS in a manner satisfactory to ADB has been established.

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS FOR THE SUBPROJECTS OF THE FIRST BATCH (Chemical Industry Energy Efficiency and Emission Reduction Project)			
Number	Item	Total Amount Allocated for ADB Financing (\$) Category	Basis for Withdrawal from the Loan Account
1	Subloan to DSC for Subproject 1*	80,000,000	100% of total expenditure claimed
2	Subloan to Huatai for Subproject 2*	20,000,000	100% of total expenditure claimed
	<b>Total</b>	100,000,000	

\*Subject to the condition for withdrawal described in paragraph 6 of Schedule 3.

**SCHEDULE 4****Procurement of Goods and Consulting Services for Subprojects**General

1. The procurement of Goods 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

3. Except as ADB may otherwise agree, Goods for the Subprojects of the First Batch shall be procured on the basis of international competitive bidding method of procurement.
4. The method of procurement is subject to, among other things, the detailed arrangements and threshold values set forth in the Procurement Plan. ChemChina may only modify the method of procurement or threshold value with the prior agreement of ADB, and modifications must be set out in updates to the Procurement Plan.
5. Except as ADB may otherwise agree, the Borrower shall cause CCB and CHC through ChemChina to ensure that each Subborrower undertakes procurement of (a) Goods for the Subprojects of the First Batch below the threshold value set forth for the international competitive bidding method; and (b) Goods, Works, and Consulting Services for the Subprojects of the Subsequent Batches with due attention to economy and efficiency and in accordance with established private sector or commercial practices, acceptable to ADB.

ADB's Review of Procurement Decisions

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

Consulting Services

7. Except as ADB may otherwise agree, the Borrower shall apply Consultants' Qualifications Selection for selecting and engaging Consulting Services.

Industrial or Intellectual Property Rights

8. (a) The Borrower shall cause CCB and CHC through ChemChina to ensure that all Goods and Works procured by the Subborrowers (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 CCB and CHC through ChemChina to ensure that all contracts entered into by the Subborrowers 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.

9. The Borrower shall cause CCB and CHC through ChemChina to ensure that all ADB-financed contracts entered into by the Subborrowers 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.

## SCHEDULE 5

### Execution of Project; Financial Matters

#### Implementation Arrangements

1. The Borrower shall cause ChemChina to 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 ChemChina 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 shall cause CCB, as a financial intermediary, to be responsible for: (a) onlending the proceeds of the Loan to ChemChina in accordance with the terms and conditions set out in Section 3.01 (b) of this Loan Agreement and Section 2.01 (a) of the Project Agreement; (b) establishment and management of the REF and IDA Accounts; (c) execution and implementation of the REF and IDA Management Agreement; (d) conducting financial due diligence of the Subprojects of the Subsequent Batches, including without limitation, creditworthiness assessment of the Subborrowers; and (e) related disbursement, repayment and administration matters.
3. The Borrower shall cause ChemChina to ensure that CCB remains the financial intermediary for the Project throughout the implementation of the Project and ADB's prior written approval is sought in case of any change in the financial intermediary requirements.
4. The Borrower shall cause ChemChina, as the Project Executing Agency, to be responsible for: (a) onlending the proceeds of the Loan to CHC; and (b) the overall coordination and supervision of the Project in accordance with the provisions of this Loan Agreement and the Project Agreement.
5. The Borrower shall, through ChemChina, cause CHC to be the Project Implementing Agency and shall be responsible for the implementation of the Project, in particular: (a) providing management support and oversight to PIU in implementing the Project and selecting Subprojects of the Subsequent Batches; (b) executing and implementing the REF and IDA Management Agreement; (c) executing and implementing the Subproject Agreements; and (d) supporting the Project implementation, particularly in relation to procurement and contract management under the Project, O&M of the Project facilities, and social and environmental monitoring.

#### Counterpart Financing

6. The Borrower shall cause CCB and ChemChina, and, through ChemChina, cause CHC and Huatai to ensure that (a) all counterpart funds are made available in a timely manner; and (b) O&M of all Project facilities is fully funded. The Borrower shall further cause ChemChina to ensure that all funding shortfall for the DSC Subproject is provided in a timely manner.

### Change in Ownership Structure of CCB

7. In the event of any material organizational change, either financial or operational in CCB, where such change may have an adverse effect on CCB's ability to perform its obligations under the Project Agreement, the REF and IDA Management Agreement, or the Subloan Agreements, the Borrower shall ensure that: (i) CCB consults with ADB at least 6 months prior to the implementation of such change; and (ii) such change in ownership structure is carried out in a lawful manner and does not affect repayment of the Loan made under the Loan Agreement. Depending on the nature of the agreed change in ownership structure, ADB shall have the right to modify the repayment terms of the Loan, if required.

### Change in Ownership of ChemChina, CHC and Huatai

8. In the event of (a) any change in ownership of the Project facilities, or (b) any sale, transfer or assignment of shares or interest or other change of control in ChemChina, CHC, or Huatai is anticipated, the Borrower shall ensure that ChemChina, CHC, and Huatai, as the case may be, consult with ADB and CCB at least 6 months prior to the implementation of such change, provided that, if none of ChemChina, CHC, or Huatai is aware of the proposed change in the ownership or control of ChemChina by 6 months before the change is proposed to occur then such obligation to consult shall commence from the date any of them first become aware of the proposed change; provided further that: (i) neither a sale, transfer or assignment of shares or interest or other change of control in ChemChina to a different agency of the Borrower at the national level or to a new state owned enterprise 100% controlled by Borrower at the national level; and (ii) nor an internal reorganization of ChemChina group that results in CHC or Huatai continuing to be directly or indirectly owned and controlled by ChemChina will be considered a change for purposes of this paragraph.

9. In case of any internal reorganization of ChemChina group, the Borrower shall cause ChemChina to ensure that: (a) CHC and Huatai are provided with all resources and support required to perform their obligations under the Project Agreement; (b) all intermediate holding companies between ChemChina and CHC become parties to the Project Agreement in place of or in addition to CHC and Huatai at the time of such reorganization and perform CHC's and Huatai's obligations under the Project Agreement; (c) ChemChina, CHC and Huatai, as the case may be, ensure that such change is carried out in a lawful and transparent manner; and (d) ChemChina, CHC and Huatai, as the case may be, further ensure that their new controlling management complies with (i) all Project related agreements executed between ADB, the Borrower, ChemChina, CHC, Subborrowers or CCB; and (ii) ADB's policies relevant to the Project.

### Combating Money Laundering and Financing of Terrorism

10. The Borrower shall ensure that CCB:
- (a) complies with applicable laws and regulations of the Borrower on combating money laundering and financing of terrorism and that Loan proceeds are not used, directly or indirectly, in money laundering or financing of terrorism;

- (b) formulates and implements internal control procedures, including customer due diligence procedures, to prevent violation of subparagraph (a) hereinabove; and
- (c) promptly informs the Borrower and ADB if there is any violation or potential violation of subparagraph (a) hereinabove. In the event that ADB informs CCB of its concern that there has been such an alleged violation, CCB shall: (i) cooperate in good faith with ADB and its representatives so that ADB can determine whether such a violation has occurred; (ii) respond promptly and in reasonable detail to any query from ADB; and (iii) furnish documentary support for such response upon ADB's request.