

Public Disclosure Authorized

CONFORMED COPY

LOAN NUMBER 8059-CN

Project Agreement

(Shandong Energy Efficiency Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

SHANDONG PROVINCE

Dated September 2, 2011

PROJECT AGREEMENT

AGREEMENT dated September 2, 2011, entered into between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”) and SHANDONG PROVINCE (“Shandong”, or “Project Implementing Entity”) (“Project Agreement”) in connection with the Loan Agreement (“Loan Agreement”) of same date between PEOPLE’S REPUBLIC OF CHINA (“Borrower”) and the Bank. The Bank and Shandong hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to the Loan Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Loan Agreement or the General Conditions.

ARTICLE II — PROJECT

- 2.01. Shandong declares its commitment to the objective of the Project. To this end, Shandong shall:
 - (a) carry out the Project in accordance with the provisions of Article V of the General Conditions; and
 - (b) provide promptly as needed, the funds, facilities, services and other resources required for the Project.
- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Bank and Shandong shall otherwise agree, Shandong shall carry out the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III — REPRESENTATIVE; ADDRESSES

- 3.01. Shandong’s Representative is its Governor or Vice Governor or such other person or persons as said Governor or Vice Governor shall designate in writing.
- 3.02. The Bank’s Address is:

International Bank for Reconstruction and Development
1818 H Street, NW
Washington, DC 20433
United States of America

Cable:	Telex:	Facsimile:
INTBAFRAD Washington, D.C.	248423(MCI) or 64145(MCI)	1-202-477-6391

3.03. Shandong's Address is:

Shandong Provincial Finance Department
No. 3 Jida Road
Jinan, Shandong Province, People's Republic of China

Facsimile:

86-531- 82920751

AGREED at Beijing, People's Republic of China, as of the day and year first
above written.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Klaus Rohland

Authorized Representative

SHANDONG PROVINCE

By /s/ Sun Wei

Authorized Representative

SCHEDULE

Execution of the Project

Section I. Institutional and Other Arrangements

Project Management

1. Throughout the period of implementation of the Project, Shandong shall maintain, and cause to be maintained, for purposes of carrying out the Project, the Project Management Office, with terms of reference, staffing and other resources acceptable to the Bank, to be responsible for implementing Part C of the Project and overseeing and coordinating the implementation of Parts A and B of the Project.

Subsidiary Loan Agreements

2.
 - (a) For the purposes of carrying out Parts A and C of the Project, Shandong shall relend a portion of the proceeds of the Loan, which was allocated to it pursuant to paragraph 1 of Section I of Schedule 2 to the Loan Agreement to each of Rongshihua, Guotai and Luxin Energy under a Subsidiary Loan Agreement, with terms and conditions acceptable to the Bank, which shall include, without limitation, those set forth in Annex A to this Schedule.
 - (b) For the purposes of carrying out Parts B and C of the Project, Shandong shall cause Anqiu Municipality to relend the proceeds of the Loan, which was allocated to it pursuant to paragraph 1 of Section I of Schedule 2 to the Loan Agreement to ACHP under a Subsidiary Loan Agreement, with terms and conditions acceptable to the Bank, which shall include, without limitation, those set forth in Annex B to this Schedule.
 - (c) Shandong shall, and shall cause Anqiu Municipality to, exercise their respective rights under each relevant Subsidiary Loan Agreement mentioned in paragraphs 2(a) and 2(b) above in such manner as to protect the interests of the Borrower, the Bank and Shandong and to accomplish the purposes of the Loan. Except as the Borrower and the Bank shall otherwise agree, Shandong shall not, and shall cause Anqui Municipality not to, assign, amend, abrogate or waive any of their respective Subsidiary Loan Agreements or any of their respective provisions.

Anti-corruption

3. Shandong shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. Shandong shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08(b) of the General Conditions and on the basis of the indicators set forth in Annex C to this Schedule. Each such Project Report shall cover the period of one (1) calendar year, and shall be furnished to the Borrower and the Bank not later than March 15 of each calendar year, starting March 15, 2012. Shandong shall prepare and furnish to the Bank not later than September 15 and March 15 of each calendar year, commencing March 15, 2012, semi-annual Project progress reports.
2. Without limitation on the provisions in paragraph A.1 of this Section II above, Shandong shall:
 - (a) conduct a mid-term review for the Project, and thereafter prepare, under terms of reference satisfactory to the Bank, and furnish to the Borrower and the Bank on or about December 31, 2013, a mid-term report on the progress achieved in the carrying out of the Project during the period preceding such report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and
 - (b) review with the Bank by March 15, 2014, or such later date as the Bank shall request, the mid-term report referred to in sub-paragraph (a) above, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Bank's views on the matter.
3. For purposes of Section 5.08(c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Bank not later than four (4) months after the Closing Date.

B. Financial Management, Financial Reports; Audits

1. Shandong shall maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, both in a manner adequate to reflect the operations, resources and expenditures related to the Project.
2. Without limitation on the provisions of Part B of this Section, Shandong shall prepare and furnish to the Bank, not later than September 15 and March 15 of each calendar year, commencing March 15, 2012, interim unaudited financial

reports for the Project covering the calendar semester, in form and substance satisfactory to the Bank.

3. Shandong shall have its financial statements referred to above audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank. Each audit of these financial statements shall cover the period of one (1) fiscal year of Shandong. The audited financial statements for each period shall be furnished to the Borrower and the Bank not later than six (6) months after the end of the period.

Section III. Procurement

All goods, works and services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Section III of Schedule 2 to the Loan Agreement.

**ANNEX A
to
SCHEDULE**

**Principal Terms and Conditions of the
Subsidiary Loan Agreements with Rongshihua, Guotai, and Luxin Energy**

Terms of Availability

1. The principal amount of each subsidiary loan made by Shandong to each of Rongshihua, Guotai and Luxin Energy shall be the amount equivalent in Dollars (on the respective dates of withdrawal from the Loan Account) of the value of the currency or currencies so withdrawn on account of its respective activities under Parts A and C of the Project.
2. Each of Rongshihua, Guotai and Luxin Energy shall repay such principal amount (including the fee paid pursuant to Section 2.03 of the Loan Agreement and the amount of Premium paid pursuant to Section 2.07(c) of this Agreement) over a period of not more than seventeen (17) years, inclusive of a grace period of four (4) years.
3. Each of Rongshihua, Guotai and Luxin Energy shall pay interest on the principal amount thereof withdrawn and outstanding from time to time at a rate not less than the rate of interest applicable from time to time to the Loan pursuant to Section 2.04 of the Loan Agreement.

Conditions

Project Management

4. Throughout the period of implementation of its respective activities under Part A the Project, Rongshihua, Guotai, and Luxin Energy shall each maintain, and cause to be maintained, for purposes of carrying out its respective activities under Part A of the Project, a Project Implementation Unit, with terms of reference, staffing and other resources acceptable to the Bank, to be responsible for implementing its respective activities under Part A of the Project.

Project Implementation

Operational Manual

- 5.01. In carrying out its respective activities under Part A of the Project, each of Rongshihua, Guotai and Luxin Energy shall:

- (a) apply its respective Operational Manual, satisfactory to the Bank, which shall include: (i) institutional and implementation arrangements, (ii) eligibility criteria and procedures for the selection of Sub-project Beneficiaries and Sub-projects; (iii) procurement procedures consistent with the provisions set forth in Section III of Schedule 2 to the Loan Agreement; (iv) financial management procedures consistent with the provisions set forth in Section II.B of the Schedule; (v) the Environment Management Framework; and the respective Resettlement Policy Framework; (vi) monitoring, evaluation and reporting procedures; (vii) a negative list of activities not to be considered as eligible Sub-projects; and (viii) a model financial leasing agreement.
- (b) not amend, abrogate, suspend, or waive any part of its respective Operational Manual without the prior written approval of the Bank; and

5.02. In the event of any inconsistency between the provisions of the Operational Manuals or any part thereof and the provisions of this Agreement, the provisions of this Agreement shall prevail.

Sub-project Beneficiaries

- 6. Unless the Bank shall otherwise agree in writing, each of Rongshihua, Guotai and Luxin Energy shall select and approve Sub-project Beneficiaries in accordance with the eligibility criteria and the procedures set forth in its respective Operational Manual, including that a Sub-project Beneficiary may be selected only if:
 - (a) said Sub-project Beneficiary has been established and is operating and in good standing pursuant to the Borrower's relevant laws and regulations; and
 - (b) said Sub-project Beneficiary is an enterprise, or is an Energy Service Company (ESCO) providing services to such enterprise.

Sub-projects

- 7. Each of Rongshihua, Guotai and Luxin Energy shall appraise, review, approve, and supervise Sub-projects in accordance with the criteria, conditions and procedures set out in its respective Operational Manual, including, among others, the following eligibility criteria:
 - (a) the proposed Sub-project is in compliance with the environmental standards set out in the Environment Management Framework, and with all applicable laws and regulations of the Borrower relating to environmental protection; an environmental screening has been carried

out for the proposed Sub-project in accordance with the principles set forth in the Environment Management Framework; and if said environmental screening concludes that an environmental management plan is required, said environmental management plan has been prepared in accordance with the principles set forth in the Environment Management Framework by the relevant Sub-project Beneficiary and approved by the Bank for implementing the proposed Sub-project;

- (b) if the proposed Sub-project involves involuntary acquisition of land, or involuntary restriction of access to legally designated parks and protected areas that would result in Displaced Persons, a resettlement action plan has been prepared in accordance with the principles set out in the respective Resettlement Policy Framework and said resettlement action plan has been approved by the Bank for implementing the proposed Sub-project; and
- (c) the proposed Sub-project is technically feasible, and economically, financially and commercially viable.

8. In carrying out its respective activities under Sub-projects of Part A of the Project, each of Rongshihua, Guotai and Luxin Energy shall:

- (a) (i) carry out its respective Sub-projects with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Bank, including the provisions of the Anti-Corruption Guidelines applicable to the recipient of the Loan proceeds other than the Borrower; (ii) ensure that the mitigation measures set out in the Environment Management Framework, and the respective Resettlement Policy Framework are carried out; and (iii) in the case of Rongshihua and Guotai, ensure that their respective Sub-projects are based on the model leasing agreement included in their respective Operations Manuals for Sub-projects involving financial leasing arrangements.
- (b) provide, promptly as needed, the resources required for carrying out its respective Sub-projects; and procure the goods and services to be financed for its respective Sub-projects in accordance with the provisions of this Agreement;
- (c) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Bank, the progress of its respective Sub-projects and the achievement of its objectives;

- (d) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, both in a manner adequate to reflect its operations and financial conditions, including the operations, resources and expenditures related to its respective Sub-projects; and have such financial statements audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank, and furnish the statements as so audited to the Borrower and the Bank not later than six (6) months after the end of its fiscal year;
 - (e) enable the Borrower and the Bank to inspect its respective Sub-projects, their respective operations and any relevant records and documents; and
 - (f) prepare and furnish to the Borrower and the Bank, all such information as the Borrower and the Bank shall reasonably request relating to the foregoing.
9. Each of Rongshihua, Guotai and Luxin Energy shall furnish Sub-project proposals and appraisal documents for its respective first two (2) Sub-projects to the Bank for review and approval, prior to signing of relevant Sub-project Agreements with the Sub-project Beneficiaries for carrying out said Sub-projects.

Sub-project Agreements

10. For purposes of implementing its respective activities under Part A of the Project, each of Rongshihua, Guotai and Luxin Energy shall enter into a Sub-project Agreement (in the case Rongshihua or Guotai, a financial leasing agreement; and in the case of Luxin Energy, an energy performance contract) with its respective Sub-project Beneficiary, each of which shall include, among others, the adequate provisions to protect the interests of the Bank, the Borrower, Rongshihua, Guotai or Luxin Energy, including the right to:
- (a) require the Sub-project Beneficiary to (i) assist in carrying out the Subproject with due diligence and efficiency and in accordance with sound technical, managerial, social, and environmental standards, including the provisions set out in the Environment Management Framework and the respective Resettlement Policy Framework, and to maintain adequate records; and (ii) facilitate and enable Rongshihua, Guotai or Luxin Energy, as the case may be, to fulfill its respective undertakings set out in paragraph 8 above;
 - (b) inspect, by itself or jointly with representatives of the Bank if the Bank shall so request, goods to be financed out of the proceeds of the Loan, and the operation thereof and any relevant records and documents;

- (c) require that: (i) insurances for goods financed out of the proceeds of the Loan shall be taken out and maintained with responsible insurers, against such risks and in such amounts, as shall be consistent with sound business practice; and (ii) without any limitation upon the foregoing, such insurance shall cover hazards incident to the acquisition, transportation and delivery of goods financed out of the proceeds of the Loan to the place of use or installation, any indemnity thereunder to be made payable in a currency freely usable to replace or repair such goods;
 - (d) require the Sub-project Beneficiary to maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Bank, the progress of the Sub-project and the achievement of its objectives;
 - (e) obtain all such information from the Sub-project Beneficiary as the Bank or the Borrower shall reasonably request relating to the administration, operations and financial condition of the Sub-project Beneficiary and to the benefits to be derived from the Subproject; and
 - (f) suspend or terminate the right of the Sub-project Beneficiary to the use of the goods financed with the proceeds of the Loan upon failure by such Sub-project Beneficiary to perform its obligations under its respective Sub-project Agreement.
11. Each of Rongshihua, Guotai and Luxin Energy shall exercise its rights under its respective Sub-project Agreements, in such manner as to protect the interests of the Borrower, the Bank and Shandong and to accomplish the purposes of the Loan. Except as the Borrower and the Bank shall otherwise agree in writing, Rongshihua, Guotai, and Luxin Energy shall not assign, amend, abrogate or waive any of their respective Sub-project Agreements, which in the opinion of the Bank, will affect materially and adversely the ability of Rongshihua, Guotai, and Luxin Energy to perform any of their obligations under their respective Sub-project Agreements.

Anti-corruption

12. Each of Rongshihua, Guotai and Luxin Energy shall ensure that its respective activities under Part A of the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines applicable to the recipient of the Loan proceeds other than the Borrower.

Financial Sustainability

13. (a) Except as the Bank shall otherwise agree, Luxin Energy shall not incur any debt unless a reasonable forecast of the revenues and expenditures of

Luxin Energy shows that the estimated net revenues of Luxin Energy for each fiscal year during the term of the debt to be incurred shall be at least 1.3 times the estimated debt service requirements of Luxin Energy in such year on all debt of Luxin Energy including the debt to be incurred.

- (b) For the purposes of this Section:
- (i) The term “debt” means any indebtedness of Luxin Energy maturing by its terms more than one (1) year after the date on which it is originally incurred.
 - (ii) Debt shall be deemed to be incurred: (A) under a loan contract or agreement or other instrument providing for such debt or for the modification of its terms of payment on the date of such contract, agreement or instrument; and (B) under a guarantee agreement, on the date the agreement providing for such guarantee has been entered into.
 - (iii) The term “net revenues” means the difference between:
 - (A) the sum of revenues from all sources related to operations and net non-operating income; and
 - (B) the sum of all expenses related to operations including administration, adequate maintenance, taxes and payments in lieu of taxes, but excluding provision for depreciation, other non-cash operating charges and interest and other charges on debt.
 - (iv) The term “net non-operating income” means the difference between:
 - (A) revenues from all sources other than those related to operations; and
 - (B) expenses, including taxes and payments in lieu of taxes, incurred in the generation of revenues in (A) above.
 - (v) The term “debt service requirements” means the aggregate amount of repayments (including sinking fund payments, if any) of, and interest and other charges on, debt.

- (vi) The term “reasonable forecast” means a forecast prepared by Luxin Energy not earlier than twelve (12) months prior to the incurrence of the debt in question, which both the Bank and Luxin Energy accept as reasonable and as to which the Bank has notified Luxin Energy of its acceptability, provided that no event has occurred since such notification which has, or may reasonably be expected in the future to have, a material adverse effect on the financial condition or future operating results of Luxin Energy.
 - (vii) Whenever for the purposes of this Section it shall be necessary to value, in terms of the currency of the Borrower, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt, or, in the absence of such rate, on the basis of a rate of exchange rate acceptable to the Bank.
14. (a) Except as the Bank shall otherwise agree: (i) Luxin Energy shall not incur any debt, if after the incurrence of such debt the ratio of debt to equity shall be greater than 60 to 40; and (ii) neither Rongshihua nor Guotai shall incur any debt, if after the incurrence of such debt the ratio of debt to equity shall be greater than 80 to 20.
- (b) For purposes of this Section:
- (i) Debt shall be deemed to be incurred: (A) under a loan contract or agreement or other instrument providing for such debt or for the modification of its terms of payment on the date of such contract agreement or instrument; and (B) under a guarantee agreement, on the date the agreement providing for such guarantee has been entered into.
 - (ii) The term “Equity” means the sum of the total unimpaired paid-up capital, retained earnings and reserves of the Borrower not allocated to cover specific liabilities.
 - (iii) Whenever for the purposes of this Section it shall be necessary to value, in terms of the currency of the Borrower, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt, or, in the absence of such rate, on the basis of a rate of exchange acceptable to the Bank.

15. Each of Rongshihua, Guotai, and Luxin Energy shall:
 - (a) no later than March 31 in each year, commencing March 31, 2012, prepare and furnish to the Bank for its review and comment its proposed annual investment program and financing plan together with its business plan and projected financial statements; and
 - (b) thereafter, implement said program and plans taking into account the Bank's comments thereon.

16. Shandong, in consultation with the Bank, shall have the right to suspend or terminate the right of Rongshihua, Guotai, or Luxin Energy, as the case may be, to the use of the proceeds of the loan made available under a respective Subsidiary Loan Agreement upon failure by Rongshihua, Guotai, or Luxin Energy, as the case may be, to perform its obligations under the respective Subsidiary Loan Agreement.

**ANNEX B
to
SCHEDULE**

**Principal Terms and Conditions of the
Subsidiary Loan Agreement with ACHP**

Terms of Availability

1. The principal amount of the subsidiary loan made by Anqiu Municipality to ACHP shall be the amount equivalent in Dollars (on the respective dates of withdrawal from the Loan Account) of the value of the currency or currencies so withdrawn on account of ACHP's activities under Parts B and C of the Project.
2. ACHP shall repay such principal amount (including the fee paid pursuant to Section 2.03 of the Loan Agreement and the amount of Premium paid pursuant to Section 2.07(c) of this Agreement) over a period of not more than seventeen (17) years, inclusive of a grace period of four (4) years.
3. ACHP shall pay interest on the principal amount thereof withdrawn and outstanding from time to time at a rate not less than the rate of interest applicable from time to time to the Loan pursuant to Section 2.04 of the Loan Agreement.

Conditions

4. Throughout the period of implementation Part B the Project, ACHP shall maintain, and cause to be maintained, a Project Implementation Unit, with terms of reference, staffing and other resources acceptable to the Bank, to be responsible for implementing Part B of the Project.
5. ACHP shall undertake to: (a) carry out Part B of the Project with due diligence and efficiency and in accordance with appropriate management, financial, engineering and public utility practices and social and environmental standards acceptable to the Bank, including the Anti-corruption Guidelines applicable to the recipient of the Loan proceeds other than the Borrower, and provide, promptly as needed, the funds, facilities and other resources required for the purpose; and (b) without limitation on the foregoing, take all measures necessary to ensure that Part B of the Project shall be implemented in accordance with the Environmental Management Plan.
6. ACHP shall undertake to procure the goods, works and consultants' services to be financed out of the proceeds of the Loan in accordance with the provisions of Section III of Schedule 2 to the Loan Agreement, and utilize such goods, works and consultants' services exclusively in the carrying out of Part B of the Project.

7. ACHP shall undertake to take out and maintain with responsible insurers such insurance, against such risks and in such amounts, as shall be consistent with sound business practice, including, without limitation, such insurance to cover hazards incident to the acquisition, transportation and delivery of goods financed out of the proceeds of the Loan to the place of use or installation, any indemnity thereunder to be made payable in a currency freely usable to replace or repair such goods.
8. With respect to Part B of the Project, ACHP shall undertake to:
 - (a) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Bank, the progress of its respective Sub-project and the achievement of its objectives;
 - (b) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, both in a manner adequate to reflect its operations and financial conditions, including the operations, resources and expenditures related to Parts B and C of the Project;
 - (c) have such financial statements audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank, and furnish the statements as so audited to the Borrower and the Bank not than later than six (6) months after the end of its fiscal year;
 - (d) enable the Borrower, the Bank and Shandong to inspect the Sub-project, its operation and any relevant records and documents; and
 - (e) prepare and furnish to the Borrower, the Bank and Shandong all such information as the Borrower or the Bank or Shandong shall reasonably request relating to the foregoing.
9. ACHP shall undertake to:
 - (a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators set forth in Annex C of the Schedule to this Agreement the carrying out of Part B of the Project and the achievement of the objectives thereof; and
 - (b) prepare, under terms of reference satisfactory to the Bank, and furnish to Shandong for Shandong's review, consolidation in the Project Reports and submission to the Bank, annual reports integrating the results of the monitoring and evaluation activities performed on the progress achieved

in the carrying out of Part B of the Project during the period preceding the date of each such report.

10. (a) Except as the Bank shall otherwise agree, ACHP shall not incur any debt unless a reasonable forecast of the revenues and expenditures of ACHP shows that the estimated net revenues of ACHP for each fiscal year during the term of the debt to be incurred shall be at least 1.3 times the estimated debt service requirements of ACHP in such year on all debt of ACHP including the debt to be incurred.
- (b) For the purposes of this Section:
 - (i) The term “debt” means any indebtedness of ACHP maturing by its terms more than one (1) year after the date on which it is originally incurred.
 - (ii) Debt shall be deemed to be incurred: (A) under a loan contract or agreement or other instrument providing for such debt or for the modification of its terms of payment on the date of such contract, agreement or instrument; and (B) under a guarantee agreement, on the date the agreement providing for such guarantee has been entered into.
 - (iii) The term “net revenues” means the difference between:
 - (A) the sum of revenues from all sources related to operations and net non-operating income; and
 - (B) the sum of all expenses related to operations including administration, adequate maintenance, taxes and payments in lieu of taxes, but excluding provision for depreciation, other non-cash operating charges and interest and other charges on debt.
 - (iv) The term “net non-operating income” means the difference between:
 - (A) revenues from all sources other than those related to operations; and

- (B) expenses, including taxes and payments in lieu of taxes, incurred in the generation of revenues in (A) above.
 - (v) The term “debt service requirements” means the aggregate amount of repayments (including sinking fund payments, if any) of, and interest and other charges on, debt.
 - (vi) The term “reasonable forecast” means a forecast prepared by ACHP not earlier than twelve (12) months prior to the incurrence of the debt in question, which both the Bank and ACHP accept as reasonable and as to which the Bank has notified ACHP of its acceptability, provided that no event has occurred since such notification which has, or may reasonably be expected in the future to have, a material adverse effect on the financial condition or future operating results of ACHP.
 - (vii) Whenever for the purposes of this Section it shall be necessary to value, in terms of the currency of the Borrower, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt, or, in the absence of such rate, on the basis of a rate of exchange rate acceptable to the Bank.
11. (a) Except as the Bank shall otherwise agree, ACHP shall not incur any debt, if after the incurrence of such debt the ratio of debt to equity shall be greater than 60 to 40.
- (b) For purposes of this Section:
- (i) Debt shall be deemed to be incurred: (A) under a loan contract or agreement or other instrument providing for such debt or for the modification of its terms of payment on the date of such contract agreement or instrument; and (B) under a guarantee agreement, on the date the agreement providing for such guarantee has been entered into.
 - (ii) The term “Equity” means the sum of the total unimpaired paid-up capital, retained earnings and reserves of the Borrower not allocated to cover specific liabilities.

- (iii) Whenever for the purposes of this Section it shall be necessary to value, in terms of the currency of the Borrower, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt, or, in the absence of such rate, on the basis of a rate of exchange acceptable to the Bank.

12. ACHP shall:

- (a) no later than March 31 in each year, commencing March 31, 2012, prepare and furnish to the Bank for its review and comment its proposed annual investment program and financing plan together with its business plan and projected financial statements; and
- (b) thereafter, implement said program and plans taking into account the Bank's comments thereon.

13. Shandong, in consultation with the Bank, shall have the right to suspend or terminate the right of ACHP to the use of the proceeds of the loan made available under the Subsidiary Loan Agreement upon failure by ACHP to perform its obligations under the agreement.

**ANNEX C
to
SCHEDULE**

Project Performance Indicators

Project Outcome Indicators	Baseline	Target Values				
		YR1	YR2	YR3	YR4	YR5
• Associated annual energy savings capacity (000 tce)	0	80	84	90	95	48
• Associated cumulative amount of financing leveraged by the Loan for energy efficiency projects	0	27	55	86	118	134
• Associated cumulative incremental amount of electricity (GWh) and heat (coverage m ²) from biomass based heat and power generation	GWh 0	83	165	165	165	165
	000 m ²	540	540	700	700	700