

Public Disclosure Authorized

CONFORMED COPY

LOAN NUMBER 7935-CN

Loan Agreement

(Energy Efficiency Financing II Project)

between

PEOPLE'S REPUBLIC OF CHINA

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated August 11, 2010

LOAN AGREEMENT

AGREEMENT dated August 11, 2010, between PEOPLE'S REPUBLIC OF CHINA ("Borrower") and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank"). The Borrower and the Bank hereby agree as follows:

ARTICLE I – GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this 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 General Conditions or in the Appendix to this Agreement.

ARTICLE II – LOAN

- 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the 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 2.07 of this Agreement ("Loan"), to assist in financing Part A of the project described in Schedule 1 to this Agreement ("Project").
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount.
- 2.04. The interest payable by the Borrower for each Interest Period shall be at a rate equal to LIBOR for the Loan Currency plus the Variable Spread; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions. Notwithstanding the foregoing, if any amount of the Withdrawal Loan Balance remains unpaid when due and such non-payment continues for a period of thirty (30) days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02(d) of the General Conditions.
- 2.05. The Payment Dates are June 15 and December 15 in each year.

- 2.06. The principal amount of the Loan shall be repaid in accordance with the provisions set forth in Schedule 3 to this Agreement.
- 2.07. (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, withdrawn 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 from a Variable Rate to a Fixed Rate, or vice versa; and (iii) the setting of limits on the Variable 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 the Variable Rate.
- (b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a “Conversion”, as defined in the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.
- (c) Promptly following the Execution Date for an Interest Rate Cap or Interest Rate Collar for which the Borrower has requested that the premium be paid out of the proceeds of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay any premium payable in accordance with Section 4.05(c) of the General Conditions up to the amount allocated from time to time for the purpose in the table in Section IV of Schedule 2 to this Agreement.

ARTICLE III – PROJECT

- 3.01. The Borrower declares its commitment to the objective of the Project. To this end, the Borrower shall cause the Project Implementing Entity (“Minsheng”) to carry out the Project in accordance with the provisions of Article V of the General Conditions and the Project Agreement.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV – EFFECTIVENESS; TERMINATION

- 4.01. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

ARTICLE V – REPRESENTATIVE; ADDRESSES

5.01. The Borrower's Representative is the Borrower's Ministry of Finance.

5.02. The Borrower's Address is:

Ministry of Finance
Sanlihe
Beijing 100820
People's Republic of China

Facsimile:

(86-10) 6855-1125

5.03. The Bank's Address is:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:

Telex:

Facsimile:

INTBAFRAD
Washington, D.C.

248423(MCI) or
64145(MCI)

1-202-477-6391

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

PEOPLE'S REPUBLIC OF CHINA

By /s/ Klaus Rohland
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Zheng Xiaosong
Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to improve energy efficiency of selected enterprises, and thereby reduce their adverse environmental impacts through scaling-up commercial lending for energy efficiency investments.

The Project consists of the following parts:

Part A: Energy Efficiency Investment Sub-projects

Provide Sub-loans to Sub-loan Beneficiaries for carrying out energy efficiency Sub-projects.

Part B: Technical Assistance and Capacity Building

Strengthen the capacity of Minsheng in: (a) identifying and appraising Sub-projects and conducting eligibility due diligence on Sub-loan Beneficiaries; (b) developing credit and risk management processes for energy efficiency investments; (c) managing the social and environmental impacts of the Project and its future energy efficiency lending portfolio; (d) developing low-carbon lending business; and (e) exploring the application of the Equator Principles in its lending practices.

SCHEDULE 2

Project Execution

Section I. Implementation and Financing Arrangements

Institutional Arrangements

1. For purposes of carrying out the Project, the Borrower shall maintain the Project Management Office throughout the period of implementation of the Project, with terms of reference, staffing and other resources acceptable to the Bank, to be responsible for providing policy guidance and technical support in the implementation of the Project.

Subsidiary Loan Agreement

2. To facilitate the carrying out of the Project by Minsheng, the Borrower shall make the proceeds of the Loan allocated to Category (1) under the table in Section IV.A.2 of this Schedule 2 available to Minsheng under a subsidiary loan agreement (Subsidiary Loan Agreement) between the Borrower and Minsheng under terms and conditions satisfactory to the Bank, including the following principal terms and conditions:
 - (a) The principal amount shall be made available in Dollars.
 - (b) The principal amount so made available, including an amount equal to the fee paid pursuant to Section 2.03 of this Agreement and the amount of the Premium paid pursuant to Section 2.07(c) of this Agreement, shall be paid in full on December 15, 2027.
 - (c) Interest shall be charged on such principal amount withdrawn and outstanding from time to time at a rate equal to the rate of interest applicable from time to time to the Loan pursuant to the provisions of Section 2.04 of this Agreement.
 - (d) Minsheng shall utilize the proceeds of the Loan exclusively in accordance with this Agreement and the Project Agreement.
3. The Borrower shall exercise its rights under the Subsidiary Loan Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan. Except as the Bank shall otherwise agree in writing, the Borrower shall not assign, amend, abrogate or waive said Subsidiary Loan Agreement or any of its provisions, which in the opinion of the Bank, will affect materially and adversely the ability of Minsheng to perform any of its obligations under the Project Agreement for the Loan.

Anti-Corruption

4. The Borrower shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

Other Undertakings

5. The Borrower shall ensure that Minsheng's Articles of Association shall not be amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of Minsheng to perform any of its obligations under the Project Agreement for the Loan.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Borrower shall monitor and evaluate the progress of the Project and shall cause Minsheng to prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of the indicators set forth in Annex A of the Schedule to the Project Agreement. Each Project Report shall cover the period of one (1) calendar year, and shall be furnished to the Bank not later than forty five (45) days after the end of the period covered by such calendar year.
2. 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 six (6) months after the Closing Date.

B. Financial Management, Financial Reports and Audits

1. The Borrower shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.
2. Without limitation on the provisions of Part A of this Section, the Borrower shall prepare and furnish, or cause to be prepared and furnished, to the Bank not later than forty-five (45) days after the end of each calendar semester, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Bank.
3. The Borrower shall have its Financial Statements audited in accordance with the provisions of Section 5.09(b) of the General Conditions, and each audit of the Financial Statements shall cover the period of one (1) fiscal year of the Borrower. The audited Financial Statements for each such period shall be furnished to the Bank not later than six (6) months after the end of such period.

Section III. Procurement

A. General

1. **Goods and works.** All goods and works required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.
2. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Bank of particular contracts refer to the corresponding method described in the Procurement Guidelines.

B. Particular Methods of Procurement of Goods and works

1. **International Competitive Bidding (ICB).** Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding. The provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower (other than goods manufactured in the Hong Kong Special Administrative Region or the Macau Special Administrative Region of the Borrower).
2. **Other Method of Procurement of Goods and works.** The following table specifies the method of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan and the Operational Manual prepared by Minsheng shall specify the circumstances under which such method may be used.

Procurement Method:
(a) Procurement in Loans to Financial Intermediaries

D. Review by the Bank of Procurement Decisions

All ICB contracts for goods and works shall be subject to the Bank's Prior Review, regardless of their contract value. All other contracts shall be subject to Post Review by the Bank.

Section IV. Withdrawal of Loan Proceeds

A. General

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Bank shall specify by notice to the Borrower (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the Bank and as made applicable to this Agreement pursuant to such instructions), to: (a) finance the Front-end Fee in accordance with Section 2.07(b) of the General Conditions; and (b) finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan (“Category”), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

Category	Amount of the Loan Allocated (expressed in USD)	Percentage of Expenditures to be financed (inclusive of Taxes)
(1) Sub-loans under Part A of the Project	99,750,000	100% of Sub-loan amount disbursed
(2) Front-end Fee	250,000	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07(b) of the General Conditions
(3) Premium for Interest Rate Cap or Interest Rate Collar	0	Amount payable pursuant to Section 2.07(c) of this Agreement and Section 4.05(c) of the General Conditions
TOTAL AMOUNT	100,000,000	

B. Withdrawal Conditions; Withdrawal Period

Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:

- (a) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed \$20,000,000 equivalent may be made for payments made prior to this date but on or after March 23, 2010, for Eligible Expenditures under Category (1), provided that the requirements set out in paragraph 2, Section I of Schedule to the Project Agreement have been met; and
 - (b) for payments under Category (1), unless, the Subsidiary Loan Agreement under terms and conditions acceptable to the Bank has been entered into between the Borrower and Minsheng pursuant to paragraph 2 of Section I of this Schedule 2.
2. The Closing Date is December 31, 2014.

SCHEDULE 3

Amortization Schedule

The Borrower shall repay the principal amount of the Loan in full on December 15, 2027.

APPENDIX

Section I. Definitions

- (1) “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006.
- (2) “Category” means the category set forth in the table in Section IV of Schedule 2 to this Agreement.
- (3) “Displaced Person” means a person who, on account of the execution of the Project, has experienced or would experience direct economic and social impacts caused by: (i) the involuntary taking of land, resulting in: (A) relocation or loss of shelter; (B) loss of assets or access to assets; or (C) loss of income sources or means of livelihood, whether or not such person must move to another location; or (ii) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such person; and “Displaced Persons” means, collectively, all such Displaced Persons.
- (4) “Environmental Impact Assessment Framework” means the Environmental Impact Assessment Framework dated October 5, 2009, prepared and adopted by Minsheng, which sets forth policies and procedures for the preliminary screening of proposed Sub-projects (as defined hereafter), and for the preparation of environmental assessment and environment management plans therefor during the implementation of the Project, as said framework may be amended from time to time with the prior written concurrence of the Bank, and such term includes all schedules and agreements supplemental to said framework.
- (5) “Equator Principles” means a voluntary set of guidelines for determining, assessing, and managing social and environmental risks in the project finance sector based on the policies of the International Finance Corporation.
- (6) “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 1, 2005 (as amended through February 12, 2008) with the modifications set forth in Section II of this Appendix.
- (7) “Minsheng” means China Minsheng Banking Corporation Limited established in January 1996 as a shareholding limited company according to the Borrower’s relevant laws and operating pursuant to its Articles of Association dated July 16, 2009, as amended to the date of this Agreement, and to its Business License No. 1000001001898 (4-2) dated February 7, 1996, issued by the Borrower’s State Industry and Commerce Administrative Bureau, and any successor thereto.

- (8) “NDRC” means the Borrower’s National Development and Reform Commission, and any successor thereto.
- (9) “On-lending Office” means the on-lending office of the PIE (as defined hereafter) referred to in paragraph 1 of Section I of the Schedule to the Project Agreement.
- (10) “Operational Manual” means the manual dated May 11, 2010, adopted by Minsheng, and referred to in paragraph 2(a) of Section I of the Schedule to the Project Agreement, as such Manual may be amended from time to time with the prior written approval by the Bank; and such term includes all schedules and agreements supplemental to said manual.
- (11) “Policy Framework for Compensation, Resettlement, and Rehabilitation of Displaced Persons” means the Framework dated September 28, 2009, prepared and adopted by Minsheng, and referred to in paragraph 4(b) of Section I of the Schedule to the Project Agreement; said Framework setting out the policies and procedures for the acquisition of land and other assets, resettlement, compensation and rehabilitation of Displaced Persons, and for the preparation of resettlement action plans as may be required for Project activities, as said Framework may be revised from time to time with the prior written concurrence of the Bank; and such term includes all schedules and agreements supplemental to said Framework.
- (12) “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October 2006.
- (13) “Project Agreement” means the agreement between the Bank and Minsheng of even date herewith, as the same may be amended from time to time; and such term includes all schedules and agreements supplemental to the Project Agreement.
- (14) “Project Implementing Entity” and the acronym “PIE” mean Minsheng, and any successor thereto.
- (15) “Project Management Office” means the Project Management Office established by NDRC under the Energy Efficiency Financing Project (Loan numbers 7529-CN and 7530-CN) under which closing date may be extended as needed, and referred to in paragraph 1 of Section I of Schedule 2 to this Agreement.
- (16) “Renminbi” and the acronym “RMB” mean the currency of the Borrower.
- (17) “Subsidiary Loan Agreement” means the agreement to be entered into between the Borrower and Minsheng pursuant to paragraph 2 of Section I of Schedule 2 to

this Agreement, as the same may be amended from time to time with prior written agreement of the Bank, and such term includes all schedules and supplements to said agreement.

- (18) “Sub-loan” means a loan made by Minsheng to a Sub-loan Beneficiary (as defined hereafter) out of the proceeds of the Loan for the financing and carrying out of a Sub-project under Part A of the Project pursuant to the provisions of the Project Agreement and the Operational Manual; and the term “Sub-loans” means, collectively, all such Sub-loans.
- (19) “Sub-loan Agreement” means the agreement to be entered into between Minsheng and a Sub-loan Beneficiary for purposes of providing a Sub-loan for the financing and carrying out of a Sub-project pursuant to paragraph 6 of Section I of the Schedule to the Project Agreement, as the same may be amended from time to time with the prior written agreement of the Bank; and such term includes all schedules and agreements supplemental to said agreement; and “Sub-loan Agreements” means, collectively, all of said Sub-loan Agreements.
- (20) “Sub-loan Beneficiary” means an industrial enterprise, or an energy service company (ESCO), established, operating and in good standing pursuant to the relevant laws and regulations of the Borrower, selected to carry out a Sub-project pursuant to the eligibility criteria set out in the Operational Manual; and the term “Sub-loan Beneficiaries” means, collectively, all such Sub-loan Beneficiaries.
- (21) “Sub-project” means an eligible energy efficiency investment project under Part A of the Project to be carried out by a Sub-loan Beneficiary, using financing from the proceeds of a Sub-loan, all in accordance with the provisions of the Operational Manual and the relevant provisions in the Project Agreement; and the term “Sub-projects” means, collectively, all such Sub-projects.

Section II. Modifications to the General Conditions

The modifications to the General Conditions are as follows:

- 1. Paragraph (1) of Section 7.02 is modified to read as follows:

“Section 7.02. *Suspension by the Bank*

....

(1) *Ineligibility.* The Bank or the Association has declared the Borrower (other than the Member Country) or the Project Implementing Entity ineligible to receive proceeds of any financing made by the Bank or the Association or otherwise to participate in the preparation or implementation of any project financed in whole or in part by the Bank or the Association, as a result of a

determination by the Bank or the Association that the Borrower or the Project Implementing Entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by the Bank or the Association.”

2. The definition of the term “Conversion Date” in the Appendix is modified to read as follows:

“‘Conversion Date’ means, in respect of a Conversion, the Execution Date (as herein defined) or such other date as requested by the Borrower and accepted by the Bank, on which the Conversion enters into effect, and as further specified in the Conversion Guidelines.”