Project Agreement

(Beijing Rooftop Solar Photovoltaic Scale-up (Sunshine Schools) Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

BEIJING MUNICIPALITY

and

BEIJING YUANSHEN ENERGY SAVING
TECHNOLOGY COMPANY LIMITED

Dated July 10, 2013
PROJECT AGREEMENT

AGREEMENT dated 2013, entered into between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank") and BEIJING MUNICIPALITY and BEIJING YUANSHEN ENERGY SAVING TECHNOLOGY COMPANY LIMITED (the latter two, collectively, "Project Implementing Entities") ("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 the Project Implementing Entities 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. The Project Implementing Entities declare their commitment to the objectives of the Project. To this end, the Project Implementing Entities shall carry out their Respective Parts of the Project in accordance with the provisions of Article V of the General Conditions and shall provide promptly as needed, the funds, facilities, services, and other resources required for their Respective Parts of the Project.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Bank and the Project Implementing Entities shall otherwise agree, the Project Implementing Entities shall carry out their Respective Parts of the Project in accordance with the provisions of the Schedule to this Agreement.

2.03. An amendment to this Agreement affecting only the Respective Part of the Project of one (1) Project Implementing Entity may be agreed in writing between the World Bank and such Project Implementing Entity.

ARTICLE III — REPRESENTATIVE; ADDRESSES

3.01. The Project Implementing Entities' Representatives are as follows, namely, for Beijing Municipality, its Mayor or a Vice Mayor, and for Beijing Yuanshen Energy Saving Technology Company Limited, its President.
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: INTBAFRAD
Telex: 248423(MCI) or 64145(MCI)
Facsimile: 1-202-477-6391

3.03. The Project Implementing Entities’ Addresses are:

For Beijing Municipality:

Beijing Finance Bureau
No. 15 Fucheng Road, Haidian District
Beijing 100048, China

Facsimile:
86-10-6841-6452

For Beijing Yuanshen Energy Saving Technology Company Limited:

No. 23 Dinghuibeili, Haidian District
Beijing 100142, China

Facsimile:
86-10-8813-1057
AGREED at Beijing, People's Republic of China, as of the day and year first above written.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By

Authorized Representative

Name: Klaus Rohland
Title: Country Director, China

BEIJING MUNICIPALITY

By

Authorized Representative

Name: Yang Xiaochao
Title: Director
Beijing Municipal Finance Bureau

BEIJING YUANSHEN ENERGY SAVING TECHNOLOGY COMPANY LIMITED

By

Authorized Representative

Name: Nie Zibo
Title: Chairman of the Board
SCHEDULE

Execution of the Project

Section I. Institutional and Other Arrangements

A. Subsidiary Loan Agreement

1. To facilitate the carrying out of Part 1 of the Project, and prior to the carrying out of activities thereunder, Beijing Municipality shall make the proceeds of the Loan available to Beijing Yuanshen Energy Saving Technology Company Limited under a subsidiary loan agreement between Beijing Municipality and Beijing Yuanshen Energy Saving Technology Company Limited ("Subsidiary Loan Agreement"), under terms and conditions approved by the Bank, which shall include the following:

(a) provision of the principal amount of the Loan made available under the same terms and conditions as those under which Beijing Municipality receives such proceeds from the Borrower;

(b) the obligation of Beijing Yuanshen Energy Saving Technology Company Limited to carry out its Respective Part of the Project in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Borrower;

(c) the obligation of Beijing Yuanshen Energy Saving Technology Company Limited to carry out its Respective Part of the Project in accordance with the provisions of the Implementation and Operations Manual and the Environmental Management Plan, and without any right or authority, except as the Bank shall otherwise agree in writing, to assign, amend, abrogate, or waive, or permit to be assigned, amended, abrogated, or waived, the aforementioned, or any provision thereof;

(d) the obligation of Beijing Yuanshen Energy Saving Technology Company Limited to: (i) 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 and financial condition of Beijing Yuanshen Energy Saving Technology Company Limited, including the operations, resources, and expenditures related to its Respective Part of the Project; and (ii) have such statements audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank, and furnish such audited financial statements to the Borrower and the World Bank in accordance with the provisions of
Section II.D.3 of the Schedule to this Agreement and make them publicly available in a timely fashion and in a manner acceptable to the Bank; and

(e) the obligation of Beijing Yuanshen Energy Saving Technology Company Limited to carry out procurement of the goods and non-consulting services required for its Respective Part of the Project in accordance with the provisions of Section III of Schedule 2 to the Loan Agreement, as said provisions may be further elaborated in the Procurement Plan.

2. Beijing Municipality shall exercise its rights under the Subsidiary Loan Agreement in such manner as to protect the interests of Beijing Municipality and the Bank and to accomplish the purposes of the Loan. Except as the Bank shall otherwise agree in writing, Beijing Municipality shall not assign, amend, abrogate or waive, or permit to be assigned, amended, abrogated, or waived, the Subsidiary Loan Agreement, or any provision thereof.

3. In the event of a conflict between the provisions of the Subsidiary Loan Agreement and those of this Agreement, the latter shall govern.

B. Institutional Arrangements

Beijing Municipality

1. Beijing Municipality shall be responsible for overall Project coordination and the management and implementation of its Respective Part of the Project in accordance with the following institutional arrangements, and, to this end, shall maintain, throughout Project implementation, the entities referred to in paragraphs 2 and 3 of this Part B with an institutional framework, functions, and resources, including competent personnel in adequate numbers, satisfactory to the Bank.

Project Leading Group

2. Beijing Municipality shall be responsible for Project policy and strategic orientation and inter-agency coordination through the Project Leading Group.

Project Management Office

3. Beijing Municipality shall be responsible for overall Project coordination and supervision and the management and implementation of its Respective Part of the Project through the Project Management Office.
Beijing Yuanshen Energy Saving Technology Company Limited

4. Beijing Yuanshen Energy Saving Technology Company Limited shall be responsible for the management, day-to-day implementation, and monitoring and evaluation of its Respective Part of the Project through a dedicated team established for this purpose.

5. To this end, Beijing Yuanshen Energy Saving Technology Company Limited shall maintain, throughout implementation of its Respective Part of the Project, the team referred to in the preceding paragraph, with an institutional framework, functions, and resources, including competent personnel in adequate numbers, satisfactory to the Bank.

C. Anti-Corruption

The Project Implementing Entities shall ensure that their Respective Parts of the Project are carried out in accordance with the provisions of the Anti-Corruption Guidelines.


1. The Project Implementing Entities shall:

   (a) ensure that their Respective Parts of the Project are carried out in accordance with the Management Manual and the Implementation and Operations Manual as applicable; and

   (b) except as the Bank shall otherwise agree in writing, not assign, amend, abrogate, or waive, or permit to be assigned, amended, abrogated, or waived, the aforementioned, or any provision thereof.

2. In the event of a conflict between the provisions of either of the Management Manual or the Implementation and Operations Manual and those of this Agreement, the latter shall govern.

E. Annual Work Plans and Budgets

The Project Implementing Entities shall:

   (a) furnish to the Bank for review and approval as soon as available, but in any case not later than October 31 of each year, the annual work plan and budget for their Respective Parts of the Project for each subsequent year of Project implementation, of such scope and detail as the Bank shall have reasonably requested, except for the annual work plan and budget for their Respective Parts of the Project for the first year of Project
implementation, which shall be furnished not later than one (1) month after the Effective Date; and

(b) thereafter ensure that their Respective Parts of the Project are carried out in accordance with such plan and budget as agreed with the Bank.

F. Safeguards

1. The Project Implementing Entities shall ensure that their Respective Parts of the Project are carried out in accordance with the provisions of the Environmental Management Plan, and, except as the Bank shall otherwise agree in writing, the Project Implementing Entities shall not assign, amend, abrogate, or waive, or permit to be assigned, amended, abrogated, or waived, the aforementioned, or any provision thereof.

2. The Project Implementing Entities shall ensure that no land acquisition or Involuntary Resettlement is carried out under their Respective Parts of the Project.

3. Beijing Yuanshen Energy Saving Technology Company Limited shall ensure that any contract with a subcontractor under Part 1 of the Project includes the obligation of the subcontractor to implement the Environmental Management Plan.

4. Without limitation upon their other reporting obligations under Section II.A.1 of this Schedule, the Project Implementing Entities shall take all measures necessary to regularly collect and compile, and submit to the Bank, as part of the Project Reports, information on the status of compliance with the Environmental Management Plan, providing details of:

   (a) measures taken in furtherance of said Plan;

   (b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of said Plan; and

   (c) remedial measures taken or required to be taken to address such conditions.

5. In the event of a conflict between the provisions of the Environmental Management Plan and those of this Agreement, the latter shall govern.
G. Part 1 of the Project

1. General

(a) Beijing Municipality shall furnish to Beijing Yuanshen Energy Saving Technology Company Limited a list of potential Beneficiaries prior to implementation of Part 1 of the Project.

(b) Beijing Yuanshen Energy Saving Technology Company Limited shall furnish to the Bank for review and approval the contract packages for the first two (2) contracts with subcontractors for the carrying out of solar photovoltaic electricity generation activities under Part 1 of the Project prior to the conclusion of said contracts.

(c) Beijing Municipality shall, through the Project Leading Group, make all reasonable efforts to assist Beijing Yuanshen Energy Saving Technology Company Limited in the implementation of activities under Part 1 of the Project and particularly said enterprise’s coordination with Beneficiaries in this regard.

2. Terms

(a) Beijing Yuanshen Energy Saving Technology Company Limited shall:

(i) enable the Borrower, the Bank, and Beijing Municipality to inspect activities under Part 1 of the Project, their operation, and any relevant records and documents; and

(ii) prepare and furnish to the Borrower, the Bank, and Beijing Municipality all such information as the Borrower, the Bank, or Beijing Municipality shall reasonably request relating to the foregoing.

(b) Beijing Yuanshen Energy Saving Technology Company Limited shall carry out a solar photovoltaic electricity generation activity under Part 1 of the Project pursuant to an Energy Service Performance Contract between Beijing Yuanshen Energy Saving Technology Company Limited and the Beneficiary on terms and conditions approved by the Bank, set forth in the Implementation and Operations Manual, and which shall include the following:

(i) a description of the activity and the fee arrangements for the solar photovoltaic electricity generated under the activity and consumed by the Beneficiary;
(ii) the obligation of the Beneficiary to:

(A) make payments to Beijing Yuanshen Energy Saving Technology Company Limited in accordance with the fee arrangements referred to in subparagraph (i) of this paragraph 2 (b);

(B) enable the Borrower, the Bank, Beijing Municipality, and Beijing Yuanshen Energy Saving Technology Company Limited to inspect the relevant activity under Part 1 of the Project, its operation, and any relevant records and documents; and

(C) prepare and furnish to the Borrower, the Bank, Beijing Municipality, and Beijing Yuanshen Energy Saving Technology Company Limited all such information as the Borrower, the Bank, Beijing Municipality, or Beijing Yuanshen Energy Saving Technology Company Limited shall reasonably request relating to the foregoing; and

(iii) the right of Beijing Yuanshen Energy Saving Technology Company Limited to suspend or terminate the right of the Beneficiary to use the goods or avail of the non-consulting services financed out of the proceeds of the Loan upon the Beneficiary’s failure to perform any of its obligations under the Energy Service Performance Contract.

(c) Beijing Yuanshen Energy Saving Technology Company Limited shall exercise its rights under each Energy Service Performance Contract in such manner as to protect its interests and those of the Bank and to accomplish the purposes of the Loan. Except as the Bank shall otherwise agree in writing, Beijing Yuanshen Energy Saving Technology Company Limited shall not assign, amend, abrogate or waive, or permit to be assigned, amended, abrogated or waived, any Energy Service Performance Contract or any provision thereof.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Project Implementing Entities shall monitor and evaluate the progress of their Respective Parts of the Project and prepare Project Reports for such Parts in accordance with the provisions of Section 5.08 (b) of the General Conditions and on the basis of the indicators set forth in the Implementation and Operations Manual. Each such Project Report shall cover the period of one (1) calendar
semester, and shall be furnished to the Borrower and the Bank not later than sixty (60) days after the end of the period covered by such report.

2. The Project Implementing Entities shall provide to the Borrower not later than five (5) months after the Closing Date, for incorporation in the report referred to in Section 5.08 (c) of the General Conditions, all such information as the Borrower or the Bank shall reasonably request for the purposes of that Section.

B. Semi-Annual Reviews

The Project Implementing Entities shall review jointly with the Bank, not later than one (1) month after the submission of each Project Report to the Bank, such Report, 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 such Report and the Borrower’s and the Bank’s views on the matter.

C. Midterm Review

The Project Implementing Entities shall:

(a) carry out jointly with the Bank, not later than thirty-six (36) months after the Effective Date, or such other deadline as may be agreed in writing with the Bank, a midterm review to assess the status of Project implementation, as measured against the performance indicators set forth in the Implementation and Operations Manual. Such review shall include an assessment of the following, based, inter alia, on the report referred to in the following paragraph: (i) overall progress in implementation; (ii) results of monitoring and evaluation activities; (iii) progress on procurement and disbursement; (iv) progress on implementation of safeguards measures; (v) implementation arrangements; and (vi) the need to make any adjustments to the Project to improve performance;

(b) prepare and furnish to the Borrower and the Bank, at least one (1) month before such review, a report, in scope and detail satisfactory to the Bank and integrating the results of the monitoring and evaluation activities performed pursuant to Part A.1 of this Section II, on the progress achieved in the carrying out of their Respective Parts of the Project during the period preceding the date of such report and setting out the measures recommended to ensure the efficient carrying out of their Respective Parts of the Project and the achievement of the objectives thereof during the period following such date; and
(c) following the review referred to in paragraph (a) of this Part C, take all measures required to ensure the efficient completion of their Respective Parts of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of such report and the Borrower’s and the Bank’s views on the matter.

D. Financial Management, Financial Reports; Audits

1. The Project Implementing Entities 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 and financial condition of the Project Implementing Entities, including the operations, resources, and expenditures related to their Respective Parts of the Project.

2. The Project Implementing Entities shall:
   
   (a) ensure that their Respective Parts of the Project are carried out in accordance with the Financial Management Manual; and
   
   (b) except as the Bank shall otherwise agree in writing, not assign, amend, abrogate, or waive, or permit to be assigned, amended, abrogated, or waived, the aforementioned, or any provision thereof.

3. In the event of a conflict between the provisions of the Financial Management Manual and those of this Agreement, the latter shall govern.

4. Without limitation on the provisions of Part A of this Section II, the Project Implementing Entities shall prepare and furnish to the Bank, not later than sixty (60) days after the end of each calendar semester, interim unaudited financial reports for their Respective Parts of the Project covering the calendar semester, in form and substance satisfactory to the Bank.

5. The Project Implementing Entities shall have their financial statements referred to in paragraph 1 of this Part D 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 each of the Project Implementing Entities. The audited financial statements for each period shall be: (a) furnished to the Borrower and the Bank not later than six (6) months after the end of the period; and (b) made publicly available in a timely fashion and in a manner acceptable to the Bank.
Debt Service Coverage

6. Except as the Bank shall otherwise agree, Beijing Yuanshen Energy Saving Technology Company Limited shall not incur any debt for its photovoltaic operations unless a reasonable forecast of its revenues and expenditures for such operations shows that its estimated net revenues for such operations for each fiscal year during the term of the debt to be incurred shall be at least 1.1 times its estimated debt service requirements for such operations in such year on all of its debt for such operations including the debt to be incurred.

7. For the purposes of the preceding paragraph:

(a) the term “debt for its photovoltaic operations” means any indebtedness of Beijing Yuanshen Energy Saving Technology Company Limited for its photovoltaic operations maturing by its terms more than one (1) year after the date on which it is originally incurred;

(b) debt shall be deemed to be incurred: (i) 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 (ii) under a guarantee agreement, on the date the agreement providing for such guarantee has been entered into;

(c) the term “reasonable forecast” means a forecast prepared by the Beijing Yuanshen Energy Saving Technology Company Limited not earlier than twelve (12) months prior to the incurrence of the debt in question, which both the Bank and Beijing Yuanshen Energy Saving Technology Company Limited accept as reasonable and as to which the Bank has notified said enterprise 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 said enterprise;

(d) the term “net revenues” means the difference between:

(i) the sum of revenues from all sources related to operations and net non-operating income; and

(ii) 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;
the term "net non-operating income" means the difference between:

(i) revenues from all sources other than those related to operations; and

(ii) expenses, including taxes and payments in lieu of taxes, incurred in the generation of revenues in (i) above;

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; and

whenever for the purposes of paragraph 6 of this Part D 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.

Section III. Procurement

All goods and non-consulting 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.

---

1 Interest charges which are incurred in financing capital expenditures during construction should be excluded, if such charges are capitalized. However, if Beijing Yuanshen Energy Saving Technology Company Limited's policy is to meet the cost from operating income, such interest charges should be included in "debt service requirements".