Loan Agreement

(China Health Reform Program for Results)

between

PEOPLE'S REPUBLIC OF CHINA

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Dated June 30, 2017
LOAN AGREEMENT

AGREEMENT dated June 30, 2017, 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 six hundred million Dollars ($600,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.08 of this Agreement ("Loan"), to assist in financing the program described in Schedule 1 to this Agreement ("Program").

2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement. All withdrawals from the Loan Account shall be deposited by the Bank into accounts specified by the Borrower and acceptable to the Bank.

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 Commitment Charge payable by the Borrower shall be equal to one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.

2.05. The interest payable by the Borrower for each Interest Period shall be at a rate equal to the Reference Rate for the Loan Currency plus the Variable Spread; provided, however, that the interest payable shall in no event be less than zero percent (0%) per annum, and provided furthermore 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Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02 (e) of the General Conditions.

2.06. The Payment Dates are April 1 and October 1 in each year.

2.07. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

2.08. (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 unwritten, to an Approved Currency;
   (ii) a change of the interest rate basis applicable to: (A) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate to a Fixed Rate, or vice versa; or (B) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Reference Rate and the Variable Spread to a Variable Rate based on a Fixed Reference Rate and the Variable Spread, or vice versa; or (C) all of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Variable Spread to a Variable Rate based on a Fixed Spread; and (iii) the setting of limits on the Variable Rate or the Reference 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 or the Reference 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.

2.09. (a) If on any given day, the Total Exposure exceeds the Standard Exposure Limit (as said terms are defined in sub-paragraphs (b)(ii) and (b)(iii) of this Section), the Borrower shall pay to the Bank a surcharge at the rate of
one half of one percent (0.5%) per annum of the Allocated Excess Exposure Amount (as defined in sub-paragraph (b)(i) of this Section) for each said day ("Exposure Surcharge"). The Exposure Surcharge (if any) shall be payable semi-annually in arrears on each Payment Date.

(b) For purposes of this Section the following terms have the meanings set forth below:

(i) "Allocated Excess Exposure Amount" means for each day during which the Total Exposure exceeds the Standard Exposure Limit, the product of: (A) the total amount of said excess; and (B) the ratio of all (or, if the Bank so determines, a portion) of the Loan to the aggregate amount of all (or the equivalent portions) of the loans made by the Bank to the Borrower and to other borrowers guaranteed by the Borrower that are also subject to an exposure surcharge, as said excess and ratio are reasonably determined from time to time by the Bank.

(ii) "Standard Exposure Limit" means the standard limit on the Bank's financial exposure to the Borrower which, if exceeded, would subject the Loan to the Exposure Surcharge, as determined from time to time by the Bank.

(iii) "Total Exposure" means for any given day, the Bank's total financial exposure to the Borrower, as reasonably determined by the Bank.

ARTICLE III — PROGRAM

3.01. The Borrower declares its commitment to the objectives of the Program. To this end, the Borrower shall cause the Program to be carried out by the Program Implementing Entities in accordance with the provisions of Article V of the General Conditions and the Program Agreements.

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 Program 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 its Minister of Finance.

5.02. The Borrower's Address is:

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

Facsimile:

(86-10) 6855-2077

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

Facsimile:

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

Authorized Representative

Name: Wang Zhengji
Title: Deputy Director General, International Economic and Financial Cooperation Department

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By

Authorized Representative

Name: Ben Hofman
Title: Country Director, China
SCHEDULE 1

Program Description

The objective of the Program is to improve the quality of healthcare services and the efficiency of the healthcare delivery systems in Anhui and Fujian provinces.

The Program consists of the following activities:

1. **Public Hospital Reform.** Improving the quality and efficiency of hospital services through the design and implementation of key measures including, *inter alia*: (i) improving the governance and management of public hospitals; (ii) controlling the growth of health expenditures; (iii) strengthening quality assurance in the delivery of hospital services; and (iv) institutionalizing an effective hospital monitoring and evaluation system that is integrated with the HMIS.

2. **Establishment of a PCIC-based Service Delivery System.** Establishing an efficient, high-quality and accountable PCIC-based service delivery system through, *inter alia*: (i) strengthening primary care service capacity; (ii) transforming service delivery, including institutional and organizational reforms, to strengthen integrated service provision for NCDs; (iii) enhancing the quality of primary care services through the adoption and improvements of evidence-based clinical pathways, clinical protocols, continuous quality improvement in health facilities, and quality monitoring and public disclosure by health administration and/or health insurers; (iv) introducing prospective provider-payment schemes to incentivize the provision of integrated NCD management; and (v) establishing an enabling environment for PCIC through policy reforms and an enhanced HMIS.

3. **Policy development, stewardship and institutional capacity-building.** Strengthening the government's institutional capacity and information systems to conduct policy reforms by, *inter alia*: (i) strengthening the health sector's governance and organizational arrangements; (ii) developing comprehensive service management and information systems to support service delivery and reform; (iii) providing training to health providers and para-professionals to improve the delivery of both hospital and PCIC services; and (iv) strengthening program stewardship at the central, provincial and local levels, including implementation capacity.
SCHEDULE 2
Program Execution

Section I. Implementation Arrangements

A. Program Fiduciary, Environmental, and Social Systems

Without limitation on the provisions of Article V of the General Conditions, the Borrower shall carry out the Program, or cause the Program to be carried out, in accordance with financial management, procurement and environmental and social management systems acceptable to the Bank ("Program Fiduciary, Environmental, and Social Systems") which are designed to ensure that:

1. the Loan proceeds are used for their intended purposes, with due attention to principles of economy, efficiency, effectiveness, transparency, and accountability; and

2. the actual and potential adverse environmental and social impacts of the Program are identified, avoided, minimized, or mitigated, as the case may be, all through an informed decision-making process.

B. Anti-Corruption

Without limitation on the provisions of Part A of this Section, the Borrower shall carry out the Program, or cause the Program to be carried out, in accordance with the provisions of the Anti-Corruption Guidelines.

C. Other Program Institutional and Implementation Arrangements

1. Financing Arrangements

For the purposes of carrying out of the Program, the Borrower shall make available a portion of the proceeds of the Loan to the Program Implementing Entities, under terms and conditions satisfactory to the Bank, including the following principal terms:

(a) The principal amount shall be made available in Dollars or any other Currency as the Loan may be converted from time to time through a Currency Conversion (such principal amount determined on the date, or respective dates, of withdrawal from the Loan Account) of the value of the currency or currencies so withdrawn.

(b) The principal amount so made available (including an amount equal to the fee paid pursuant to Section 2.03 of this Agreement and any premium for
Interest Rate Caps or Interest Rate Collars paid pursuant to Section 2.08(c) of this Agreement and Section 4.05(c) of the General Conditions shall be recovered over a period of thirty-four (34) years, inclusive of a grace period of five (5) years.

(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 2.05 of this Agreement.

(d) A Commitment Charge shall be charged equal to one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.

2. The Borrower shall cause the Program Implementing Entities, to: (a) manage, operate, monitor, transfer and reconcile the proceeds of the Loan made available to them pursuant to paragraph 1 above in accordance with arrangements and procedures satisfactory to the Bank; (b) take all required actions, including provision of timely consents and approvals as may be necessary, to facilitate the utilization of said Loan proceeds and the implementation of the Program and, to enable the Program Implementing Entities to comply with their undertakings under the Program Agreements; and (c) maintain all relevant records and documents related to the Loan and the Program and provide promptly such documents and records, including all other information, as may be requested by the Borrower or the Bank from time to time.

3. Program Institutions

Without limitation on the generality of Part C of this Section I and in order to ensure the proper carrying out of the Program, the Borrower shall maintain, and cause to be maintained, the following entities with composition, powers, functions, staffing, facilities and other resources satisfactory to the Bank:

(a) the SCHRO, to provide leadership, policy guidance and coordination in the preparation and implementation of the Program; and

(b) the CPSM, to be responsible for supporting SCHRO with the overall coordination, management and supervision of the Program, including the provision of support to the Program Implementing Entities in the carrying out of the Program through knowledge-sharing and provision of technical assistance and capacity building.

4. Program Action Plan

The Borrower shall take, and shall cause the Program Implementing Entities to take, all measures necessary to comply with, or all measures necessary to enable
the Program Implementing Entities to comply with, the provisions of Section I.C.2 of the Schedule to the Program Agreements.

Section II. Excluded Activities

The Borrower shall ensure that the Program excludes any activities which:

A. in the opinion of the Bank, are likely to have significant adverse impacts that are sensitive, diverse, or unprecedented on the environment and/or affected people; or

B. involve the procurement of: (1) works, estimated to cost US$ 75 million equivalent or more per contract; (2) goods, estimated to cost US$ 50 million equivalent or more per contract; (3) non-consulting services, estimated to cost US$ 40 million equivalent or more per contract; or (4) consultants' services, estimated to cost US$ 20 million equivalent or more per contract.

Section III. Program Monitoring, Reporting and Evaluation: Audits

A. Program Reports

The Borrower shall cause the Program Implementing Entities to monitor and evaluate the progress of the Program and prepare Program Reports in accordance with the provisions of Section 5.08 of the General Conditions. Each Program Report shall cover the period of six (6) months, and shall be furnished to the Bank not later than ninety (90) days after the end of the period covered by such report.

B. Program Financial Audits

Without limitation on the generality of Section I.A of this Schedule 2 and Section 5.09 of the General Conditions, the Borrower shall have the Financial Statements audited in accordance with the provisions of Section 5.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Borrower. The audited Financial Statements for each such period shall be furnished to the Bank not later than nine (9) months after the end of such period.

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 may specify from time to time by notice to the Borrower
to: (a) pay the Front-end Fee; (b) pay each Interest Rate Cap or Interest Rate Collar premium; and (c) finance the Program Expenditures, on the basis of the results ("Disbursement Linked Results" or "DLRs") achieved by the Program Implementing Entities, as measured against specific indicators ("Disbursement Linked Indicators" or "DLIs"); as set forth in the table in paragraph 2 of this Part A.

2. The following table specifies each category of withdrawal of the proceeds of the Loan (including the Disbursement Linked Indicators as applicable) ("Category"), the Disbursement Linked Results for each Category (as applicable), and the allocation of the amounts of the Loan to each Category:

<table>
<thead>
<tr>
<th>Category (Including Disbursement Linked Indicator as applicable)</th>
<th>Disbursement Linked Result (as applicable)</th>
<th>Amount of the Loan Allocated (expressed in USD)</th>
<th>Disbursement Calculation Formula</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) DLI #1.1 (Anhui): The county-level IDS System has been scaled up to at least 50 counties/districts in Anhui.</td>
<td>DLR #1.1: Target: 50 counties/districts (Baseline: 0)</td>
<td>15,000,000</td>
<td>DLR #1.1: $15,000,000</td>
</tr>
<tr>
<td></td>
<td>DLR #1.2: Target: The integration of the management of the three health insurance schemes at the provincial level in Fujian has been undertaken. (Baseline: 0)</td>
<td>40,000,000</td>
<td>DLR #1.2: $40,000,000</td>
</tr>
<tr>
<td>(2) DLI #2: Proportion of discharged patients for whom county-level public general hospitals and TCM hospitals are paid through Case-based Payment.</td>
<td>DLR #2.1 (Anhui): Target 32% (Baseline: 12%)</td>
<td>68,000,000</td>
<td>DLR #2.1 Allocation per FY:</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>FY17: $17,000,000</td>
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<td></td>
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<td></td>
<td>FY18: $17,000,000</td>
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<td></td>
<td></td>
<td></td>
<td>FY19: $10,200,000</td>
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<td></td>
<td></td>
<td>FY20: $23,800,000</td>
</tr>
</tbody>
</table>
| DLR #2.2 (Fujian): | 68,150,000 | DLR #2.2
| Target 50% | (Baseline: 3%) |
|-----------------|-------------|-----------------------|
| Unit Price: | $3,400,000 for each percentage point (1%) increase. | Allocation per FY: |
| FY17: | $10,150,000 | FY17: $10,150,000 |
| FY18: | $14,500,000 | FY18: $14,500,000 |
| FY19: | $21,750,000 | FY19: $21,750,000 |
| FY20: | $21,750,000 | FY20: $21,750,000 |
| Unit Price: | $1,450,000 for each percentage point (1%) increase. | Formula: |
| (Achievement - Baseline) x Unit Price - cumulative disbursed amount. |

(3) DLI #3: Proportion of inpatients treated through the use of Standardized Clinical Pathways at county level public general hospitals.

| DLR #3.1 (Anhui): | 66,240,000 | DLR #3.1
| Target 50% | (Baseline: 4%) |
|-----------------|-------------|-----------------------|
| Unit Price: | $1,440,000 for each percentage point (1%) increase. | Allocation per FY: |
| FY17: | $44,640,000 | FY17: $44,640,000 |
| FY18: | $7,200,000 | FY18: $7,200,000 |
| FY19: | $7,200,000 | FY19: $7,200,000 |
| FY20: | $7,200,000 | FY20: $7,200,000 |

<table>
<thead>
<tr>
<th>DLR #3.2 (Fujian)</th>
<th>66,090,000</th>
<th>DLR #3.2.1:</th>
</tr>
</thead>
<tbody>
<tr>
<td>DLR #3.2.1:</td>
<td>$16,090,000</td>
<td></td>
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<tr>
<td>At least 100 Standardized Clinical Pathways have been developed.</td>
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<td>---------------------------------------------------------------</td>
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<tr>
<td><strong>DLR #3.2.2:</strong> Target 50%</td>
<td></td>
<td></td>
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<tr>
<td>(Baseline: 0)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>DLR #3.2.2</strong> Allocation per FY:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY18: $15,000,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY19: $20,000,000</td>
<td></td>
<td></td>
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<tr>
<td>FY20: $15,000,000</td>
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<tr>
<td>Unit Price: $1,000,000 for each percentage point (1%) increase</td>
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<tr>
<td>Formula: (Achievement – Baseline) x Unit Price – cumulative disbursed amount</td>
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</tbody>
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<table>
<thead>
<tr>
<th>(4) DLI #4: Proportion of Outpatient Care Services delivered at Primary Care Facilities.</th>
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</thead>
<tbody>
<tr>
<td><strong>DLR #4.1 (Anhui):</strong> Target 61.8%</td>
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<tr>
<td>(Baseline: 61%)</td>
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<tr>
<td><strong>DLR #4.1</strong> Allocation per FY:</td>
</tr>
<tr>
<td>FY17: $10,000,000</td>
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<tr>
<td>FY18: $10,000,000</td>
</tr>
<tr>
<td>FY19: $10,000,000</td>
</tr>
<tr>
<td>FY20: $10,000,000</td>
</tr>
<tr>
<td>Unit Price $5,000,000 for each tenth (0.1%) of a percentage point increase.</td>
</tr>
<tr>
<td><strong>DLR #4.2 (Fujian):</strong> Target 55%</td>
</tr>
<tr>
<td>(Baseline: 51%)</td>
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<tr>
<td><strong>DLR #4.2</strong> Allocation per FY:</td>
</tr>
<tr>
<td>FY17: $10,000,000</td>
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<tr>
<td>FY18: $10,000,000</td>
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<tr>
<td>FY19: $10,000,000</td>
</tr>
<tr>
<td>FY20: $10,000,000</td>
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</tbody>
</table>
### Table: DLI #5: Number of prefectures that manage Type II diabetes patients using the Integrated NCD Service Package

<table>
<thead>
<tr>
<th>DLI #5.1 (Anhui)</th>
<th>DLR #5.1.1: The protocols for Type II diabetes under the Integrated NCD service package have been developed.</th>
<th>DLR #5.1.2: Target: 6 prefectures (Baseline: 0)</th>
</tr>
</thead>
<tbody>
<tr>
<td>DLR #5.2 (Fujian)</td>
<td>DLR #5.2.1 (Fujian): The protocols for Type II diabetes under the Integrated NCD service package have been developed</td>
<td>DLR #5.2.2 (Fujian):</td>
</tr>
<tr>
<td></td>
<td></td>
<td>DLR #5.2.2:</td>
</tr>
</tbody>
</table>

| DLR #5.1: | $15,047,500 |
| DLR #5.1: | $15,047,500 |
| DLR #5.2: | $14,972,500 |
| DLR #5.2: | $14,972,500 |

### To Qualify as "Managing Patients Using the NCD Package"

To qualify as "managing patients using the NCD package", the respective prefecture must manage at least 25% of the target patients in this manner.
| Target: 4 prefectures  
<table>
<thead>
<tr>
<th>Baseline: 0</th>
<th>$30,000,000 out of which $7,500,000 for each new prefecture.</th>
</tr>
</thead>
</table>
| (6) DLI #6: Number of counties/districts in Anhui that have established a county-township-village population health information system with inter-connectivity and at least two of the following functions: dual referral, family-doctor services, EMR, long-distance medical imaging, and long-distance electrocardiography.  
| DLR #6 (Anhui): Target: 20 counties/districts  
| Baseline: 0 | 50,000,000  
| DLR #6: $50,000,000 out of which $2,500,000 for each new county/district |
| (7) DLI #7: Number of THCs/CHCs in Fujian that have established acceptable primary care health information systems, including at least two of the following functions: long-distance medical imaging, cardiac diagnostic, lab-test reporting, EMR, and dual-referral.  
| DLR #7 (Fujian): Target: 500 THCs/CHCs  
| Baseline: 0 | 50,000,000  
| DLR #7: $50,000,000 out of which $100,000 for each new THC/CHC |
| (8) DLI #8: Program experience sharing and dissemination (national).  
| DLR #8.1 (national): In FY17: Learning groups have been established for each of the three Key Reform Areas.  
| DLR #8.2: In FY18, (a) operational research under each of the three Key Reform Areas has been launched, including: (i) TORs have been established | 5,000,000  
| DLR #8.1: $1,500,000  
| DLR #8.2: $1,500,000 |
developed; (ii) consulting services have been contracted; and (iii) the technical design has been formulated; and (b) at least two national workshops on health reform in China have been organized.

DLR #8.3: In FY19, (a) hold one international workshop and two national workshops related to health reform in China; (b) preparation of a report documenting the Program experience on one of the Key Reform Areas; and (c) completion of one operational research report under each of the three Key Reform Areas.

DLR #8.4: In FY20, (a) hold one international workshop and two national workshops related to health reform in China; and (b) preparation of two reports to document the Program experience on the two remaining Key Reform Areas.

| (9) Front-end Fee to be paid pursuant to Section 2.03 of this Agreement in | 1,500,000 | Amount payable pursuant to Section 2.03 of this Agreement in |
accordance with Section 2.07(b) of the General Conditions

(10) Interest Rate Cap or Interest Rate Collar premium to be paid pursuant to Section 2.08(c) of this Agreement in accordance with Section 4.05 of the General Conditions

<table>
<thead>
<tr>
<th>Agreement in accordance with Section 2.07(b) of the General Conditions</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL AMOUNT</td>
</tr>
</tbody>
</table>

| 600,000,000 |

B. Withdrawal Conditions; Withdrawal Period

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

   (a) for purposes of Section 2.03 of the General Conditions (renumbered as such pursuant to paragraph 6 of Section II of the Appendix to this Agreement and relating to Program Expenditures), for DLRs achieved prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed $55,000,000 may be made for DLRs under Category (1), achieved prior to this date but on or after May 5, 2016; and

   (b) for any DLR under Categories (1) through (8), unless the respective Program Implementing Entity (or the Borrower for DLR (8)) has furnished all required verification documents and information satisfactory to the Bank showing that said DLR has been achieved. Such documentation and information shall be verified in accordance with the provisions of the Verification Protocol, based on reports prepared by the relevant Program Implementing Entity, certifying the achievement of the DLRs in accordance with procedures and arrangements satisfactory to the Bank.

2. Notwithstanding the provisions of Part B.1(b) of this Section, the Borrower may withdraw an amount not to exceed $150,000,000 as an advance under any of Categories (2) through (8); provided, however, that if the DLRs corresponding to said Categories, in the opinion of the Bank, are not achieved (or only partially achieved) by the Closing Date, the Borrower shall refund such advance (or portion of such advance as determined by the Bank in accordance with the provisions of paragraph B.3 of this Section) to the Bank promptly upon notice thereof by the Bank. Except as otherwise agreed with the Borrower, the Bank shall cancel the amount so refunded. Any further withdrawals requested as an advance under any...
Category shall be permitted only on such terms and conditions as the Bank shall specify by notice to the Borrower.

3. Notwithstanding the provisions of Part B.1(b) of this Section, if in the opinion of the Bank any of the DLRs under Categories (1) through (8) has not been achieved by the date by which the said DLR is set to be achieved, the Bank may, by notice to the Borrower:

(a) authorize the withdrawal of such lesser amount of the unwithdrawn proceeds of the Loan then allocated to said Category which, in the opinion of the Bank, corresponds to the extent of achievement of said DLR, said lesser amount to be calculated in accordance with the Disbursement Calculation Formula set out in the fourth column of the table in Section IV.A.2 of this Schedule;

(b) reallocate all or a portion of the proceeds of the Loan then allocated to said DLR to any other DLR; and/or

(c) cancel all or a portion of the proceeds of the Loan then allocated to said DLR.

4. The Closing Date is December 31, 2021.

5. Notwithstanding the foregoing provisions of this Section IV, if at any time after the Closing Date the Borrower has failed to provide evidence satisfactory to the Bank that the Withdrawn Loan Balance does not exceed the total amount of Program Expenditures paid by the Borrower, exclusive of any such expenditures financed by any other financier or by the Bank under any other loan or grant, the Borrower shall, promptly upon notice from the Bank, refund to the Bank such excess amount of the Withdrawn Loan Balance. The Bank shall cancel the refunded amount of the Withdrawn Loan Balance.
SCHEDULE 3
Amortization Schedule

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 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 the Bank by multiplying: (a) Withdrawn Loan Balance as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayable amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

<table>
<thead>
<tr>
<th>Principal Payment Date</th>
<th>Installment Share (Expressed as a Percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each April 1 and October 1 Beginning October 1, 2022 through October 1, 2050</td>
<td>1.72%</td>
</tr>
<tr>
<td>On April 1, 2051</td>
<td>1.96%</td>
</tr>
</tbody>
</table>

2. If the proceeds of the Loan have not 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 have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the Withdrawn Loan Balance as of such date in accordance with paragraph 1 of this Schedule.

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

3. (a) Amounts of the Loan withdrawn 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.

(b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, if at any time the Bank adopts a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.

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

5. If the Withdrawn Loan Balance is 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.
APPENDIX

Section I. Definitions

1. “Achievement” means, in respect of any DLR under Categories (2), (3), and (4), the actual target achieved under a given DLR in the relevant FY, up to a maximum not to exceed the corresponding Allocation per FY, and which has been verified as per the Verification Protocol.

2. “Anhui Province” and “Anhui” means the Borrower’s Province of Anhui, or any successor thereto, and one of the Program Implementing Entities for the purpose of the General Conditions.

3. “Anhui Provincial Healthcare Reform Leading Group” means Anhui’s leading group established in June 2009, comprising its Governor as chair and representatives of key line departments, or a successor thereto; and referred to in Section I.C.1(a) of the Schedule to the Program Agreement with Anhui.

4. “Anhui Provincial Healthcare Reform Leading Group Office” means the office established by Anhui on June 2009, responsible for the overall implementation of the Program in Anhui, and referred to in Section I.C.1(b) of the Schedule to the Program Agreement with Anhui.

5. “Annual Work Plan, Targets and Fund Utilization Plans” means each of the rolling plans of activities, targets and overall fund utilization plans for the Program to be prepared or updated by the Program Implementing Entities on an annual basis as provided for in Section I.C.3 of the Schedule to each of the Program Agreements.


7. “Baseline” means, in respect of any DLR, the corresponding figure or percentage set forth in the second column of the table in Section IV.A.2 of Schedule 2 to this Agreement.

8. “Case-based Payment” means a hospital payment system in which a hospital is reimbursed for each discharged inpatient at rates established prospectively for groups of cases with similar clinical profile and resource requirements.

9. “Category” means a category set forth in the table in Section IV.A.2 of Schedule 2 to this Agreement.

10. “CHCs” means community health centers located in urban areas.
11. “CPSM” means Center for Project Supervision and Management, the center established for said purpose under the Borrower’s National Health and Family Planning Commission.

12. “Disbursement Linked Indicator” or “DLI” means in respect of a given Category, the indicator related to said Category as set forth in the table in Section IV.A.2 of Schedule 2 to this Agreement.

13. “Disbursement Linked Result” or “DLR” means in respect of a given Category, the result under said Category as set forth in the table in Section IV.A.2 of Schedule 2 to this Agreement, on the basis of the achievement of which, the amount of the Loan allocated to said result may be withdrawn in accordance with the provisions of said Section IV.


15. “Fiscal Year” or “FY” means a fiscal year of the Borrower, running from January 1 to December 31.

16. “Fujian Province” and “Fujian” means the Borrower’s Province of Fujian, or any successor thereto, and one of the Program Implementing Entities for the purpose of the General Conditions.

17. “Fujian Provincial Healthcare Reform Leading Group” means Fujian’s leading group established in April 2009, comprising its Party Secretary-General as chair and representatives of key line departments, or a successor thereto; and referred to in Section I.C.1 (a) of the Schedule to the Program Agreement with Fujian.

18. “Fujian Provincial Health and Family Planning Commission” means the commission established by Fujian, organized within Fujian’s Provincial Government, responsible for the overall implementation of the Program in Fujian, and referred to in Section I.C.1 (b) of the Schedule to the Program Agreement with Fujian.


20. “HIS” means Health Management Information System, a Borrower’s system which integrates data collection, processing, reporting and use of the information necessary for improving health service effectiveness and efficiency.

21. “IDS System” means integrated delivery system for health services, an organizational system for physicians and providers at different levels, including
primary health care and hospitals, to operate under a cohesive structure with an aim at coordinating seamless delivery of high-quality healthcare services over the continuum of care.

22. “Integrated NCD Service Package” means a medical service package entailing the following key elements: (a) community risk stratification for Type II diabetes patients is conducted by primary health service providers; (b) the tailored health/disease management packages are defined for various risk groups; and (c) the general practitioner multi-disciplinary team signs a service agreement with residents, based on the tailored service packages, and provides disease management according to a defined clinical pathway.

23. “Key Reform Areas” means: (a) clinical pathway; (b) Case-based Payment; and (c) integrated NCD service management.

24. “National Health Reform Monitoring Indicators System” means the Borrower’s system, managed by SCHRO, to monitor the progress of health reform nationwide.


26. “Outpatient Care Services” means the services described as such and set forth in the Borrower’s National Health Reform Monitoring Indicators System, including outpatient services, emergency services, home visits, physical check-up and health consultations.

27. “PCIC” means people-centered integrated care.

28. “Primary Care Facility” means a care facility with due registration and license, and classified under one of the following categories: (a) community health centers/stations; (b) township health centers; (c) village clinics; or (d) outpatient clinics.

29. “Program Action Plan” means each of the Program Implementing Entities’ plans dated March 31, 2017, and referred to in Section I.C.4 of Schedule 2 to this Agreement, and Section I.C.2 of the Schedule to each of the Program Agreements, as these may be amended from time to time with the prior written agreement of the Bank.

30. “Program Agreements” means, collectively, the agreements between the Bank and Anhui, and between the Bank and Fujian, respectively, of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to such Program Agreements.

31. “Program Fiduciary, Environmental, and Social Systems” means the Program Implementing Entities’ systems for the Program referred to in Section I.A of
Schedule 2 to this Agreement, and Section I.A of the Schedule to each of the Program Agreements.

32. “Program Implementing Entities” means, collectively, Anhui and Fujian.

33. “SCHRO” means the State Council Healthcare Reform Office organized under the Borrower’s State Council.

34. “Standardized Clinical Pathways” means multidisciplinary evidence-based care plans that provide specific guidance on the sequencing of care steps and the timeline of interventions, standardized province-wide with the goal of improving outcomes, reducing cost and standardizing care.


36. “THCs” means township health centers located in rural areas.

37. “Type II diabetes” means diabetes mellitus type 2, a long term metabolic disorder that is characterized by high blood sugar, insulin resistance, and relative lack of insulin.

38. “Unit Price” means, in respect of any DLR, the amount set forth in the fourth column of the table in Section IV.A.2 of Schedule 2 to this Agreement.

39. “Verification Protocol” means the protocol setting forth the actions and mechanism required for verification of DLIs, agreed with the Bank, dated March 31, 2017, and referred to in Section IV.B.1(b) of Schedule 2 to this Agreement, as the same may be amended from time to time with the agreement of the Bank.

Section II. Modifications to the General Conditions

The General Conditions are hereby modified as follows:

1. Wherever used throughout the General Conditions, the term “the Project” is modified to read “the Program”, the term “the Project Agreement” is modified to read “the Program Agreement”, the term “Project Implementing Entity” is modified to read “the Program Implementing Entity”, the term “Project Report” is modified to read “Program Report”; and the term “Eligible Expenditures” is modified to read “Program Expenditures”.

2. In the Table of Contents, the references to Sections, Section names and Section numbers are modified to reflect the amendments set forth below.
3. Section 2.02, Special Commitment by the Bank, is deleted in its entirety, and the subsequent Sections in Article II are renumbered accordingly.

4. In Section 2.02 (originally numbered as Section 2.03), the heading “Applications for Withdrawal or for Special Commitment” is replaced with “Applications for Withdrawal”, and the phrase “or to request the Bank to enter into a Special Commitment” is deleted.

5. The section originally numbered as Section 2.04, Designated Accounts is deleted in its entirety, and the subsequent Sections in Article II are renumbered accordingly.

6. Paragraph (a) of Section 2.03 (originally numbered as Section 2.05), Eligible Expenditures (renamed “Program Expenditures” in accordance with paragraph 1 of this Section II), is modified to read: “(a) the payment is for the financing of the reasonable cost of expenditures required for the Program and to be financed out of the proceeds of the Loan in accordance with the provisions of the Legal Agreements;”.

7. The last sentence of Section 2.04 (originally numbered as Section 2.06), Financing Taxes, is modified to read: “To that end, if the Bank at any time determines that the amount of any such Tax is excessive, or that such Tax is discriminatory or otherwise unreasonable, the Bank may, by notice to the Borrower, exclude such amount or such Tax from the Program Expenditures to be financed out of the proceeds of the Loan, as required to ensure consistency with such policy of the Bank.”

8. Section 2.06 (originally numbered as Section 2.08), Reallocation, is modified to read:

“Notwithstanding any allocation of an amount of the Loan to a withdrawal category under the Loan Agreement, the Bank may, by notice to the Borrower, reallocate any other amount of the Loan to such category if the Bank reasonably determines at any time that such reallocation is appropriate for the purposes of the Program.

9. Section 3.01. (Front-end Fee) is modified to read as follows:

“Section 3.01. Front-end Fee; Commitment Charge

(a) The Borrower shall pay the Bank a front-end fee on the Loan amount at the rate specified in the Loan Agreement (the “Front-end Fee”).

(b) The Borrower shall pay the Bank a commitment charge on the Unwithdrawn Loan Balance at the rate specified in the Loan Agreement (the
"Commitment Charge"). The Commitment Charge shall accrue from a date sixty days after the date of the Loan Agreement to the respective dates on which amounts are withdrawn by the Borrower from the Loan Account or cancelled. The Commitment Charge shall be payable semi-annually in arrears on each Payment Date."

10. Section 7.01, Cancellation by the Borrower, is modified to read: "The Borrower may, by notice to the Bank, cancel any amount of the Unwithdrawn Loan Balance."

11. Paragraph (d) of Section 7.03, Cancellation by the Bank, entitled "Misprocurement", is deleted, and subsequent paragraphs are re-lettered accordingly.

12. Section 7.04, Amounts Subject to Special Commitment not Affected by Cancellation or Suspension by the Bank, is deleted in its entirety, and subsequent Sections in Article VII and references to such Sections are renumbered accordingly.

13. In the Appendix, Definitions, all references to Section numbers and paragraphs are modified, as necessary, to reflect the modifications set forth above.

14. A new paragraph 19 is inserted with the following definition of "Commitment Charge", and the remaining paragraphs are renumbered accordingly:

"19. "Commitment Charge" means the commitment charge specified in the Loan Agreement for the purpose of Section 3.01(b)."

15. In the renumbered paragraph 49 (originally paragraph 48) of the Appendix, the definition of "Front-end Fee" is modified by replacing the reference to Section 3.01 with Section 3.01 (a).

16. In the renumbered paragraph 68 (originally paragraph 67) of the Appendix, the definition of the term "Loan Payment" is modified to read as follows:

"68. "Loan Payment" means any amount payable by the Loan Parties to the Bank pursuant to the Legal Agreements or these General Conditions, including (but not limited to) any amount of the Withdrawn Loan Balance, interest, the Front-end Fee, the Commitment Charge, interest at the Default Interest Rate (if any), any prepayment premium, any transaction fee for a Conversion or early termination of a Conversion, the Variable Spread Fixing Charge (if any), any premium payable upon the establishment of an Interest Rate Cap or Interest Rate Collar, and any Unwinding Amount payable by the Borrower."

17. In the renumbered paragraph 73 (originally paragraph 72) of the Appendix, the
definition of "Payment Date" is modified by deleting the word "is" and inserting the words "and Commitment Charge are" after the word "interest".

18. Renumbered paragraph 88 (originally paragraph 87) of the Appendix, setting forth the definition of "Special Commitment" is deleted in its entirety, and all subsequent paragraphs are renumbered accordingly.