Ms. Li Jiang  
Executive Vice Governor  
Yunnan Province  
People’s Republic of China

Dear Ms. Li,

People’s Republic of China: Yunnan Urban Environment Project (Loan No. 7692-CN) and Additional Financing for the Yunnan Urban Environment Project (Loan No. 7937-CN)  

Amendments to Project Agreements

I refer to the Loan Agreement between the People’s Republic of China (the “Borrower”) and the International Bank for Reconstruction and Development (the “Bank”) dated July 22, 2009 (the “Original Loan Agreement”) and the Project Agreement of the same date between the Bank and Yunnan Province (the “Original Project Agreement”) for the Yunnan Urban Environment Project (the “Project”), and the Loan Agreement between the Borrower and the Bank dated August 23, 2010 (the “Additional Loan Agreement”) and the Project Agreement of the same date between the Bank and Yunnan Province (the “Additional Project Agreement”) for the Additional Financing for the Project (collectively, the “Legal Agreements”). I also refer to the letter dated May 29, 2013 from the Borrower’s Department of International Economic and Financial Cooperation, Ministry of Finance, requesting certain amendments to the Legal Agreements to facilitate implementation of the Project.

I am pleased to inform you that after due consideration, the Bank has agreed with the request and hereby proposes to an end the Original Project Agreement and the Additional Project Agreement (collectively, the “Project Agreements”) as follows:

A. Amendment to the Original Project Agreement

1. Section II.A.1 of the Schedule is amended to read as follows:

   “1. Yunnan shall monitor and evaluate the progress of the Project and prepare Project Reports for the Project 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 Results Framework. Each such Project Report shall cover the period of one calendar semester, and shall be furnished to the Bank by March 15 and September 15 each year, starting September 15, 2010.”

2. Section IV.4 of the Schedule is amended to read as follows:

   “4. (a) Yunnan shall cause Lijiang Ancient Town and the Counties of Songming, Xundian and Luquan by January 1, 2014, to produce, with respect to their solid waste operations, total operating revenues sufficient to cover the total operating expenses of providing garbage collection services and operating transfer stations and landfills, but excluding provision for depreciation for the capital cost of constructing landfills.”
(b) For the purposes of this paragraph, the following terms have the following meanings:

(i) the term "total operating revenues" means revenues from all sources related to solid waste operations of the Project County/City concerned and includes government subsidies; and

(ii) the term "total operating expenses" means all expenses related to the solid waste operations of the Project County/City concerned, including administration, maintenance, taxes and payments in lieu of taxes, and provision for depreciation on a straight-line basis at a rate of not less than 3.3% per annum of the average current gross value of said county's or town's fixed assets in operation, or other basis acceptable to the Bank, but excluding interest and other charges on debt."

3. Paragraph 10(a) of Annex A to the Schedule is amended to read as follows:

“(a) Except as the Bank shall otherwise agree, each Respective Utility Company shall undertake to produce for each of its fiscal years beginning in Fiscal Year 2014, total revenues (including government subsidies) equivalent to not less than the sum of its: (i) total operating expenses; and (ii) the amount by which debt service requirements exceed the provision for depreciations.”

4. Paragraph 10(d)(i) of Annex A to the Schedule is amended to read as follows:

“(i) The term “total revenues” means the sum of total operating revenues and net non-operating income, and includes government subsidies.”

5. Annex B to the Schedule is deleted in its entirety.

B. Amendment to the Additional Project Agreement

1. Section II.A of the Schedule is amended to read as follows:

“Yunnan shall monitor and evaluate the progress of the Project and prepare Project Reports for the Project 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 Results Framework. Each such Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the Bank by March 15 and September 15 each year, starting September 15, 2011.”

2. Paragraph 9(a) of Annex A to the Schedule is amended to read as follows:

“(a) Except as the Bank shall otherwise agree, ZMWSWC shall undertake to produce for each of its fiscal years beginning in Fiscal Year 2016, total revenues (including government subsidies) equivalent to not less than the sum of its: (i) total operating expenses; and (ii) the amount by which debt service requirements exceed the provision for depreciations.”

3. Paragraph 9(d)(i) of Annex A to the Schedule is amended to read as follows:
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sum of its: (i) total operating expenses; and (ii) the amount by which debt service requirements exceed the provision for depreciations.”

3. Paragraph 9(d)(i) of Annex A to the Schedule is amended to read as follows:

“(i) The term “total revenues” means the sum of total operating revenues and non-operating income, and includes government subsidies.”

4. Annex B to the Schedule is deleted in its entirety.

Except as specifically amended by this amendment letter, all other provisions of the Project Agreements shall remain in full force and effect. The Original Loan Agreement and the Additional Loan Agreement (collectively, the “Loan Agreements”) are similarly being amended as reflected in an amendment letter to the Loan Agreements of even date.

Please confirm your agreement to the amendments set out above by having an authorized representative of Yunnan Province sign and date the form of confirmation set forth below, and returning one fully countersigned original of this letter to us. This amendment letter shall become effective as of the date of the last countersignature of the following two amendment letters: (a) a duly countersigned original of this letter by the authorized representative of Yunnan Province; and (b) a duly countersigned original of the amendment letter to the Loan Agreements by the authorized representative of the Borrower.

Sincerely,

Bert Hofman
Country Director, China
East Asia and Pacific Region

Confirmed and agreed:
YUNNAN PROVINCE

By: [Signature]
Authorized Representative

Name: Li Jiang
Title: Executive Vice Governor
Date: 07/24/2015
CC: Mr. Yang Shaolin, Director General
    Mr. Yao Licheng, Director
    Mr. Peng Xiang, Deputy Director
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    Mr. Tao Yi, Governor
    Zhaoyang District
    Zhaotong Municipality
    Yunnan Province