

No. 7808

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
and
REPUBLIC OF CHINA**

Guarantee Agreement—*Second CDC Project* (with annexed Loan Regulations No. 4 and Loan Agreement between the Bank and the China Development Corporation). Signed at Washington, on 17 December 1964

Official text: English.

Registered by the International Bank for Reconstruction and Development on 7 June 1965.

**BANQUE INTERNATIONALE POUR
LA RECONSTRUCTION ET LE DÉVELOPPEMENT
et
RÉPUBLIQUE DE CHINE**

Contrat de garantie — *Deuxième projet relatif à la China Development Corporation* (avec, en annexe, le Règlement n° 4 sur les emprunts et le Contrat d'emprunt entre la Banque et la China Development Corporation). Signé à Washington, le 17 décembre 1964

Texte officiel anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 7 juin 1965.

No. 7808. GUARANTEE AGREEMENT¹ (*SECOND CDC PROJECT*) BETWEEN THE REPUBLIC OF CHINA AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 17 DECEMBER 1964

AGREEMENT, dated December 17, 1964, between REPUBLIC OF CHINA (hereinafter called the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS, by an agreement of even date herewith between the Bank and China Development Corporation (hereinafter called the Borrower), which agreement and the schedules therein referred to are hereinafter called the Loan Agreement,² the Bank has agreed to make to the Borrower a loan in various currencies equivalent to fifteen million dollars (\$15,000,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that the Guarantor agree to guarantee the obligations of the Borrower in respect of such loan as hereinafter provided; and

WHEREAS the Guarantor, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed so to guarantee such obligations of the Borrower;

NOW THEREFORE the parties hereto hereby agree as follows :

Article I

Section 1.01. The parties to this Guarantee Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated February 15, 1961,³ subject, however, to the modifications thereof set forth in Schedule 1 to the Loan Agreement (said Loan Regulations No. 4 as so modified being hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein.

Section 1.02. Wherever used in this Agreement, unless the context shall otherwise require, the several terms defined in the Loan Agreement shall have the respective meanings therein set forth.

¹ Came into force on 17 February 1965, upon notification by the Bank to the Government of the Republic of China.

² See p. 12 of this volume.

³ See p. 10 of this volume.

Article II

Section 2.01. Without limitation or restriction upon any of the other covenants on its part in this Agreement contained, the Guarantor hereby unconditionally guarantees, as primary obligor and not as surety merely, the due and punctual payment of the principal of, and the interest and other charges on, the Loan, the principal of and interest on the Bonds, the premium, if any, on the prepayment of the Loan or the redemption of the Bonds, all as set forth in the Loan Agreement and in the Bonds.

Article III

Section 3.01. It is the mutual intention of the Guarantor and the Bank that no other external debt shall enjoy any priority over the Loan by way of a lien on governmental assets. To that end, the Guarantor undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Guarantor as security for any external debt, such lien will *ipso facto* equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds, and that in the creation of any such lien express provision will be made to that effect; provided, however, that the foregoing provisions of this Section shall not apply to: (i) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property; (ii) any lien on commercial goods to secure a debt maturing not more than one year after the date on which it is originally incurred and to be paid out of the proceeds of sale of such commercial goods; or (iii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

The term "assets of the Guarantor" as used in this Section includes assets of the Guarantor or of any of its political subdivisions or of any agency of the Guarantor or of any such political subdivision, including the Central Bank of China or any other institution performing the functions of a central bank.

Section 3.02. (a) The Guarantor and the Bank shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, each of them shall furnish to the other all such information as shall be reasonably requested with regard to the general status of the Loan. On the part of the Guarantor, such information shall include information with respect to financial and economic conditions in the territories of the Guarantor and the international balance of payments position of the Guarantor.

(b) The Guarantor and the Bank shall from time to time exchange views through their representatives with regard to matters relating to the purposes

of the Loan and the maintenance of the service thereof. The Guarantor shall promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan or the maintenance of the service thereof.

(c) The Guarantor shall afford all reasonable opportunity for accredited representatives of the Bank to visit any part of the territories of the Guarantor for purposes related to the Loan.

Section 3.03. The principal of, and interest and other charges on, the Loan and the Bonds shall be paid without deduction for, and free from, any taxes imposed under the laws of the Guarantor or laws in effect in its territories; provided, however, that the provisions of this Section shall not apply to taxation of payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Guarantor.

Section 3.04. This Agreement, the Loan Agreement and the Bonds shall be free from any taxes that shall be imposed under the laws of the Guarantor or laws in effect in its territories on or in connection with the execution, issue, delivery or registration thereof.

Section 3.05. The principal of, and interest and other charges on, the Loan and the Bonds shall be paid free from all restrictions imposed under the laws of the Guarantor or laws in effect in its territories.

Section 3.06. The Guarantor shall not take, cause or permit to be taken, any action which would prevent or materially interfere with the carrying on by the Borrower of its operations and affairs in accordance with sound financial and business standards and practices or with the performance by the Borrower of its obligations under the Loan Agreement.

Article IV

Section 4.01. The Guarantor shall endorse, in accordance with the provisions of the Loan Regulations, its guarantee on the Bonds to be executed and delivered by the Borrower. The Minister of Finance of the Guarantor and such person or persons as he shall designate in writing are designated as the authorized representatives of the Guarantor for the purposes of Section 6.12 (b) of the Loan Regulations.

Article V

Section 5.01. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Guarantor :

Ministry of Finance
Taipei
Taiwan, China

Alternative address for cables and radiograms :

Chifinance
Taipei

For the Bank :

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

Alternative address for cables and radiograms :

Intbafrad
Washington, D.C.

Section 5.02. The Minister of Finance of the Guarantor is designated for the purposes of Section 8.03 of the Loan Regulations.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Guarantee Agreement to be signed in their respective names and delivered in the District of Columbia, United States of America, as of the day and year first above written.

Republic of China :

By Martin WONG
Authorized Representative

International Bank for Reconstruction and Development :

By J. Burke KNAPP
Vice President

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 4, DATED 15 FEBRUARY 1961

REGULATIONS APPLICABLE TO LOANS MADE BY THE BANK TO BORROWERS
OTHER THAN MEMBER GOVERNMENTS

[*Not published herein. See United Nations, Treaty Series, Vol. 400, p. 212.*]

LOAN AGREEMENT
(SECOND CDC PROJECT)

AGREEMENT, dated December 17, 1964, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and CHINA DEVELOPMENT CORPORATION (hereinafter called the Borrower), a company organized under the Company Law of the Republic of China (hereinafter called the Guarantor) in accordance with Articles of Association, dated April 30, 1959, as amended from time to time.

Article I

LOAN REGULATIONS; SPECIAL DEFINITIONS

Section 1.01. The parties to this Loan Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated February 15, 1961, subject, however, to the modifications thereof set forth in Schedule 1 to this Agreement (said Loan Regulations No. 4 as so modified being hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein.

Section 1.02. Wherever used in this Loan Agreement, the following terms shall have the following meanings :

(a) the term "Qualified Project" shall mean a specific development project in respect of which amounts shall be credited to the Loan Account pursuant to the provisions of Section 3.02 of this Agreement;

(b) the term "Qualified Enterprise" shall mean an enterprise, referred to in Section 3.01 of this Agreement, to which the Borrower shall have made or proposes to make, from the proceeds of the Loan, a loan for a Qualified Project;

(c) the term "foreign currency" shall mean any currency other than currency of the Guarantor.

Article II

THE LOAN

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in the Loan Agreement set forth or referred to, an amount in various currencies equivalent to fifteen million dollars (\$15,000,000).

Section 2.02. (a) The Bank shall open a Loan Account on its books in the name of the Borrower. The amount of the Loan shall be credited to the Loan Account as provided in Section 3.02 of this Agreement.

(b) Any amount so credited to the Loan Account may, by agreement between the Bank and the Borrower, be reduced by any part thereof which will not be required for the Qualified Project in respect of which it was so credited. No such reduction shall be deemed *ipso facto* to be a cancellation of any portion of the Loan.

Section 2.03. Amounts credited to the Loan Account in respect of a Qualified Project may be withdrawn from the Loan Account as provided in, and subject to the rights of cancellation and suspension set forth in, this Agreement and the Loan Regulations.

Section 2.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-eighths of one per cent ($\frac{3}{8}$ of 1%) per annum on amounts of the Loan standing to the credit of the Borrower from time to time in the Loan Account. Such commitment charge shall accrue from the several dates on which amounts shall be credited to the Loan Account to the respective dates on which (a) they are withdrawn from the Loan Account or (b) they are cancelled pursuant to Article V of the Loan Regulations or (c) the Loan Account is reduced in respect of such amounts pursuant to Section 2.02 (b) of this Agreement.

Section 2.05. The Borrower shall pay interest at the rate of five and one-half per cent ($5\frac{1}{2}\%$) per annum on the principal amount of each part of the Loan withdrawn from the Loan Account and outstanding from time to time. Interest shall accrue from the respective dates on which amounts shall be so withdrawn.

Section 2.06. Except as the Bank and the Borrower shall otherwise agree, the charge payable for special commitments entered into by the Bank at the request of the Borrower pursuant to Section 4.02 of the Loan Regulations shall be at the rate of one-half of one per cent ($\frac{1}{2}$ of 1%) per annum on the principal amount of any such special commitments outstanding from time to time.

Section 2.07. Interest and other charges shall be payable semi-annually on January 15 and July 15 in each year.

Section 2.08. The Borrower shall repay the principal of each part of the Loan in accordance with an amortization schedule, including provisions for premiums on payment of principal in advance of maturity, to be agreed upon between the Bank and the Borrower for such part of the Loan at the time when the Loan Account is credited therewith, as such schedule may be amended from time to time by agreement between the Bank and the Borrower. Except as the Bank and the Borrower may otherwise agree, such amortization schedule shall not extend beyond 15 years from the time when the Loan Account is credited and shall conform substantially to the amortization schedule applicable to any loan made by the Borrower in respect of the Qualified Project for which such part of the Loan is to be used; provided, however, that payments due hereunder shall be made on the dates specified in Section 2.07 hereof.

Article III

DESCRIPTION OF PROJECT; CREDITS TO LOAN ACCOUNT ; USE OF PROCEEDS OF THE LOAN

Section 3.01. The Project for which the Loan is granted is a program to contribute to the industrial development of Taiwan by providing loans for productive purposes by the Borrower to enterprises in Taiwan which are or will be controlled by private capital, all for specific development projects, in accordance with the Articles of Association of

the Borrower as amended from time to time, and in furtherance of the corporate purposes of the Borrower as therein set forth.

Section 3.02. The Loan shall be credited to the Loan Account in installments as follows :

(a) In the case of each specific development project for which it has made or proposes to make to an enterprise, from the proceeds of the Loan, a loan for the estimated foreign currency cost of such project, in an amount equivalent to not less than such sum as shall from time to time be agreed between the Bank and the Borrower, the Borrower shall submit to the Bank an application for approval of such project, such application to be in form satisfactory to the Bank and to contain a description and appraisal of such project and such other information as the Bank shall reasonably request. If the Bank shall approve such project there shall be credited to the Loan Account, in respect thereof, such part of the Loan as the Bank shall approve.

(b) In the case of each specific development project for which it has made or proposes to make to an enterprise, from the proceeds of the Loan, a loan for the estimated foreign currency cost of such project, in an amount equivalent to less than the sum at that time agreed between the Bank and the Borrower pursuant to paragraph (a) of this Section, the Borrower shall furnish to the Bank a brief statement, in form satisfactory to the Bank, describing such project and the terms and conditions upon which the Borrower has made, or intends to make, such a loan therefor, and a request for a credit to the Loan Account of part of the Loan in respect thereof. Upon receipt of such statement and request there shall be credited to the Loan Account, in respect of such project, and of the estimated foreign currency cost thereof, such part of the Loan as the Borrower has requested.

(c) Except as the Bank and the Borrower shall otherwise agree, no amount shall be credited to the Loan Account later than a date three years after the Effective Date of this Agreement.

Section 3.03. The proceeds of each part of the Loan shall be used by the Borrower only for making loans to the Qualified Enterprise in respect of which such part of the Loan was credited to the Loan Account and shall be applied exclusively to the cost of goods required to carry out the Qualified Project in respect of which such part of the Loan was so credited.

Section 3.04. Notwithstanding the provisions of Section 4.01 of the Loan Regulations, except as the Bank and the Borrower shall otherwise agree, no withdrawals shall be made from the Loan Account for amounts expended for the cost of a Qualified Project more than 90 days prior to the receipt by the Bank of the application for approval of such Qualified Project pursuant to Section 3.02 (a) of this Agreement or more than 90 days prior to the receipt by the Bank of a request for credit to the Loan Account in respect of such Qualified Project pursuant to Section 3.02 (b) of this Agreement.

Article IV

BONDS

Section 4.01. The Borrower shall execute and deliver Bonds representing the principal amount of the Loan as provided in the Loan Regulations.

Section 4.02. The President of the Borrower or such person or persons as he shall appoint in writing are designated as authorized representatives of the Borrower for the purposes of Section 6.12 (a) of the Loan Regulations.

Article V

PARTICULAR COVENANTS

Section 5.01. The Borrower shall carry out the Project and conduct its operations and affairs in accordance with sound financial and business standards and practices, with qualified and experienced management and in accordance with its Articles of Association as amended from time to time.

Section 5.02. (a) The Borrower shall furnish or cause to be furnished to the Bank all such information as the Bank shall reasonably request concerning the expenditure of the proceeds of the Loan, the Project, the Qualified Enterprises, the Qualified Projects and the administration, financial condition and operations of the Borrower.

(b) The Borrower shall maintain records adequate to record the progress of the Project and of each Qualified Project (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting practices the financial condition and operations of the Borrower. The Borrower shall enable the Bank's representatives to examine such records.

Section 5.03. (a) The Borrower shall promptly and effectively exercise its rights in relation to each Qualified Project in such manner as to protect the interests of the Bank and the Borrower and in accordance with the standards of a prudent lender.

(b) Any loan made by the Borrower out of the proceeds of the Loan to a Qualified Enterprise for a Qualified Project shall carry interest at a rate acceptable to the Bank and shall be made on terms whereby the Borrower shall obtain, by the written agreement of such Qualified Enterprise or other appropriate legal means, rights adequate to protect the interests of the Bank and the Borrower, including the right to require such Qualified Enterprise to carry out and operate the Qualified Project with due diligence and efficiency and in accordance with sound engineering and financial standards, including the maintenance of adequate records; the right to require that the goods to be financed out of the proceeds of the Loan shall be used exclusively in the carrying out of such Qualified Project; the right of the Bank and the Borrower to inspect such goods and the sites, works and construction included in such Qualified Project, the operation thereof and any relevant records and documents; the right to require that such Qualified Enterprise shall take out and maintain such insurance, against such risks and in such amounts, as shall be consistent with sound business practices, and that, except as the Bank shall otherwise agree, insurance covering marine and transit hazards on the goods financed out of the proceeds of the Loan shall be payable in the currency in which the cost of the goods insured there-

under shall be payable or in any other currency which can be converted by such Qualified Enterprise into such currency; and the right to obtain all such information as the Bank and the Borrower shall reasonably request relating to the foregoing and to the financial condition and operations of such Qualified Enterprise; and all such other rights as a prudent lender would request. Such rights shall include appropriate provision whereby further access by such Qualified Enterprise to the use of the proceeds of the Loan may be suspended or terminated by the Borrower upon failure by such Qualified Enterprise to carry out the terms of such loan.

Section 5.04. The Bank and the Borrower shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end :

(a) The Bank and the Borrower shall from time to time, at the request of either party, exchange views through their representatives with regard to the performance by the Borrower of its obligations under the Loan Agreement, the administration, operations and financial condition of the Borrower and other matters relating to the purposes of the Loan.

(b) The Borrower shall promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan, the maintenance of the service thereof or the performance by the Borrower of its obligations under the Loan Agreement.

Section 5.05. The Borrower shall pay or cause to be paid all taxes, if any, imposed under the laws of the Guarantor or laws in effect in the territories of the Guarantor on or in connection with the execution, issue, delivery or registration of the Loan Agreement, the Guarantee Agreement or the Bonds, or the payment of principal, interest or other charges thereunder; provided, however, that the provisions of this Section shall not apply to taxation of payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Guarantor.

Section 5.06. The Borrower shall pay or cause to be paid all taxes, if any, imposed under the laws of the country or countries in whose currency the Loan and the Bonds are payable, or laws in effect in the territories of such country or countries, on or in connection with the execution, issue, delivery or registration of the Loan Agreement, the Guarantee Agreement or the Bonds.

Section 5.07. The Borrower shall not amend its Articles of Association without the consent of the Bank.

Section 5.08. The Borrower shall have its accounts regularly audited at least once a year by auditors acceptable to the Bank and shall submit to the Bank promptly after their preparation its annual financial statements certified by such auditors.

Section 5.09. The Borrower undertakes that, except as the Bank and the Borrower shall otherwise agree, if the Borrower shall create any lien on any of its assets as security

for any debt, such lien will equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds, and that in the creation of any such lien express provision will be made to that effect; provided, however, that the foregoing provisions of this Section shall not apply to : (i) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property; or (ii) any lien arising in the ordinary course of banking transactions and securing a debt maturing on demand or not more than one year after the date on which it is originally incurred.

Section 5.10. (a) Except as the Bank and the Borrower shall otherwise agree, the Borrower shall not incur any long-term debt if, at the time or as a result thereof, all long-term debt of the Borrower shall exceed three times the sum of the equity of the Borrower and the outstanding balance of the Government Subordinated Credits existing on the date such new long-term debt is incurred.

(b) For the purposes of this Section :

- (i) the term "long-term debt" means any indebtedness of the Borrower maturing more than one year after the date on which it is originally incurred;
- (ii) reference to incurring of debt shall include the assumption and guarantee of debt and debt shall be deemed to be incurred on the date on which it is actually drawn down, except that guarantees shall be deemed to be incurred on the date on which they are contracted, but shall only be counted to the extent that the underlying debt is outstanding;
- (iii) the term "equity" at any time shall mean the sum of unimpaired paid-in capital and reserves not allocated to cover specific liabilities;
- (iv) the term "Government Subordinated Credits" shall mean the three counterpart fund loans extended by the Bank of Taiwan to the Borrower under Counterpart Fund Loan Agreements No. 1A220 dated December 25, 1959, No. 1A221 dated October 13, 1960 and No. 1A226 dated September 29, 1961;
- (v) the equivalent in currency of the Guarantor of amounts in any other currency shall be determined on the basis of the rate of exchange at which such other currency may be obtained by the Borrower on the date of determination.

Article VI

REMEDIES OF THE BANK

Section 6.01. (i) If any event specified in paragraph (a), paragraph (b), paragraph (e) or paragraph (f) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of thirty days, or (ii) if any event specified in paragraph (c) of Section 5.02 of the Loan Regulations or in paragraphs (b) or (c) of Section 6.02 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower, then at any subsequent time, during the continuance thereof, the Bank, at its option, may declare the principal of the Loan and of all the Bonds then outstanding to be due and payable immediately, and upon any such declaration such principal shall become due and payable immediately, anything in this Agreement or in the Bonds to the contrary notwithstanding.

Section 6.02. The following additional events are specified for the purposes of Section 5.02 of the Loan Regulations :

(a) The Borrower's right of withdrawal under any other loan or credit agreement shall have been suspended;

(b) Any other creditor of the Borrower shall have demanded payment from the Borrower of monies lent to the Borrower prior to the agreed maturity of any loan or credit having an original maturity of one year or more in accordance with the terms of such loan or credit;

(c) A default shall have occurred in the payment of principal or service charges or any other payment required under any development credit agreement between the Guarantor and the International Development Association.

Article VII

EFFECTIVE DATE; TERMINATION

Section 7.01. The following events are specified as additional conditions to the effectiveness of this Loan Agreement, within the meaning of Section 9.01 (c) of the Loan Regulations :

(a) The United States of America acting through the Agency for International Development has agreed in writing to the borrowing of the amount of the Loan by the Borrower.

(b) The Counterpart Fund Loan Agreements between the Bank of Taiwan and the Borrower No. 1A220 dated December 25, 1959, No. 1A221 dated October 13, 1960 and No. 1A226 dated September 29, 1961, respectively, have been amended, in a manner satisfactory to the Bank, to provide that

- (i) interest on the loans thereunder will be at a rate of interest established so as to maintain at all times a margin of at least 6% per annum between the rate of interest charged by the Borrower on the relending of the proceeds of such loans and the rate of interest payable by the Borrower on such loans;
- (ii) the right of the Bank of Taiwan under said agreements to amend unilaterally the interest rate will be subject to the agreement on an minimum margin referred to in subparagraph (i) above; and
- (iii) the Bank of Taiwan will not unilaterally change the amortization schedule for repayment of such loans.

(c) The loan agreement between the Bank of Taiwan and the Borrower No. 1M001 dated December 23, 1963 has been amended, in a manner satisfactory to the Bank, to provide that

- (i) interest on the loan thereunder will be at a rate of interest established so as to maintain at all times a margin of at least 6% per annum between the rate of interest charged by the Borrower on the relending of the proceeds of such loan and the rate of interest payable by the Borrower on such loan; and
- (ii) such loan will not be secured by any lien or mortgage.

(d) All approvals necessary to the validity or effectiveness of the amendments referred to in paragraphs (b) and (c) of this Section have been duly given.

(e) The Borrower has made arrangements whereby the Guarantor or its agent, if and when requested by the Borrower, would assume, vis-a-vis the Borrower, the foreign exchange risk on the payment by the Borrower to the Bank of principal, interest and other charges on any or all parts of the Loan at a fee calculated to provide to the Borrower a margin of at least $3\frac{1}{2}\%$ per annum between such fee together with the interest rate on the Loan on the one hand and the interest rate receivable by the Borrower from a Qualified Enterprise or Qualified Enterprises on such part or parts of the Loan on the other hand.

Section 7.02. The following is specified as an additional matter, within the meaning of Section 9.02 (c) of the Loan Regulations, to be included in the opinion or opinions to be furnished to the Bank :

That the amendments to the agreements between the Bank of Taiwan and the Borrower referred to in paragraphs (b) and (c) of Section 7.01 of this Agreement have been duly authorized or ratified by, and executed and delivered on behalf of, the Bank of Taiwan and the Borrower and are valid and enforceable in accordance with their terms.

Section 7.03. A date ninety days after the date of this Agreement is hereby specified for the purposes of Section 9.04 of the Loan Regulations.

Article VIII

MISCELLANEOUS

Section 8.01. The Closing Date shall be December 31, 1968, or such other date as shall be agreed from time to time between the Bank and the Borrower.

Section 8.02. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Bank :

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

Alternative address for cables and radiograms :

Intbafrad
Washington, D.C.

For the Borrower :

China Development Corporation
181-5 Chung Shan Road North, 2nd Section
Taipei, Taiwan
Republic of China

Alternative address for cables and radiograms :

Chidelco
Taipei

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be signed in their respective names and delivered in the District of Columbia, United States of America, as of the day and year first above written.

International Bank for Reconstruction and Development :

By J. Burke KNAPP
Vice President

China Development Corporation :

By Felix S. Y. CHANG
Authorized Representative

SCHEDULE 1

MODIFICATIONS OF LOAN REGULATIONS No. 4

For the purposes of this Agreement, the provisions of Loan Regulations No. 4 of the Bank, dated February 15, 1961, shall be modified as follows :

(a) By the deletion of Sections 2.01, 2.02 and 2.03.

(b) By the deletion of paragraphs (a) and (b) of Section 2.05 and the substitution therefor of the following paragraphs :

“(a) The principal of each part of the Loan withdrawn from the Loan Account shall be repayable in accordance with the amortization schedule agreed upon between the Bank and the Borrower in respect of such part of the Loan pursuant to Section 2.08 of the Loan Agreement.

“(b) The Borrower shall have the right, upon payment of all accrued interest and payment of the premiums specified in the applicable amortization schedule, and upon not less than 45 days' notice to the Bank, to repay in advance of maturity (i) all of the principal amount of any part of the Loan at the time outstanding or (ii) all of the principal amount of any one or more maturities of any part of the Loan, provided that on the date of such prepayment there shall not be outstanding any portion of such part of the Loan maturing after the portion to be prepaid. However, if Bonds shall have been delivered pursuant to Article VI in respect of any portion of any part of the Loan to be prepaid, the terms and conditions of prepayment of that portion of such part of the Loan shall be those set forth in Section 6.16 and in such Bonds.”

(c) By the addition to Section 2.05 of the following new paragraph as paragraph (d) :

“(d) The Bank and the Borrower may from time to time agree upon arrangements for prepayment and the application thereof in addition to, or in substitution

for, those set forth in paragraph (b) of Section 2.05 and Section 6.16.”

(d) By the deletion of paragraph (a) of Section 3.03 and the substitution thereof of the following paragraph :

“(a) The principal of each part of the Loan shall be repayable in the several currencies withdrawn from the Loan Account and the amount repayable in each currency shall be the amount withdrawn in that currency. The foregoing provision is subject to one exception, namely : if withdrawal shall be made in any currency which the Bank shall have purchased with another currency for the purpose of such withdrawal, the portion of the Loan so withdrawn shall be repayable in such other currency and the amount so repayable shall be the amount paid by the Bank on such purchase.”

(e) By the deletion of paragraph (c) of Section 3.03 and the substitution thereof of the following paragraph :

“(c) Except as the Bank and the Borrower shall otherwise agree, the portion of the Loan to be repaid, under the provisions of this Section, in any particular currency shall be repayable in such installments, not inconsistent with the installments set forth in the amortization schedule applicable to the part of the Loan in respect of which the repayment is made, as the Bank shall from time to time specify.”

(f) By the deletion of the second sentence of Section 4.01 and the substitution thereof of the following sentence :

“Except as shall be otherwise agreed between the Bank and the Borrower, no withdrawals shall be made on account of (a) expenditures in the currency of the Guarantor or for goods produced in (including services supplied from) the territories of the Guarantor, or (b) expenditures in the territories of any country which is not a member of the Bank (other than Switzerland) or for goods produced in (including services supplied from) such territories.”

(g) By the deletion of the second sentence of Section 4.03 and the substitution thereof of the following sentence :

“Applications for withdrawal, with the necessary documentation as hereinafter in this Article provided, shall, except as the Bank and the Borrower shall otherwise agree, be made promptly in relation to expenditures for Qualified Projects.”

(h) By the deletion of Section 5.01 and the substitution thereof of the following Section :

“SECTION 5.01. *Cancellation by the Borrower.* The Borrower may by notice to the Bank (i) cancel any amount of the Loan which shall not have been credited to the Loan Account, or (ii) cancel any portion of any part or parts of the Loan which shall have been credited to the Loan Account and which the Borrower shall not have withdrawn prior to the giving of such notice, except that the Borrower may not so cancel any portion of any part or parts of the Loan in respect of which the Bank shall have entered into a special commitment pursuant to Section 4.02.”

(i) By the deletion of Section 5.03 and the substitution therefor of the following Section :

“SECTION 5.03. *Cancellation by the Bank.* If (a) the right of the Borrower to make withdrawals from the Loan Account shall have been suspended with respect to any portion of the Loan for a continuous period of 30 days, or (b) by the Closing Date any portion of the Loan shall not have been credited to the Loan Account or shall remain unwithdrawn from the Loan Account, the Bank may by notice to the Borrower terminate the right of the Borrower to request credits to the Loan Account and to make withdrawals from the Loan Account, as the case may be, with respect to such portion of the Loan. Upon the giving of such notice such portion of the Loan shall be cancelled.”

(j) By the deletion of Section 5.05 and the substitution therefor of the following Section :

“SECTION 5.05. *Application of Reduction of Loan Account and of Cancellation to Maturities.* Except as otherwise agreed between the Bank and the Borrower, any cancellation pursuant to this Article shall be applied *pro rata* to the several remaining maturities of the principal amount of such part of the Loan as set forth in the amortization schedule applicable thereto, after deducting from the principal amount of each maturity the principal amount of Bonds of such maturity theretofore delivered or requested pursuant to Article VI and the Bonds or portions of the Loan of such maturity theretofore sold or agreed to be sold by the Bank.”

(k) By the insertion of the words “of each part” after the word “amount” in Section 6.01.

(l) By the substitution of the words “the part of the Loan represented by such Bonds” for the words “the Loan”, whenever they occur in Section 6.02.

(m) By the insertion of the words “of such part” after the words “principal amount” in Section 6.04.

(n) By the deletion of Section 6.05 and the substitution therefor of the following Section :

“SECTION 6.05. *Currency in Which Bonds are Payable.* The Bonds shall be payable as to principal and interest in the several currencies in which the part of the Loan represented by such Bonds is repayable. Each Bond delivered pursuant to any request under Section 6.03 or under Section 6.11 shall be payable in such currency as the Bank shall specify in such request except that the aggregate principal amount of Bonds representing a part of the Loan and payable in any currency shall at no time exceed the outstanding amount of such part of the Loan repayable in such currency.”

(o) By the deletion of Section 6.06 and the substitution therefor of the following Section :

“SECTION 6.06. *Maturities of Bonds.* The maturities of the Bonds shall correspond to the maturities of the principal amounts of the several parts of the Loan represented thereby as set forth in the amortization schedules applicable thereto. The Bonds delivered pursuant to any request under Section 6.03 or under

Section 6.11 shall have such maturities as the Bank shall specify in such request except that the aggregate principal amount of Bonds of any maturity shall at no time exceed the corresponding installment of the principal amount of the part of the Loan represented by such Bonds.”

(p) By the insertion of the words “of the part” after the word “amount” in the last sentence of Section 6.09.

(q) By the deletion of paragraph (a) of Section 6.11 and the substitution therefor of the following paragraph :

“(a) Bonds representing a part of the Loan and bearing interest at one rate may be exchanged for Bonds bearing interest at any other rate not in excess of the rate of interest on the Loan.”

(r) By the deletion of paragraph (a) of Section 6.16 and the substitution therefor of the following paragraph :

“(a) Bonds shall be subject to redemption prior to their maturity by the Borrower in accordance with their terms, at a redemption price equal to the principal amount thereof plus the interest accrued and unpaid thereon to the date fixed for the redemption thereof plus as a premium the percentages of said principal amount specified in the amortization schedule applicable to the part of the Loan represented by such Bonds.”

(s) By the insertion of the words “of such part” after the word “amount” in paragraph (b) of Section 6.16.

(t) By the deletion of paragraph 4 of Section 10.01 and the substitution therefor of the following paragraph :

“4. The term ‘Loan’ means the loan provided for in the Loan Agreement, and the term ‘part of the Loan’ means the portion of the Loan credited or to be credited to the Loan Account in respect of a Qualified Project.”

(u) By the deletion of paragraph 10 of Section 10.01 and the substitution therefor of the following paragraph :

“10. The term ‘Loan Account’ means the account on the books of the Bank to which the amount of each part of the Loan is to be credited as provided in the Loan Agreement.”

(v) By the deletion of the first sentence of paragraph 12 of Section 10.01 and the substitution therefor of the following sentence :

“12. The term ‘goods’ means equipment, supplies and services required for the Qualified Projects financed out of the proceeds of the Loan.”