

No. 8952

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

Guarantee Agreement—Third CDC Project (with related letter and annexed Loan Regulations No. 4, as amended, and Loan Agreement between the Bank and the China Development Corporation). Signed at Washington, on 7 August 1967

Official text: English.

Registered by the International Bank for Reconstruction and Development on 30 January 1968.

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

Contrat de garantie — Troisième projet relatif à la China Development Corporation (avec lettre y relative et, en annexe, le Règlement n° 4 sur les emprunts, tel qu'il a été modifié, et le Contrat d'emprunt entre la Banque et la China Development Corporation). Signé à Washington, le 7 août 1967

Texte officiel anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 30 janvier 1968.

No. 8952. GUARANTEE AGREEMENT¹ (*THIRD CDC PROJECT*) BETWEEN THE REPUBLIC OF CHINA AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 7 AUGUST 1967

AGREEMENT, dated August 7, 1967, 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 as amended February 9, 1967,² subject, however, to the modifications thereof set forth in Schedule 2 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 2 November 1967, upon notification by the Bank to the Government of the Republic of China.

² See p. 122 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; or (ii) 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, and free from all restrictions, 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 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

Cable address:

Chifinance
Taipei

For the Bank:

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

Cable address:

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 Simon ALDEWERELD
Vice President

LETTER RELATING TO THE GUARANTEE AGREEMENT

REPUBLIC OF CHINA

August 7, 1967

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

*Re: Loan No. 508 CHA (Third CDC Project)
Foreign Exchange Risk*

Dear Sirs,

In connection with the Loan to the China Development Corporation for the *Third CDC Project* in an amount in various currencies equivalent to fifteen million United States dollars (U.S. \$15,000,000), we hereby advise you that the Government of the Republic of China will assume the foreign exchange risk with respect to any relending by the China

Development Corporation if the Qualified Enterprise should choose not to take the foreign exchange risk. The China Development Corporation's interest rate, which we understand will be not less than 9% per annum on any of the China Development Corporation's relending of the proceeds of the Loan to a Qualified Enterprise, will be applied to such relending. However, an additional fee to be agreed between the Government and the China Development Corporation payable to the Government or to its agent, may be charged for such assumption of foreign exchange risk.

Very truly yours,

Republic of China:

By Martin Wong

Authorized Representative

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 4, DATED 15 FEBRUARY 1961,
AS AMENDED 9 FEBRUARY 1967

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

[*Not published herein. See United Nations, Treaty Series, Vol. 598, p. 270.*]

LOAN AGREEMENT

(THIRD CDC PROJECT)

AGREEMENT, dated August 7, 1967, 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 the 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 as amended February 9, 1967,¹ with the same force and effect as if they were fully set forth herein, subject, however, to the modifications thereof set forth in Schedule 2 to this Agreement (said Loan Regulations No. 4 as so modified being hereinafter called the Loan Regulations).

¹ See above.

Section 1.02. Unless the context otherwise requires, the following terms wherever used in this Loan Agreement have the following meanings:

(a) the term "sub-loan" means a loan made or proposed to be made by the Borrower out of the proceeds of the Loan to a Qualified Enterprise for a Qualified Project;

(b) the term "Qualified Enterprise" means an enterprise to which the Borrower shall propose to make or shall have made a sub-loan in accordance with and as provided in Section 3.01 of this Agreement;

(c) the term "Qualified Project" means a specific development project to be carried out by a Qualified Enterprise, as approved by the Bank pursuant to Section 2.02 (b) of this Agreement, or in respect of which amounts shall have been credited to the Loan Account pursuant to Section 2.02 (c) of this Agreement;

(d) the term "Statement of Policies" means the Statement of Policies of the Borrower adopted by resolution of its Board of Directors on June 21, 1967, as the same may be amended from time to time;

(e) the term "subsidiary" means any company of which a majority of the outstanding voting stock or other proprietary interest shall be owned, or which shall be effectively controlled, by the Borrower or by any one or more subsidiaries of the Borrower or by the Borrower and one or more of its subsidiaries;

(f) the term "Government Subordinated Credits" means 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;

(g) the term "foreign currency" means any currency other than the currency of the Guarantor.

Words importing the singular number include the plural number and *vice versa*.

Article II

THE LOAN

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in this 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 in installments as provided in paragraphs (b) and (c) of this Section.

(b) Except as the Bank and the Borrower shall otherwise agree, upon approval by the Bank of any Qualified Project submitted to it for approval as in Section 3.03 (a) of this Agreement provided, there shall be credited, as of the date of dispatch of notice by the Bank to the Borrower relating thereto, in respect of the estimated foreign currency cost of such Qualified Project, such amount of the Loan as the Bank shall have approved.

- (c) (i) Upon request by the Borrower from time to time as provided in Section 3.03 (b) of this Agreement, there shall be credited, as of the date of dispatch of notice by the Bank to the Borrower relating thereto, in respect of that amount of a sub-loan representing the estimated foreign currency of any Qualified Project in respect of which no application has been made pursuant to Section 3.03 (a) of this Agreement and for which no credit has been made to the Loan Account pursuant to paragraph (b) of this Section, an amount of the Loan not exceeding, for each such Qualified Project, such limit, as shall from time to time be determined by the Bank with respect to amounts to be credited pursuant to this paragraph (c).
- (ii) The amount to be credited to the Loan Account for each Qualified Project pursuant to this paragraph (c), together with any amount or amounts previously so credited for such Qualified Project and not repaid shall not exceed such limit as shall from time to time be determined by the Bank.

(d) The Loan Account may, by agreement between the Bank and the Borrower, be reduced, as of the date of dispatch of notice by the Bank to the Borrower relating thereto, by an amount credited thereto pursuant to paragraphs (b) or (c) of this Section. No such reduction shall be deemed *ipso facto* to be a cancellation of any amount of the Loan.

Section 2.03. Each amount 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, the Loan Agreement and shall be applied exclusively for the sub-loan for the Qualified Project in respect of which such amount was credited to the Loan Account.

Section 2.04. Three-eighths of one per cent ($\frac{3}{8}$ of 1%) per annum is specified for the purposes of Section 2.02 of the Loan Regulations as the rate of commitment charge payable on the unwithdrawn amount of the Loan.

Section 2.05. The Borrower shall pay interest on the principal amount of each part of the Loan withdrawn from the Loan Account and outstanding from time to time at such rate as shall have been notified by the Bank to the Borrower at the time when such part of the Loan was credited to the Loan Account, or at such other time or times as shall have been agreed upon between the Bank and the Borrower, as being the rate then generally applicable to new Bank loans of the same maturity to similar borrowers. 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 amount of the Loan withdrawn from the Loan Account in accordance with the amortization schedule set forth in Schedule 1 to this Agreement as such Schedule shall be amended from time to time by the Bank and as reasonably required (i) to conform in relevant part substantially to the aggregate of the amortization schedules applicable to the sub-loans in respect of which amounts have been credited to the Loan Account pursuant to Section 2.02 of this Agreement, and (ii) to take into account any cancellation pursuant to Article V of the Loan Regulations, any reductions under Section 2.02 (d) of this Agreement and any payments made by the Borrower under Section 2.09, except that payments due hereunder shall be made on January 15 and July 15 in each year. Such amendments of said Schedule 1 shall include amendments of the premiums on prepayments and redemption if required. The amortization schedules applicable to the Qualified Projects shall provide for appropriate periods of grace, and, unless the Bank and the Borrower shall otherwise agree, (i) shall not extend beyond fifteen years from the date when the corresponding amounts are credited to the Loan Account and (ii) shall provide for approximately equal aggregate semi-annual, or more frequent, payments of principal plus interest or approximately equal semi-annual, or more frequent, payments of principal.

Section 2.09. Unless the Bank and the Borrower shall otherwise agree:

(a) If a sub-loan or any part thereof shall be repaid to the Borrower in advance of maturity or if a sub-loan or any part thereof shall be sold, transferred, assigned or otherwise disposed of, the Borrower shall promptly notify the Bank and shall pay to the Bank on the next following interest payment date, together with the premiums specified in Schedule 1 to this Agreement, an amount of the Loan equal to the amount withdrawn from the Loan Account and at the time outstanding in respect of such sub-loan, or the said part thereof. The policy stated in Section 2.05 (c) of the Loan Regulations with respect to premiums shall apply.

(b) Any amount repaid by the Borrower under this Section shall be applied by the Bank to payment of the maturity or maturities of the principal amount of the Loan in amounts corresponding to the amounts of the maturity or maturities of the sub-loan so repaid or disposed of.

(c) The first sentence of Section 2.05 (b) of the Loan Regulations shall not apply to any repayment by the Borrower in accordance with paragraph (a) of this Section.

Section 2.10. The amount of the Loan not credited to the Loan Account by the date specified in, or agreed upon pursuant to, paragraph (c) of Section 3.03 of this Agreement may at any time thereafter be cancelled by the Bank by notice to the Borrower.

Article III

DESCRIPTION OF THE PROJECT; USE OF PROCEEDS OF THE LOAN

Section 3.01. The Project for which the Loan is granted is the financing by the Borrower of development in Taiwan through loans for productive purposes to enter-

prises in Taiwan, which are or will be controlled by private investors, all for specific development projects, in accordance with the Articles of Association and Statement of Policies of the Borrower and in furtherance of the corporate purposes of the Borrower as therein set forth.

Section 3.02. The proceeds of the Loan shall be applied exclusively to the foreign currency cost of goods required to carry out Qualified Projects in respect of which amounts shall have been credited to the Loan Account pursuant to the provisions of Section 2.02 of this Agreement. Except as the Bank and the Borrower shall otherwise agree, no withdrawals shall be made on account of expenditures made for any such Qualified Project more than ninety days prior to the date on which the Bank shall have received in respect of such Qualified Project: (i) the application under Section 3.03 (a) of this Agreement, or (ii) the request for credit to the Loan Account under Section 2.02 (c) of this Agreement.

Section 3.03. (a) When submitting a Qualified Project to the Bank for approval pursuant to Section 2.02 (b) of this Agreement, the Borrower shall furnish to the Bank an application, in form satisfactory to the Bank, containing a description of such Qualified Project, the terms and conditions of the proposed sub-loan, including the amortization schedule proposed therefor, and such other information as the Bank shall reasonably request.

(b) When submitting a request to the Bank for credit to the Loan Account pursuant to Section 2.02 (c) of this Agreement, the Borrower shall furnish to the Bank a brief description, in form satisfactory to the Bank, of the Qualified Project in respect of which such request is made and of the terms and conditions of the proposed sub-loan, including the amortization schedule proposed therefor.

(c) Except as the Bank and the Borrower shall otherwise agree, applications for approval of Qualified Projects and requests for credits to the Loan Account pursuant to the provisions of this Article shall be acceptable only if received on or before March 31, 1970.

Article IV

BONDS

Section 4.01. If and as the Bank shall from time to time request, the Borrower shall execute and deliver Bonds representing the principal amount of the Loan as provided in Article VI of the Loan Regulations.

Section 4.02. The President of the Borrower is designated as authorized representative of the Borrower for the purposes of Section 6.12 (a) of the Loan Regulations. The President of the Borrower may designate additional authorized representatives by appointment in writing.

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 investment standards and practices, under the supervision of qualified and experienced management and in accordance with its Articles of Association and the Statement of Policies.

Section 5.02. (a) The Borrower shall exercise its rights in relation to each Qualified Project financed in whole or in part out of the proceeds of the Loan in such manner as to protect the interests of the Bank and the Borrower.

(b) The Borrower undertakes that any sub-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 or rates acceptable to the Bank and shall be made on terms whereby the Borrower shall obtain, by the written agreement of such Qualified Enterprise or by 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 amount, as shall be consistent with sound practice, that without any limitation upon the foregoing, such insurance shall cover marine, transit and other hazards incident to acquisition, transportation and delivery of the goods financed out of the proceeds of the Loan to the place of use or installation, and that any indemnity thereunder shall be payable in a currency freely usable by such Qualified Enterprise to replace or repair such goods; the right to obtain all such information as the Bank and the Borrower shall reasonably request relating to the foregoing and to the operations, administration and financial condition of such Qualified Enterprise; and the right of the Borrower to suspend and terminate access by the Qualified Enterprise to the proceeds of the Loan upon failure by such Qualified Enterprise to carry out the terms of such sub-loan.

Section 5.03. (a) The Borrower shall furnish 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, operations and financial condition 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 operations and financial condition of the Borrower. The Borrower shall enable the Bank's representatives to examine such records.

(c) The Borrower shall have its financial statements (balance sheet and related statement of earnings and expenses) certified annually by an independent accountant or accounting firm acceptable to the Bank and shall promptly after their preparation and not later than four months after the close of the fiscal year to which they apply transmit to the Bank certified copies of such statements and a signed copy of the accountant's or accounting firm's report.

Section 5.04. (a) The Bank and the Borrower shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, 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 progress of the Project, the performance by the Borrower of its obligations under the Loan Agreement, the administration, operations and financial condition of the Borrower and any 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 undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Borrower 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 provisions 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 not more than one year after its date.

Section 5.06. Except as shall be otherwise agreed between the Bank and the Borrower, the Borrower shall not incur or permit any subsidiary to incur any indebtedness if, after the incurring of any such indebtedness, the consolidated indebtedness of the Borrower and all its subsidiaries then incurred and outstanding would be greater than three times the consolidated equity of the Borrower and all its subsidiaries.

For the purposes of this Section: (a) The term "indebtedness" means any indebtedness incurred by the Borrower or a subsidiary maturing more than one year after the date on which it is originally incurred, including indebtedness assumed or guaranteed by the Borrower or a subsidiary but excluding the Government Subordinated Credits.

(b) The term "incur" with reference to any indebtedness shall include any modification of the terms of payment of such indebtedness. Indebtedness shall be deemed to be incurred (i) under a contract or loan agreement, on the date it is drawn down pursuant to such contract or loan agreement and (ii) under a guarantee agreement, on the date the agreement providing for such guarantee shall have been entered into but shall be only counted to the extent that the underlying debt is outstanding.

(c) Whenever in connection with this Section it shall be necessary to value in terms of the currency of the Guarantor debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt.

(*d*) The term "consolidated indebtedness of the Borrower and all its subsidiaries" shall mean the total amount of indebtedness of the Borrower and all its subsidiaries excluding indebtedness owed by the Borrower to any subsidiary or by any subsidiary to the Borrower or to any other subsidiary and excluding the Government Subordinated Credits.

(*e*) The term "consolidated equity of the Borrower and all its subsidiaries" shall mean the aggregate of (i) the total unimpaired paid-in capital and reserves of the Borrower and all its subsidiaries not allocated to cover specific liabilities; and (ii) the amount of the Government Subordinated Credits at the time outstanding.

Section 5.07. Subject to such exemption as shall be conferred by the provisions of Section 3.03 and Section 3.04 of the Guarantee Agreement¹ or otherwise, 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 its territories on or in connection with the execution, issue, delivery or registration of this 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 coporate resident of the Guarantor.

Section 5.08. 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 5.09. The Borrower shall not, without the prior approval of the Bank (i) amend its Statement of Policies; (ii) amend its Articles of Association; or (iii) establish any subsidiary.

Section 5.10. The Borrower shall cause each of its subsidiaries (if any) to observe and perform the obligations of the Borrower hereunder to the extent to which the same may be applicable thereto as though such obligations were binding upon each of such subsidiaries.

Article VI

REMEDIES OF THE BANK

Section 6.01. (i) If any event specified in paragraph (*a*), paragraph (*e*) or paragraph (*f*) 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 thirty days, or (ii) if a default shall occur in the payment of principal or interest or any other payment required under any other loan agreement between the Bank and the Borrower or under any bond delivered pursuant thereto or under any credit agreement between the Association and

¹ See p. 114 of this volume.

the Borrower and such default shall continue for a period of thirty days, or (iii) if a default shall occur in the payment of principal or interest or any other payment required under any loan agreement or under any guarantee agreement between the Guarantor and the Bank or under any bond delivered pursuant to any such agreement or under any credit agreement between the Association and the Guarantor under circumstances which would make it unlikely that the Guarantor would meet its obligations under the Guarantee Agreement and such default shall continue for a period of thirty days, or (iv) if any event specified in paragraph (c) of Section 5.02 of the Loan Regulations 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. Pursuant to paragraph (I) of Section 5.02 of the Loan Regulations, the following are specified as additional events for the purposes of said Section:

- (a) the Borrower's right of withdrawal under any other loan agreement between the Bank and the Borrower shall have been suspended;
- (b) any part of the principal amount of any loan made to the Borrower and having an original maturity of one year or more, shall, in accordance with the terms thereof, have become due and payable prior to the agreed maturity thereof by reason of any default specified in an agreement providing for any such loan or in any security representing such loan;
- (c) an order is made or a resolution passed for the dissolution or liquidation of the Borrower.

Article VII

MISCELLANEOUS

Section 7.01. The Closing Date shall be March 31, 1971, or such other date as may be agreed by the Bank.

Section 7.02. If this Agreement shall not have come into force and effect by November 15, 1967, this Agreement and all obligations of the parties hereunder shall terminate, unless the Bank, after consideration of the reasons for the delay, establishes a later date for purposes of this Section. The Bank shall promptly notify the Borrower and the Guarantor of such later date.

Section 7.03. 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

Cable address:

Intbafrad

Washington, D.C.

For the Borrower:

China Development Corporation

181-5 Chung Shan Road North 2nd Section

Taipei, Taiwan

Republic of China

Cable address:

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 Simon ALDEWERELD

Vice President

China Development Corporation:

By Felix S. Y. CHANG

Authorized Representative

SCHEDULE 1

AMORTIZATION SCHEDULE

<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>	<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>
January 15, 1970	\$50,000	January 15, 1975	\$940,000
July 15, 1970	235,000	July 15, 1975	970,000
January 15, 1971	430,000	January 15, 1976	995,000
July 15, 1971	600,000	July 15, 1976	1,025,000
January 15, 1972	780,000	January 15, 1977	1,055,000
July 15, 1972	810,000	July 15, 1977	1,080,000
January 15, 1973	830,000	January 15, 1978	1,035,000
July 15, 1973	850,000	July 15, 1978	770,000
January 15, 1974	880,000	January 15, 1979	500,000
July 15, 1974	910,000	July 15, 1979	255,000

* To the extent that any portion of the Loan is repayable in a currency other than dollars (see Loan Regulations, Section 3.03), the figures in this column represent dollar equivalents determined as for purposes of withdrawal.

PREMIUMS ON PREPAYMENT AND REDEMPTION

The following percentages are specified as the premiums payable on repayment in advance of maturity of any part of the principal amount of the Loan pursuant to Section 2.05 (b) of the Loan Regulations or on the redemption of any Bond prior to its maturity pursuant to Section 6.16 of the Loan Regulations:

<i>Time of Prepayment or Redemption</i>	<i>Premium</i>
Not more than three years before maturity	1½ %
More than three years but not more than six years before maturity	2¼ %
More than six years but not more than eleven years before maturity	3½ %
More than eleven years but not more than thirteen years before maturity	5 %
More than thirteen years before maturity	6 %

SCHEDULE 2

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 as amended February 9, 1967, shall be deemed to be modified as follows:

(1) By the deletion of Sections 2.01 and 2.03.

(2) 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 the provisions of paragraph (b) of Section 2.05 and Section 6.16 of these Regulations.”

(3) By the substitution in the second sentence of Section 4.03 of the words “Qualified Projects” for the word “Project”.

(4) By the deletion in sub-paragraph (b) of Section 5.03 of the words “from the Loan Account”.

(5) 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: (i) any cancellation pursuant to this Article of amounts credited to the Loan Account and any reduction of the Loan Account pursuant to Section 2.02 (d) of the Loan Agreement, in respect of any part of the Loan credited to the Loan Account, shall be applied *pro rata* to the principal amounts of the several maturities which reflect such part of the Loan as set forth in the amortization schedule to the Loan Agreement, except that the principal amount so cancelled of any such maturity shall not exceed the amount of such maturity remaining after deducting therefrom 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; and (ii) any cancellation pursuant to this Article of any amount of the Loan not credited to the Loan Account shall be applied *pro rata* to the principal amounts of the several maturities of the Loan as set forth in the amortization schedule to the Loan Agreement, except that the principal amount so cancelled of any maturity of the Loan shall not exceed the amount of such maturity remaining after deducting the principal amount of any part or parts of the Loan reflected in such maturity."

(6) By the deletion of Section 6.04 and the substitution therefor of the following Section:

"SECTION 6.04. *Interest on Bonds; Service Charge.* The Bonds shall bear interest at such rate as the Bank shall request, not in excess, however, of the rate of interest on the part of the Loan represented by such Bonds. If the rate of interest on any Bond shall be less than the rate of interest on the part of the Loan represented by such Bonds, the Borrower shall, in addition to the interest payable on such Bond, pay to the Bank a service charge on the principal amount of such part of the Loan at a rate equal to the difference between the interest rate on such part of the Loan and the interest rate on such Bond. Such service charge shall be payable on the dates on which and in the currency in which such interest is payable."

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

"(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 such part of the Loan."

(8) By the deletion of paragraph (b) of Section 6.16 and the substitution therefor of the following paragraph:

"(b) If any Bond so to be redeemed shall bear interest at a rate less than the rate of interest on the part of the Loan represented by such Bond, the Borrower shall pay to the Bank on the date fixed for redemption the service charge provided for in Section 6.04 accrued and unpaid at such date on the principal amount of such part of the Loan represented by such Bond."

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

"The term 'Loan' means the Loan provided for in the Loan Agreement, and the term 'part of the Loan' means the amount of the Loan credited to the Loan Account in respect of a Qualified Project."

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

“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.”

(11) By the deletion of paragraph 11 of Section 10.01 and the substitution therefor of the following paragraph:

“11. The term ‘Project’ means the project for which the Loan is granted, as described in Section 3.01 of the Loan Agreement and as the description thereof shall be amended from time to time by agreement between the Bank and the Borrower.”

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

“The term ‘goods’ means equipment, supplies, and services required by Qualified Enterprises to carry out Qualified Projects financed out of the proceeds of the Loan.”
