

No. 9639

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

Guarantee Agreement—*Tachien Power Project* (with related letter, annexed Loan Regulations No. 4, as amended, and Loan Agreement between the Bank and the Taiwan Power Company). Signed at Washington on 2 December 1968

Authentic text: English.

Registered by the International Bank for Reconstruction and Development on 18 June 1969.

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

Contrat de garantie — *Projet relatif à l'énergie électrique de Tachien* (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 Compagnie d'énergie électrique de Taïwan). Signé à Washington le 2 décembre 1968

Texte authentique: anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 18 juin 1969.

GUARANTEE AGREEMENT¹

AGREEMENT, dated December 2, 1968, 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 the Taiwan Power Company (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 fifty million dollars (\$50,000,000), 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 Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated February 15, 1961 as amended February 9, 1967³ (said Loan Regulations No. 4 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 term defined in Section 1.02 of the Loan Agreement shall have the same meaning as therein set forth.

¹ Came into force on 29 May 1969, upon notification by the Bank to the Government of the Republic of China.

² See p. 312 of this volume.

³ See p. 312 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 and the premium, if any, on the prepayment of the Loan or the redemption of the Bonds and the punctual performance of all covenants and agreements of the Borrower, all as set forth in the Loan Agreement and in the Bonds.

Section 2.02. Without limitation or restriction upon the provisions of Section 2.01 of this Agreement, the Guarantor specifically undertakes, whenever there is reasonable cause to believe that the funds available to the Borrower will be inadequate to meet the estimated expenditures required for carrying out the Project, to make arrangements, satisfactory to the Bank, promptly to provide the Borrower or cause the Borrower to be provided with such funds as are needed to meet such expenditures.

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 administration, operations and financial condition of the Borrower and other 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. (a) Except as the Bank shall otherwise agree, prior to the termination of the Loan Agreement in accordance with its terms, the Guarantor shall cause the Bank of Communications not to:

(i) exercise the right to effect any lien given by the Borrower to the Bank of Communications under the CIECD loan agreements;

(ii) transfer or assign the loans and any right, including the lien, provided for under such CIECD loan agreements; and

- (iii) amend any provision relating to the lien provided for under such CIECD loan agreements.

(b) If the circumstances would justify the Bank of Communications to effect the lien referred to in subsection (a) hereof and if the Bank so agrees, the Guarantor shall cause the Bank of Communications to:

- (i) share such lien *pari passu* by the Bank and the Bank of Communications to secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds, and the outstanding principal of, and interest on, the loans provided for under the CIECD loan agreements; and
- (ii) make express provision to that effect in the registration or in any other legal documents required to effect the lien.

Section 3.06. The Guarantor shall take all such action as will be necessary to enable the Borrower to obtain, and shall not take any action which would prevent the Borrower from obtaining, from time to time, such adjustment in the Borrower's tariffs as provided in Section 5.11 of 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 Development

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
BANK OF COMMUNICATIONS

December 2, 1968

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

Re: *Loan No. 574 CHA*
(Tachien Power Project)
Lien Under CIECD Loan Agreements

Dear Sirs:

1. Please refer to Section 3.05 of the Guarantee Agreement (*Tachien Power Project*) of even date herewith between the Republic of China (the Guarantor) and the International Bank for Reconstruction and Development (the Bank).

2. During the negotiations of the said Guarantee Agreement, we informed the Bank that the Taiwan Power Company (the Borrowers) has entered into 108 loan agreements with the Bank of Communications, acting as the agent of the Council for International Economic Cooperation and Development. Of these 108 loan agreements, 107 loan agreements (hereinafter called CIECD loan agreements) contain a provision under which the Borrower has given a lien on its property to the Bank of Communications to secure the amounts which it owes at any time to the Bank of Communications.

3. We wish to confirm that the Bank of Communications has not, in accordance with the laws of the Guarantor, effected any lien provided for under the said CIECD loan agreements and that the Bank of Communications will adhere to section 3.05 of the said Guarantee Agreement and for this purpose shall be deemed to be a third party to the said Guarantee Agreement.

4. Please indicate your agreement with the foregoing by signing the form of confirmation on the enclosed copy of this letter and returning it to us.

Very truly yours,

Republic of China:

By Martin WONG

Authorized Representative

Bank of Communications:

By Martin WONG

Authorized Representative

Confirmed:

International Bank for
Reconstruction and Development:
By R. J. GOODMAN

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

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

AGREEMENT, dated December 2, 1968, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and TAIWAN POWER COMPANY (hereinafter called the Borrower), a corporation organized and existing under the laws of the Guarantor.

Article I

LOAN REGULATIONS; DEFINITIONS

Section 1.01. The parties to this 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 (said Loan Regulations No. 4 being hereinafter called the Loan Regulations).

Section 1.02. Unless the context otherwise requires, the term "CIECD loan agreements" wherever used in this Agreement means the 107 loan agreements entered into during the period of 1952 to 1967 between the Borrower and the Bank of Communications, acting as the agent of the Council for International Economic Cooperation and Development of the Guarantor to provide funds in local currency to the Borrower for the improvement and expansion of its facilities.

Article II

THE LOAN

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in this Agreement set forth or referred to, an amount in various currencies equivalent to fifty million dollars (\$ 50,000,000).

¹ See above.

Section 2.02. (a) The Bank shall open a Loan Account on its books in the name of the Borrower and shall credit to such Loan Account the amount of the Loan.

(b) The amount of the Loan 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 and in accordance with the allocation of the proceeds of the Loan set forth in Schedule 1 to this Agreement, as such allocation shall be modified from time to time pursuant to the provisions of such Schedule 1 or by further agreement between the Bank and the Borrower.

Section 2.03. Withdrawals from the Loan Account may be made on account of expenditures made prior to the Effective Date but after the date of this Agreement.

Section 2.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent ($\frac{3}{4}$ of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.05. The Borrower shall pay interest at the rate of six and one-half per cent ($6\frac{1}{2}\%$) per annum on the principal amount of the Loan withdrawn and outstanding from time to time.

Section 2.06. Except as the Borrower and the Bank 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 commitment outstanding from time to time.

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

Section 2.08. The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 2 to this Agreement.

Article III

USE OF PROCEEDS OF THE LOAN

Section 3.01. The Borrower shall apply the proceeds of the Loan in accordance with the provisions of this Agreement to expenditures on the Project, described in Schedule 3 to this Agreement.

Section 3.02. Except as the Bank shall otherwise agree (i) the goods to be financed out of the proceeds of the Loan shall be procured on the basis of international competitive bidding in accordance with the Guidelines for Procurement under World Bank Loans and IDA Credits, published by the Bank in February 1968, and in accordance with such other procedures supplementary thereto as shall be agreed between the Borrower and the Bank as are set forth in Schedule 4 to this Agreement, and (ii) contracts for the procurement of such goods shall be subject to the approval of the Bank.

Section 3.03. Except as the Bank shall otherwise agree, the Borrower shall cause all goods financed out of the proceeds of the Loan to be used exclusively in carrying out the Project.

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 Borrower may designate additional or other authorized representatives by appointment in writing notified to the Bank.

Article V

PARTICULAR COVENANTS

Section 5.01. (a) The Borrower shall carry out the Project with due diligence and efficiency and in conformity with sound engineering, financial and public utility practices.

(b) In the carrying out of the Project, the Borrower shall employ competent and experienced contractors and engineering consultants, acceptable to the Bank, and on terms and conditions satisfactory to the Bank.

Section 5.02. (a) The Borrower shall furnish to the Bank, promptly upon their preparation, the plans, specifications and construction schedules for the Project and any material modifications subsequently made therein, in such detail as the Bank shall from time to time request.

(b) The Borrower shall maintain records adequate to identify the goods financed out of the proceeds of the Loan, to disclose the use thereof in the Project, to record the progress of the Project (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition of the Borrower.

(c) The Borrower shall enable the Bank's representatives to inspect the Project, the goods financed out of the proceeds of the Loan, the sites, works, construction and operations included in the Project and all other plants, works, properties, equipment and operations of the Borrower and to examine any relevant records and documents.

(d) 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 use of the goods purchased therewith, the progress of the Project and the administration, operations and financial condition of the Borrower.

Section 5.03. (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 performance by the Borrower of its obligations under this 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 or the maintenance of the service thereof or the performance by the Borrower of its obligations under this Agreement.

Section 5.04. 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 *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 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 more than one year after the date on which it is originally incurred.

Section 5.05. (a) Except as the Bank shall otherwise agree, the Borrower shall not effect the lien provided for under the CIECD loan agreements prior to the termination of this Agreement in accordance with its terms.

(b) If the lien referred to in subsection (a) hereof is effected in accordance with Section 3.05 (b) of the Guarantee Agreement,¹ the Borrower shall ensure that (i) such lien will be shared *pari passu* by the Bank and the Bank of Communications to secure the payment of principal of, and interest and other charges on, the Loan and the Bonds and the outstanding principal of, and interest on, the loans provided for under the CIECD loan agreements; and (ii) express provision be made to that effect in the registration or in any other legal documents required to effect the lien.

¹ See p. 300 of this volume.

Section 5.06. (a) The Borrower shall at all times maintain its corporate existence and right to carry on its operations, and take all steps necessary to acquire, maintain and renew all rights, powers, privileges, concessions and franchises which are necessary or useful in the conduct of its business.

(b) The Borrower shall operate and maintain its plants, equipment and property, and from time to time make all necessary renewals and repairs thereof, all in accordance with sound engineering and public utility practices.

(c) The Borrower shall at all times carry on its operations, manage its affairs, maintain its financial position, and plan the future expansion of its electric power system, all in accordance with sound business, financial and public utility principles and practices and under the supervision of experienced and competent management.

Section 5.07. The Borrower shall not amend its Charter without the agreement of the Bank.

Section 5.08. (a) 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 Borrower's fiscal year transmit to the Bank certified copies of such statements and a signed copy of the accountant's or accounting firm's report.

(b) The Borrower shall retain, on terms and conditions satisfactory to the Bank, a qualified and experienced accountant or accounting firm, acceptable to the Bank to assist the Borrower in the improvement of its accounting system and financial planning.

Section 5.09. (a) The Borrower shall take out and maintain with responsible insurers or make other provisions satisfactory to the Bank for insurance against such risks and in such amount as shall be consistent with sound practice.

(b) Without limiting the generality of the foregoing, the Borrower undertakes to insure the imported goods to be financed out of the proceeds of the Loan against marine, transit and other hazards incident to acquisition, transportation and delivery thereof to the place of use or installation and for such insurance any indemnity shall be payable in a currency freely useable by the Borrower to replace or repair such goods.

Section 5.10. Except as the Bank shall otherwise agree, the Borrower shall not incur any debt unless the Borrower's net revenue for the Borrower's fiscal year next preceding the date of such incurrence or for a later twelve-month period ended prior to the date of such incurrence, whichever is the greater, shall be not less than

1.5 times the maximum debt service requirements for any succeeding fiscal year on all the Borrower's debt, including the debt to be incurred. For the purposes of this Section:

(a) the term "debt" means all debt, including debt assumed or guaranteed by the Borrower, except debt incurred in the ordinary course of business and maturing by its terms on demand or less than one year after its incurrence;

(b) the term "incur" with reference to any debt includes any modification of the terms of payment of such debt. Debt 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 extent that the underlying debt is outstanding;

(c) the term "net revenue" means gross operating revenue, adjusted to take account of tariffs in effect at the time of the incurrence of debt even though they were not in effect during the entire fiscal year or twelve-month period to which such revenues relate, less all operating expenses, including adequate maintenance, taxes, if any, and administrative expenses, but before provision for depreciation and debt service requirements;

(d) the term "debt service requirements" means the aggregate amount of amortization (including sinking fund payments, if any), interest and other charges on debt; and

(e) whenever it shall be necessary to value in the currency of the Guarantor debt payable in another currency, such valuation shall be made on the basis of the rate of exchange at which such other currency is obtainable by the Borrower, at the time such valuation is made, for the purposes of servicing such debt or, if such other currency is not so obtainable, at the rate of exchange that will be reasonably determined by the Bank.

Section 5.11. (a) The Borrower shall adjust its tariffs, or take all steps necessary to obtain such adjustments, to provide revenue sufficient to produce an annual rate of return of not less than 9.5% for fiscal year 1970, and 10% for fiscal year 1971 and thereafter, on the value of the Borrower's net fixed assets in operation plus an adequate working capital allowance.

(b) For the purposes of this Section:

- (i) The annual rate of return shall be calculated by relating the operating income for the year in question to the average of the value of the net fixed assets of the Borrower in operation at the beginning and at the end of each year plus

an adequate working capital allowance, representing 2.5 per cent of such average of value of the net fixed assets and 11.5 per cent of the Borrower's cash operating expenses.

- (ii) The term "value of net fixed assets in operation" shall mean the gross book value of such assets, less the amount of accumulated depreciation determined on such value, valued in accordance with sound and consistently maintained methods of valuation, acceptable to the Bank.
- (iii) The term "operating income" shall mean the difference between:
 - (A) gross operating revenue accruing from the Borrower's services; and
 - (B) the operating and administration expenses, including taxes (if any), adequate maintenance and depreciation but excluding interest and other charges on debt.

(c) The Borrower shall increase its tariffs, by July 1, 1969, by an average rate of 9.6 per cent over the tariffs in force on the date of this Agreement.

Section 5.12. Subject to the exemptions conferred by Sections 3.03 and 3.04 of the Guarantee Agreement, 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 this 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 payment 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 5.13. 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 this Agreement, the Guarantee Agreement or the Bonds.

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 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 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.

Article VII

EFFECTIVE DATE; TERMINATION

Section 7.01. The following event is specified as an additional condition to the effectiveness of this Agreement within the meaning of Section 9.01 (d) of the Loan Regulations:

That the restrictions on annual rate of return of the Borrower provided in the rate formula approved by the Legislative Yuan pursuant to Article 20 of the State Enterprise Administration Act, 1949 shall have been revised so as to permit the Borrower to earn the return as provided in Section 5.11 of this Agreement.

Section 7.02. The following are specified as additional matters 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.

(a) That the revision of the restrictions on annual rate of return in the rate formula referred to in Section 7.01 of this Agreement has been duly authorized or ratified by all necessary governmental action; and

(b) That the Borrower has full power and authority to construct and operate the Project and that all acts, consents, sanctions and approvals necessary therefor have been fully and validly performed or given.

Section 7.03. If this Agreement shall not have come into force and effect by March 10, 1969, 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 the purposes of this Section. The Bank shall promptly notify the Borrower and the Guarantor of such date.

Article VIII

MISCELLANEOUS

Section 8.01. The Closing Date shall be September 30, 1974, or such later date as may be agreed by the Bank.

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

For the Borrower:

Taiwan Power Company
39 Huo-Ping East Road, Section 1
Taipei, Taiwan
Republic of China

Cable address:

Taipower
Taipei

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.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this 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 Président

Taiwan Power Company:

By L. K. CHEN
Authorized Representative

SCHEDULE 1

ALLOCATION OF PROCEEDS OF LOAN

<i>Category</i>	<i>Amounts Expressed in Dollar Equivalent</i>
I. Tachien Dam, Reservoir and Powerplant	
(a) Civil engineering works, including diversion and care of water, tunnels, dam, powerhouse, switchyard, gates, penstock, valves and miscellaneous equipment	21,500,000
(b) Permanent powerplant equipment including turbines, generators, transformers, switchgear, cables and auxiliary equipment	6,600,000
II. Transmission Facilities	
(a) 154-kv and 345-kv transmission lines	4,600,000
(b) Three 154-kv and 345-kv terminals including transformers, switchgear, cables, controls and auxiliary equipment	2,700,000
III. Consulting Services	2,000,000
IV. Interest and Other Charges during Construction	6,600,000
V. Unallocated	6,000,000
	<hr/>
	TOTAL 50,000,000
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REALLOCATION UPON CHANGE IN COST ESTIMATES

1. If the estimate of the cost of the items included in any of the Categories I to IV shall decrease, the amount of the Loan then allocated to, and no longer required for, such Category will be reallocated by the Bank to Category V.

2. If the estimate of the cost of the items included in any of the Categories I to IV shall increase, an amount equal to the portion, if any, of such increase to be financed out of the proceeds of the Loan will be allocated by the Bank, at the request of the Borrower, to such Category from Category V, subject, however, to the requirements for contingencies, as determined by the Bank, in respect of the cost of the items in the other Categories.

SCHEDULE 2

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>
October 15, 1974	655,000	October 15, 1984	1,240,000
April 15, 1975	675,000	April 15, 1985	1,280,000
October 15, 1975	700,000	October 15, 1985	1,325,000
April 15, 1976	720,000	April 15, 1986	1,365,000
October 15, 1976	745,000	October 15, 1986	1,410,000
April 15, 1977	770,000	April 15, 1987	1,455,000
October 15, 1977	795,000	October 15, 1987	1,505,000
April 15, 1978	820,000	April 15, 1988	1,555,000
October 15, 1978	845,000	October 15, 1988	1,605,000
April 15, 1979	875,000	April 15, 1989	1,655,000
October 15, 1979	900,000	October 15, 1989	1,710,000
April 15, 1980	930,000	April 15, 1990	1,765,000
October 15, 1980	960,000	October 15, 1990	1,825,000
April 15, 1981	995,000	April 15, 1991	1,880,000
October 15, 1981	1,025,000	October 15, 1991	1,945,000
April 15, 1982	1,060,000	April 15, 1992	2,005,000
October 15, 1982	1,095,000	October 15, 1992	2,070,000
April 15, 1983	1,130,000	April 15, 1993	2,140,000
October 15, 1983	1,165,000	October 15, 1993	2,200,000
April 15, 1984	1,205,000		

* To the extent that any part 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	½ %
More than three years but not more than six years before maturity	1¼ %
More than six years but not more than eleven years before maturity	2¼ %
More than eleven years but not more than sixteen years before maturity	3¾ %
More than sixteen years but not more than twenty-one years before maturity	5 %
More than twenty-one years but not more than twenty-three years before maturity	6 %
More than twenty-three years before maturity	6½ %

SCHEDULE 3

DESCRIPTION OF PROJECT

The Project is part of the Borrower's power development program on the Tachia River in Central Taiwan, which includes the Tachien hydroelectric development on the upper reaches of the Tachia River. The Project includes the following:

1. A dam and reservoir in Tachien gorge with appropriate water conveyances, appurtenances and controls;
2. An underground powerhouse with three 78 MW hydraulic turbine-generator units installed together with necessary auxiliary systems, appurtenances and controls;
3. An outdoor switching station with suitable power transformers, switchgear, and controls;
4. Transmission facilities including:
 - (a) 17 km of double-circuit 154-kv transmission line, between Tachien and Kukuan;
 - (b) 120 km of double-circuit 345-kv transmission line from Tienlun (near Kukuan) to a point near Taipei with one circuit strung;
 - (c) 165 km of double-circuit 345-kv transmission line from Tienlun to a point near Kaohsiung with one circuit strung; and
 - (d) appropriate 154-kv terminal facilities, and 345/154-kv transformers, located at Tienlun, and near Taipei and Kaohsiung.
5. Improvement of the accounting system and financial planning of the Borrower.

The Project is expected to be completed by April 1974.

SCHEDULE 4

I. With respect to contracts involving an amount of \$100,000 equivalent or more, the following procedures shall apply:

- (A) Before bids are invited, the Borrower shall submit to the Bank for approval the invitations to bid, specifications and all other tender documents, together with a description of advertising procedures. If prequalification is to be used, before the qualification information is invited, the Borrower shall submit to the Bank for approval the procedures for such prequalification.

- (B) After bids have been received and analyzed, the bid analysis and recommendation for contract award, together with the reasons for such recommendation, will be submitted by the Borrower to the Bank for approval prior to the contract award or the issuance of a letter of intent.
- (C) If the proposed final contract differs substantially from the terms and conditions contained in the documents previously approved by the Bank, the text of the proposed changes will be submitted to the Bank for its review and approval.
- (D) As soon as a contract is signed, the Borrower shall furnish to the Bank a certified copy of such contract.

II. With respect to contracts involving an amount below \$100,000 equivalent, the Borrower shall furnish to the Bank the documents referred to in Paragraph I above as soon as such contracts are signed.
