

No. 10688

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

**Guarantee Agreement—*Fourth CDC Project* (with annexed
General Conditions Applicable to Loan and Guarantee
Agreements and Loan Agreement between the Bank
and the China Development Corporation). Signed at
Taipei on 16 May 1970**

Authentic text : English.

*Registered by the International Bank for Reconstruction and Development
on 21 August 1970.*

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

**Contrat de garantie — *Quatrième projet relatif à la China
Development Corporation* (avec, en annexe, les
Conditions générales applicables aux contrats d'em-
prunt et de garantie et le Contrat d'emprunt entre
la Banque et la China Development Corporation). Signé
à Taïpeh le 16 mai 1970**

Texte authentique : anglais.

*Enregistré par la Banque internationale pour la reconstruction et le développement
le 21 août 1970.*

GUARANTEE AGREEMENT¹

AGREEMENT, dated May 16, 1970, between REPUBLIC OF CHINA (hereinafter called the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS by the Loan Agreement² of even date herewith between the Bank and China Development Corporation (hereinafter called the Borrower) the Bank has agreed to make to the Borrower a loan in various currencies equivalent to eighteen million dollars (\$18,000,000), 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 the General Conditions Applicable to Loan and Guarantee Agreements of the Bank dated January 31, 1969,³ 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 the Loan Agreement (said General Conditions Applicable to Loan and Guarantee Agreements, as so modified, being hereinafter called the General Conditions).

Section 1.02. Wherever used in this Guarantee Agreement, unless the context otherwise requires, the several terms defined in the General Conditions and in Section 1.02 of the Loan Agreement shall have the respective meanings therein set forth.

¹ Came into force on 7 July 1970, upon notification by the Bank to the Government of the Republic of China.

² See page 10 of this volume.

³ See page 10 of this volume.

Article II

Section 2.01. Without limitation or restriction upon any of its other obligations under this Guarantee Agreement, the Guarantor hereby unconditionally guarantees, as primary obligor and not as surety merely, the due and punctual payment of the principal of, and interest and other charges on, the Loan and the Bonds, the premium, if any, on the prepayment of the Loan or the redemption of the Bonds prior to their maturity, 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 should 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 to secure a debt maturing not more than one year after the date on which it is originally incurred.

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 it shall reasonably request 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, 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 Guarantee Agreement, the Loan Agreement and the Bonds shall be free from any taxes that shall be imposed under the laws of the Guarantor on or in connection with the execution, issue, delivery or registration thereof.

Section 3.05. The Guarantor covenants that it will not take any action or cause or permit any of its political subdivisions or any of its agencies or any agency of any such political subdivisions to take any action which would prevent or interfere with the performance by the Borrower of its obligations contained in the Loan Agreement, and will take or cause to be taken all reasonable action necessary or appropriate to enable the Borrower to perform such obligations.

Article IV

Section 4.01. The Guarantor shall endorse, in accordance with the provisions of the General Conditions, 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 appoint in writing are designated as authorized representatives of the Guarantor for the purposes of Section 8.10 of the General Conditions.

Article V

Section 5.01. The Minister of Finance of the Guarantor is designated as representative of the Guarantor for the purposes of Section 10.03 of the General Conditions.

Section 5.02. The following addresses are specified for the purposes of Section 10.01 of the General Conditions:

For the Guarantor:

Ministry of Finance
Taipei
Taiwan, China

Alternative address for cables :

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 :

Intbafrad

Washington, D.C.

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 City of Taipei, Republic of China, as of the day and year first above written.

Republic of China :

By K. T. LI

Authorized Representative

International Bank for Reconstruction and Development :

By Robert S. McNAMARA

President

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

GENERAL CONDITIONS, DATED 31 JANUARY 1969

GENERAL CONDITIONS APPLICABLE TO LOAN AND GUARANTEE AGREEMENTS

(Not published herein. See *United Nations, Treaty Series, vol. 691, p. 300.*)

LOAN AGREEMENT

AGREEMENT, dated May 16, 1970, 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

GENERAL CONDITIONS; DEFINITIONS

Section 1.01. The parties to the Loan Agreement accept all the provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Bank dated January 31, 1969,¹ 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 General Conditions Applicable to Loan and Guarantee Agreements, as so modified, being hereinafter called the General Conditions).

Section 1.02. Wherever used in this Loan Agreement, unless the context otherwise requires, the several terms defined in the General Conditions have the respective meanings therein set forth, and the following additional terms have the following meanings:

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

(b) "investment" means an investment, other than a sub-loan, made or proposed to be made by the Borrower out of the proceeds of the Loan in an Investment Enterprise for an Investment Project;

(c) "Investment Enterprise" means an enterprise to which the Borrower proposes to make or has made a sub-loan or in which it proposes to make or has made an investment, in accordance with and as provided in Section 3.01 of this Agreement;

(d) "Investment Project" means a specific investment project to be carried out by an Investment Enterprise and to be financed out of the proceeds of the Loan by means of a sub-loan or an investment.

(e) "Statement of Policies" means the Statement of Operational Policies of the Borrower adopted by resolution of its Board of Directors on November 4, 1964, as amended on June 21, 1967 and on November 26, 1969, and as the same may be amended from time to time with the prior approval of the Bank;

(f) "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;

(g) "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;

¹ See p. 10 of this volume.

(h) "New Taiwan Dollars" and the symbol "NT\$" means New Taiwan dollars in the currency of the Guarantor; and

(i) "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 eighteen million dollars (\$18,000,000).

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

Section 2.03. (a) Subject to the provisions of paragraphs (b) and (c) of this Section, the Borrower shall be entitled to withdraw from the Loan Account:

- (i) amounts expended for the reasonable cost of goods and services required for carrying out the Investment Project in respect of which the withdrawal is requested; and
- (ii) if the Bank shall so agree, such amounts as shall be required to meet payments to be made for the reasonable cost of such goods and services.

(b) No amount shall be withdrawn from the Loan Account in respect of an Investment Project unless it shall have been approved by the Bank, provided, however, that such withdrawals may be made in respect of sub-loans for Investment Projects described to and authorized by the Bank for financing hereunder in accordance with the provisions of Section 3.02 (b) of this Agreement, but only up to an amount in respect of each such Investment Project which, together with any amount or amounts previously approved, requested or credited to a loan or credit account for such Investment Project under the Loan Agreement or for the same Investment Project under any other loan agreement between the Bank and the Borrower or under the Subsidiary Loan Agreement between the Guarantor and the Borrower dated February 22, 1962 entered into pursuant to Section 4.01 of the Development Credit Agreement¹ between the Guarantor and the International Development Association, dated December 1, 1961 and not repaid, shall not exceed the equivalent of \$750,000, and in respect of all such Investment Projects, the equivalent of \$6,000,000 in the aggregate, or, in each case, of such other limit as shall from time to time be determined by the Bank.

¹ United Nations, *Treaty Series*, vol. 426, p. 105.

(c) Except as the Bank and the Borrower shall otherwise agree, no withdrawals shall be made on account of expenditures made by an Investment Enterprise for any Investment Project subject to the Bank's approval more than ninety days prior to the date on which the Bank shall have first received in respect of such Investment Project the application required under Section 3.02 (a) of this Agreement or, in the case of any other Investment Project, more than ninety days prior to the date on which the Bank shall have received the description thereof pursuant to Section 3.02 (b) 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 seven per cent (7 %) per annum on the principal amount of the Loan withdrawn and outstanding from time to time.

Section 2.06. Interest and other charges shall be payable semi-annually on April 15 and October 15 in each year.

Section 2.07. (a) The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 1 to this Agreement as such Schedule shall be amended from time to time as determined by the Bank and as reasonably required to: (i) conform in relevant part substantially to the aggregate of the amortization schedules applicable to the sub-loans and investments in respect of which withdrawals from the Loan Account shall have been approved or authorized pursuant to Section 3.02 of this Agreement and (ii) take into account any cancellation pursuant to Article VI of the General Conditions, and any repayments made by the Borrower under Section 2.08 of this Agreement, except that repayments due hereunder shall be made on April 15 and October 15 in each year. Such amendments of said Schedule 1 shall include amendments to the table of premiums on prepayments and redemption, if required.

(b) The amortization schedule applicable to each Investment Project shall provide for an appropriate period of grace, and, unless the Bank and the Borrower shall otherwise agree: (i) shall not extend beyond fifteen years from the date of approval by the Bank of such Investment Project or of authorization by the Bank to make withdrawals from the Loan Account in respect of such Investment Project, and (ii) shall provide for approximately equal semi-annual, or more frequent, aggregate payments of principal and interest or approximately equal, semi-annual, or more frequent, payments of principal.

Section 2.08. 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 an investment 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 or in any

amendment thereof under Section 2.07 (a) of this Agreement, an amount of the Loan equal to: (i) in the case of a sub-loan, the amount withdrawn from the Loan Account in respect of such sub-loan, or the said part thereof; or (ii) in the case of an investment, the excess, if any, of the amount withdrawn from the Loan Account in respect of such investment, or the said part thereof, over the amount of the Loan theretofore repaid to the Bank in respect of such investment.

(b) Any amount so repaid by the Borrower shall be applied by the Bank as follows: (i) in the case of a sub-loan, to payments 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; and (ii) in the case of the disposition of an investment, to the *pro rata* payment of the unpaid amounts of the maturity or maturities of the Loan reflecting the amount of such investment.

(c) The first sentence of Section 3.05 (b) of the General Conditions shall not apply to any repayment made under paragraph (a) of this Section.

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 enterprises in Taiwan, which are controlled by private investors, and through other productive investments in such enterprises, 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. (a) When submitting an Investment Project to the Bank for approval, the Borrower shall furnish to the Bank an application, in form satisfactory to the Bank, together with a description of the Investment Project (including a description of the expenditure proposed to be financed out of the proceeds of the Loan) and the Investment Enterprise, the terms and conditions of the sub-loan to or investment in the Investment Enterprise, including the schedule of amortization proposed therefor, a financial analysis thereof, and such other information as the Bank shall reasonably request.

(b) Each request by the Borrower for authorization to make withdrawals from the Loan Account in respect of sub-loans for Investment Projects not requiring approval by the Bank shall contain a summary description of the Investment Enterprise and the Investment Project (including a description of the expenditures proposed to be financed out of the proceeds of the Loan) for which such authorization is requested, and the terms and conditions of the sub-loan for such Investment Projects, including the schedule of amortization therefor.

(c) Except as the Bank and the Borrower shall otherwise agree, applications for approval of Investment Projects pursuant to the provisions of Section 3.02 (a) of this Agreement and requests for authorizations to withdraw from the Loan Account pursuant to the provisions of Section 3.02 (b) of this Agreement shall be submitted on or before March 31, 1972.

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 VIII of the General Conditions.

Section 4.02. The President of the Borrower and such other person or persons as he shall appoint in writing are designated as authorized representatives of the Borrower for the purposes of Section 8.10 of the General Conditions.

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 Investment 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 unless the Bank shall otherwise agree, any sub-loan or investment will be made on terms whereby the Borrower shall obtain, by written agreement or by other appropriate legal means, rights adequate to protect the interests of the Bank and the Borrower, including, in the case of any such sub-loan and, to the extent that it shall be appropriate in the case of any such investment: (i) the right to require the Investment Enterprise to carry out and operate the Investment Project with due diligence and efficiency and in accordance with sound technical, engineering, managerial, and financial standards, including the maintenance of adequate records; (ii) the right to require that the goods and services to be financed out of the proceeds of the Loan shall be used exclusively in the carrying out of the Investment Project; (iii) the right of the Bank and the Borrower to inspect such goods and the sites, works, plants and construction included

in the Investment Project, the operation thereof and any relevant records and documents; (iv) the right to require that the Investment Enterprise shall take out and maintain such insurance, against such risks and in such amounts, as shall be consistent with sound business practice and that, without any limitation upon the foregoing, such insurance shall cover marine, transit and other hazards incident to the 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 the Investment Enterprise to replace or repair such goods; (v) 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 the Investment Enterprise; and (vi) the right of the Borrower to suspend and terminate access by the Investment Enterprise to the use of the proceeds of the Loan upon failure of such Investment Enterprise to perform its obligations under its agreement with the Borrower.

(c) The Borrower shall at all times protect itself against any loss resulting from changes in the rate of exchange between New Taiwan dollars and the currency or currencies in which the Borrower's outstanding money obligations shall have to be met.

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 Investment Enterprises, the Investment Projects, the sub-loans and investments, 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 Investment Project (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition of the Borrower, and shall enable the Bank's representatives to examine such records.

(c) The Borrower shall: (i) have its accounts and financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year audited by independent auditors acceptable to the Bank in accordance with sound auditing principles consistently applied; (ii) furnish to the Bank, as soon as available but, in any case, not later than four months after the end of each such year certified copies of its audited financial statements for such year and an audit report by the said auditors of such scope and in such detail as the Bank shall reasonably request; and (iii) furnish to the Bank such other information concerning the accounts and financial statements of the Borrower and the audit thereof as the Bank shall reasonably request.

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 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.

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 debt if, after the incurring of any such debt, the consolidated debt of the Borrower and all its subsidiaries then incurred and outstanding would be greater than six times the consolidated equity of the Borrower and all its subsidiaries.

For the purposes of this Section:

(a) "Debt" means any debt incurred by the Borrower or a subsidiary maturing more than one year after the date on which it is originally incurred.

(b) Debt shall be deemed to be incurred: (i) under a loan contract or agreement, on the date and to the extent it is drawn down and outstanding pursuant to such loan or agreement; and (ii) under a guarantee agreement, on the date the agreement providing for such guarantee has been entered into but shall be counted only 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 New Taiwan dollars 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) "Consolidated debt of the Borrower and its subsidiaries" means the total amount of debt of the Borrower and of all its subsidiaries, excluding: (i) any debt owed by the Borrower to any subsidiary or by any subsidiary to the Borrower or to any other subsidiary, and (ii) the amount referred to in paragraph (e) (ii) of this Section.

(e) "Consolidated equity of the Borrower and all its subsidiaries" means the aggregate of: (i) the total unimpaired paid-in capital, surplus and free reserves of the Borrower and all its subsidiaries after excluding such items of capital, surplus

and reserves as shall represent equity interests of the Borrower in any such subsidiary or of any such subsidiary in the Borrower or any other such subsidiary, and (ii) the amount of the Government Subordinated Credits at the time outstanding and maturing after the date of the last maturity of this Loan or of any other Loan made by the Bank to the Borrower.

Section 5.07. Subject to the exemptions as shall be conferred by the provisions of 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 its territories 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 5.08. 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 Agreement¹ or the Bonds.

Section 5.09. The Borrower shall not, without the prior approval of the Bank: (i) suspend, abrogate or amend its Statement of Policies or its Articles of Association, or (ii) 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; MODIFICATION OF PRIOR LOAN AGREEMENTS

Section 6.01. If any event specified in Section 7.01 of the General Conditions or in Section 6.02 of this Agreement shall occur and shall continue for the period, if any, therein set forth, then at any subsequent time during the continuance thereof,

¹ See page 4 of this volume.

the Bank, at its option, may by notice to the Borrower and the Guarantor declare the principal of the Loan and of all the Bonds then outstanding to be due and payable immediately together with the interest and other charges thereon and upon any such declaration such principal, interest and charges shall become due and payable immediately, anything to the contrary in this Loan Agreement or in the Bonds notwithstanding.

Section 6.02. For the purposes of Section 7.01 of the General Conditions, the following additional event is specified:

Any part of the principal amount of any loan made to the Borrower having an original maturity of one year or more shall, in accordance with the terms thereof, have become due and payable in advance of the agreed maturity thereof by reason of any default specified in the agreement providing for any such loan or in any security representing such loan.

Section 6.03. Section 5.10 of the Loan Agreement dated December 17, 1964,¹ and Section 5.06 of the Loan Agreement dated August 7, 1967,² between the Bank and the Borrower, are hereby amended to read as Section 5.06 of this Agreement.

Article VII

EFFECTIVE DATE; TERMINATION; MISCELLANEOUS

Section 7.01. The Closing Date shall be March 31, 1973 or such other date as shall be agreed between the Bank and the Borrower.

Section 7.02. The date of August 17, 1970 is hereby specified for the purposes of Section 11.04 of the General Conditions.

Section 7.03. The following addresses are specified for the purposes of Section 11.04 of the General Conditions.

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 :
Intbafrad
Washington, D.C.

¹ United Nations, *Treaty Series*, vol. 538, p. 3.

² *Ibid.*, vol. 620, p. 113.

For the Borrower:

China Development Corporation
131 Nanking Road East 5th Section
Taipei, Taiwan
Republic of China

Alternative address for cables:
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 City of Taipei, Republic of China, as of the day and year first above written.

International Bank for Reconstruction and Development:

By Robert S. McNAMARA
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>
October 15, 1972	60,000	October 15, 1977	1,130,000
April 15, 1973	280,000	April 15, 1978	1,165,000
October 15, 1973	515,000	October 15, 1978	1,195,000
April 15, 1974	730,000	April 15, 1979	1,230,000
October 15, 1974	935,000	October 15, 1979	1,265,000
April 15, 1975	970,000	April 15, 1980	1,295,000
October 15, 1975	995,000	October 15, 1980	1,240,000
April 15, 1976	1,020,000	April 15, 1981	925,000
October 15, 1976	1,055,000	October 15, 1981	600,000
April 15, 1977	1,090,000	April 15, 1982	305,000

* To the extent that any portion of the Loan is repayable in a currency other than dollars (see General Conditions, Section 4.02), 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 portion of the principal amount of the Loan pursuant to Section 3.05 (b) of the General Conditions or to Section 2.08 (a) of this Agreement or on the redemption of any Bond prior to its maturity pursuant to Section 8.15 of the General Conditions:

<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	2½ %
More than six years but not more than eleven years before maturity	4 %
More than eleven years but not more than fifteen years before maturity.	5½ %
More than fifteen years before maturity	7 %

SCHEDULE 2

MODIFICATIONS OF THE GENERAL CONDITIONS

For the purposes of this Agreement, the provisions of the General Conditions are modified as follows:

1. The following subparagraph (d) is added to Section 3.05:

“(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 3.05 and in Section 8.15.”

2. The words “Investment Projects” are substituted for the words “the Project” at the end of Section 5.03.

3. Section 6.03 is deleted and replaced by the following new Section:

“6.03. *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 amount of the Loan for a continuous period of thirty days or (b) by the date specified in Section 3.02 (c) of the Loan Agreement no applications for approval or requests for authorization to withdraw from the Loan Account in respect of any portion of the Loan shall have been received by the Bank, or having been so received, shall have been denied, or (c) after the Closing Date an amount of the Loan shall remain unwithdrawn from the Loan Account, the Bank may, by notice to the Borrower, terminate the right of the Borrower to request such approvals and authorizations or to make withdrawals from the Loan Account, as the case may be, with respect to such amount or portion of the Loan. Upon the giving of such notice such amount or portion of the Loan shall be cancelled.”

4. Paragraph (d) of Section 7.01 is amended to read as follows:

“(d) A default shall occur in the performance of any other obligation on the part of the Borrower or the Guarantor under the Loan Agreement, the Guarantee Agreement or the Bonds, or under any other loan agreement between the Borrower and the Bank or any other guarantee agreement between the Guarantor and the Bank guaranteeing a loan to the Borrower, or under any bond issued pursuant to any such agreement, and such default shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower and the Guarantor.”
