

No. 10828

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**INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT  
and  
MALAYSIA**

**Loan Agreement—*Jengka Forestry Project* (with annexed General Conditions Applicable to Loan and Guarantee Agreements and Project Agreement between the Bank and Majlis Amanah Ra'ayat). Signed at Washington on 20 May 1970**

*Authentic text: English.*

*Registered by the International Bank for Reconstruction and Development on 23 November 1970.*

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**BANQUE INTERNATIONALE POUR  
LA RECONSTRUCTION ET LE DÉVELOPPEMENT  
et  
MALAISIE**

**Contrat d'emprunt — *Projet relatif à des plantations forestières au Jengka* (avec, en annexe, les Conditions générales applicables aux contrats d'emprunt et de garantie et le Contrat relatif au Projet entre la Banque et le Majlis Amanah Ra'ayat). Signé à Washington le 20 mai 1970**

*Texte authentique: anglais.*

*Enregistré par la Banque internationale pour la reconstruction et le développement le 23 novembre 1970.*

## LOAN AGREEMENT<sup>1</sup>

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AGREEMENT, dated May 20, 1970, between MALAYSIA (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS (A) By agreements of even date herewith between the Borrower and the Bank, and the Bank and the Federal Land Development Authority of the Borrower (hereinafter called the FLDA), respectively, the Bank has agreed to assist the Borrower in the carrying out of the second stage of a program of settlement and regional development of the Jengka Triangle area, the first stage of which program is being carried out by the Borrower and the FLDA pursuant to agreements dated April 17, 1968<sup>2</sup> (Loan No. 533 MA) between the Borrower and the Bank and the Bank and the FLDA, respectively;

(B) The Borrower is proceeding to establish a forestry industries project in the Jengka Triangle area for which purpose the Bank has been requested to provide assistance;

(C) The Majlis Amanah Ra'ayat of the Borrower and its subsidiary the Sharikat Jengka Sendirian Berhad agree to carry out said forestry industries project under the terms and conditions of this Agreement and of a Project Agreement (*Jengka Forestry Project*) of even date herewith<sup>3</sup> between the Bank and the Majlis Amanah Ra'ayat and the Sharikat Jengka Sendirian Berhad;

(D) The Bank, on the basis, *inter alia*, of the foregoing, has agreed to make a loan to the Borrower on the conditions hereinafter set forth;

Now THEREFORE the parties hereto hereby agree as follows :

### *Article I*

#### GENERAL CONDITIONS; DEFINITIONS

*Section 1.01.* The parties to this Loan Agreement accept all the provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Bank, dated January 31, 1969<sup>3</sup>, with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications thereof

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<sup>1</sup> Came into force on 15 October 1970, upon notification by the Bank to the Government of Malaysia.

<sup>2</sup> United Nations, *Treaty Series*, vol. 653, p. 175.

<sup>3</sup> See p. 270 of this volume.

(said General Conditions Applicable to Loan and Guarantee Agreements of the Bank, as so modified, being hereinafter called the General Conditions) :

(a) The following sub-paragraph is added to Section 2.01 of the General Conditions :

“20. The term Project Agreement has the meaning set forth in the Loan Agreement.”

(b) Section 6.06 of the General Conditions is modified by inserting the words, “the Project Agreement” after the words “the Loan Agreement.”

*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) “Act” means the Land (Group Settlement Areas) Act, No. 13 of 1960, of the Borrower, as amended from time to time;

(b) “MARA” means the Majlis Amanah Ra’ayat, established and operating pursuant to the Majlis Amanah Ra’ayat Act of the Borrower, No. 20 of 1966;

(c) “State Authority” means the State of Pahang;

(d) “Project Area” means the Jengha Triangle, and the Tekam, Tekai and Berkelah forest areas as demarcated in the map attached to the State Authority’s undertaking dated March 11, 1970, to the Borrower’s Minister of National and Rural Development;

(e) “SJSB” means the Sharikat Jengka Sendirian Berhad, a subsidiary of MARA established and organized under the laws of the Borrower;

(f) “Project Agreement” means the agreement between the Bank and MARA and the SJSB of even date herewith referred to in Recital (C) to this Agreement; and

(g) “Land Settlement Agreements” means the agreements between the Borrower and the Bank and the Bank and the FLDA, respectively, of even date herewith (*Second Jengka Triangle Land Settlement Project*) referred to in Recital (A) to this Agreement.

## 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 eight million five hundred thousand dollars (\$8,500,000).

*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 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 suspensions set forth in, this Loan Agreement 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 or by further agreement between the Borrower and the Bank.

*Section 2.03.* The Borrower, acting through the SJSB pursuant to Section 8.01 of this Agreement, shall be entitled to withdraw from the Loan Account in respect of the reasonable cost of goods or services required for the Project and to be financed under the Loan Agreement such amounts as shall have been paid (or, if the Bank shall so agree, as shall be required to meet payments to be made) for goods and services included in Categories I and II of the allocation of the proceeds of the Loan referred to in Section 2.02 of this Agreement.

*Section 2.04.* It is hereby agreed, pursuant to Section 5.01 of the General Conditions, that withdrawals from the Loan Account may be made on account of payments made prior to the date of this Agreement, but after October 1, 1969.

*Section 2.05.* 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 2.06.* 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 2.07.* Interest and other charges shall be payable semi-annually on July 15 and January 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 THE PROCEEDS OF THE LOAN

*Section 3.01.* The Borrower shall make the proceeds of the Loan available to the SJSB upon terms and conditions satisfactory to the Bank and shall cause such proceeds to be applied in accordance with the provisions of this Loan Agreement to expenditures on the Project, described in Schedule 3 to this Agreement.

*Section 3.02.* Except as the Bank shall otherwise agree, 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 August 1969, and in accordance with such other procedures supplementary thereto as are set forth in Schedule 4 to this Agreement and as the same may be amended from time to time by agreement between the Borrower, the Bank and the SJSB.

*Section 3.03.* Except as the Bank may otherwise agree, the Borrower shall cause all goods to be 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 VIII of the General Conditions.

*Section 4.02.* The Minister of Finance 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.* (a) The Borrower shall cause the Project to be carried out with due diligence and efficiency and in conformity with sound silvicultural, engineering, economic, administrative and financial practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the purpose.

(b) The Borrower shall take all action which shall be necessary on its part to enable MARA and the SJSB to perform all of their obligations under the Project Agreement and shall not take or permit any of its agencies or political subdivisions or any agency of any political subdivision to take any action which would prevent or interfere with the performance of any such obligations.

*Section 5.02.* (a) The Borrower and the Bank shall cooperate fully to ensure 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 Borrower, such

information shall include information with respect to the administration of the SJSB and of any other agency or agencies of the Borrower responsible for carrying out the Project or any part thereof and with respect to financial and economic conditions in the territories of the Borrower and the international balance of payments position of the Borrower.

(b) The Borrower 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 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 MARA and the SJSB of their obligations under the Project Agreement.

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

*Section 5.03.* It is the mutual intention of the Borrower 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 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 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 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.

The term "assets of the Borrower" as used in this Section includes: (i) assets of the Borrower; (ii) assets of any statutory authority of the Borrower; including assets of any state or political subdivision of the Borrower; (iii) assets of any agency of the Borrower, including the Bank Negara Malaysia or any other institution at any time performing the functions of a central bank for the Borrower; and (iv) any right, interest or share of the Borrower in the Currency Fund and Currency Surplus Fund administered under the Malaya British Borneo Currency Agreement, 1960.

*Section 5.04.* 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 Borrower 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 Borrower.

*Section 5.05.* This Agreement, the Project Agreement and the Bonds shall be free from any taxes that shall be imposed under the laws of the Borrower or laws in effect in its territories on or in connection with the execution, issue, delivery or registration thereof, and the Borrower shall pay all such 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.

*Section 5.06.* The Borrower shall promptly notify the Bank of any proposal to amend, supplement or repeal any provision of the Act and shall afford the Bank an opportunity to comment thereon prior to any action on such proposal.

*Section 5.07.* The Borrower shall at all times cause the SJSB to be staffed with qualified and experienced senior personnel.

*Section 5.08.* The Borrower shall consult with the Bank on any plans for meeting the transport and storage requirements of the produce of the Project.

## Article VI

### REMEDIES OF THE BANK

*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, the Bank, at its option, may by notice to the Borrower 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 events are specified :

- (a) A default shall have occurred in the performance by MARA or the SJSB of any covenant or agreement on their respective parts under the Project Agreement;

- (b) An event of default by the Borrower in respect of the Land Settlement Agreements shall have occurred;
- (c) The Act or the undertaking of the State Authority, dated March 11, 1970, relating to the Project Area shall have been amended, repealed or supplemented so as to impair the successful carrying out of the Project; and
- (d) The Borrower or any other authority having jurisdiction shall have taken any action for (i) the dissolution of SJSB or for the suspension of its operations, or (ii) the acquisition of the ownership, possession or control of any of the property or assets of the SJSB necessary for the proper and efficient operation of the Project.

*Section 6.03.* For the purposes of Section 6.02 of the General Conditions, the following additional event is specified:

An extraordinary situation shall have arisen which shall make it improbable that MARA or the SJSB will be able to perform their obligations under the Project Agreement.

#### *Article VII*

##### EFFECTIVE DATE; TERMINATION

*Section 7.01.* The following events are specified as additional conditions to the effectiveness of this Loan Agreement within the meaning of Section 11.01 (c) of the General Conditions :

- (a) the execution and delivery of the Project Agreement on behalf of MARA and the SJSB have been duly authorized or ratified by all necessary internal, corporate and governmental action;
- (b) the State of Pahang has provided assurances satisfactory to the Bank with respect to the carrying out of the Project; and
- (c) the conclusion of arrangements satisfactory to the Bank with regard to marketing the produce of the Project.

*Section 7.02.* The following is specified as an additional matter, within the meaning of Section 11.02 (c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank, namely, that the Project Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, MARA and the SJSB and constitutes a valid and binding obligation of MARA and the SJSB according to its terms.

*Section 7.03.* The date of August 15, 1970 is hereby specified for the purposes of Section 11.04 of the General Conditions.

*Article VIII*

## ACTION BY THE SJSB

*Section 8.01.* The Borrower irrevocably designates the SJSB for the purposes of taking any action required or permitted under Section 2.03 of this Agreement and Article V of the General Conditions.

*Article IX*

## MISCELLANEOUS

*Section 9.01.* The Closing Date shall be June 30, 1974 or such other date as shall be agreed between the Borrower and the Bank.

*Section 9.02.* Except as otherwise provided in Section 8.01 of this Agreement, the Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 10.03 of the General Conditions.

*Section 9.03.* The following addresses are specified for the purposes of Section 10.01 of the General Conditions :

For the Borrower:

The Treasury  
Kuala Lumpur  
Malaysia

Cable address:

Treasury  
Kuala Lumpur

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 Loan Agreement to be signed in

their respective names and to be delivered in the District of Columbia, United States of America, as of the day and year first above written.

Malaysia:

By TAN SRI ONG YOKE LIN  
Authorized Representative

International Bank for Reconstruction and Development:

By J. BURKE KNAPP  
Vice President

### SCHEDULE 1

#### ALLOCATION OF PROCEEDS OF LOAN

<i>Category</i>	<i>Amounts Expressed in Dollar Equivalent</i>
I. Logging and processing equipment, vehicles, buildings and plant . . . . .	\$6,000,000
II. Management fees . . . . .	1,600,000
III. Unallocated . . . . .	900,000
TOTAL	<u>\$8,500,000</u>

#### REALLOCATION UPON CHANGE IN COST ESTIMATES

1. If the estimate of the cost of the items included in any of the Categories I to II 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 III.

2. If the estimate of the cost of the items included in any of the Categories I and II 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 III, subject, however, to the requirements for contingencies, as determined by the Bank, in respect of the cost of the items in the other Category.

## 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>
July 15, 1974 . . . . .	405,000	July 15, 1978 . . . . .	535,000
January 15, 1975 . . . . .	420,000	January 15, 1979 . . . . .	550,000
July 15, 1975 . . . . .	435,000	July 15, 1979 . . . . .	570,000
January 15, 1976 . . . . .	450,000	January 15, 1980 . . . . .	590,000
July 15, 1976 . . . . .	465,000	July 15, 1980 . . . . .	610,000
January 15, 1977 . . . . .	480,000	January 15, 1981 . . . . .	635,000
July 15, 1977 . . . . .	500,000	July 15, 1981 . . . . .	655,000
January 15, 1978 . . . . .	515,000	January 15, 1982 . . . . .	685,000

\* 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 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 two years before maturity . . . . .	1 <sup>1</sup> / <sub>4</sub> %
More than two years but not more than four years before maturity . . . . .	2 <sup>1</sup> / <sub>2</sub> %
More than four years but not more than eight years before maturity . . . . .	4 %
More than eight years but not more than ten years before maturity . . . . .	5 <sup>3</sup> / <sub>4</sub> %
More than ten years before maturity . . . . .	7 %

## SCHEDULE 3

## DESCRIPTION OF THE PROJECT

The Project consists of the development of a forest industry complex in the Project Area and includes:

1. A logging unit with an annual extractive capacity of about 175,000 timber tons.
2. A sawmill with an annual capacity of about 42,000 timber tons and ancillary drying kilns, planer mill and impregnation plant.
3. A plywood mill with an annual capacity of about 60 million square feet (1<sup>1</sup>/<sub>4</sub> inch basis).
4. Provisions of necessary steam generating plant, machine shop equipment, water supply and other related facilities and the construction of houses, offices and other buildings required for management personnel and labor.

The Project is expected to be completed by December 31, 1973.

## SCHEDULE 4

## PROCUREMENT PROCEDURES

All contracts for the procurement of machinery, equipment or supplies in excess of US\$5,000 in value will be awarded on the basis of international competitive bidding, according to the following procedures:

a) Before inviting tenders the SJSB will submit to the Bank for its approval the proposed bid invitation documents and a description of tendering procedures.

b) Unless otherwise agreed with the Bank, with respect to each contract involving an amount of US\$20,000 equivalent or more, the SJSB will submit to the Bank for approval, prior to awarding the contract, the summary of the bids received, an analysis report and proposal for award by SJSB together with the recommendations of its consultants. The Bank will be furnished with signed copies of any such contract as soon as possible after its execution and prior to the submission to the Bank of the first withdrawal application in respect thereof.

c) With respect to each contract involving an amount less than US\$20,000 equivalent, the SJSB shall submit to the Bank, at the time the award is made, a summary of bids or quotations, an analysis report and recommendations, a brief justification for making the award, and as soon as the contract has been executed, the SJSB will send a copy thereof, together with a copy of the *Procès Verbal* of the public opening of the tenders.

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.*]

## PROJECT AGREEMENT

AGREEMENT, dated May 20, 1970, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and MAJLIS AMANAH RA'AYAT (hereinafter called MARA) and its subsidiary the SHARIKAT JENGA SENDIRIAN BERHAD (hereinafter called the SJSB).

WHEREAS by an agreement of even date herewith (hereinafter called the Loan Agreement)<sup>1</sup> between Malaysia (hereinafter called the Borrower) and the Bank, the Bank has agreed to make available to the Borrower an amount in various currencies equivalent to eight million five hundred thousand dollars (\$8,500,000) on the terms and conditions set forth in the Loan Agreement, but only on condition that MARA and the SJSB agree to undertake certain obligations toward the Bank as hereinafter provided; and

<sup>1</sup> See p. 250 of this volume.

WHEREAS MARA and the SJSB are willing to undertake the obligations hereinafter set forth;

NOW THEREFORE the parties hereto hereby agree as follows:

### *Article I*

#### DEFINITIONS

*Section 1.01.* Wherever used in this Agreement, unless the context shall otherwise require, the several terms defined in the Loan Agreement and in the General Conditions<sup>1</sup> (as so defined) shall have the respective meanings therein set forth.

### *Article II*

#### PARTICULAR COVENANTS OF THE SJSB AND MARA

*Section 2.01.* The SJSB shall carry out the Project, described in Schedule 3 to the Loan Agreement, with due diligence and efficiency and in conformity with sound silvicultural, engineering, economic, administrative and financial practices, and under the supervision of competent and experienced management.

*Section 2.02.* Except as the Bank shall otherwise agree, the SJSB shall employ competent and experienced consultants acceptable to the Bank, upon terms and conditions satisfactory to the Bank to carry out and manage the Project.

*Section 2.03.* Upon request from time to time by the Bank, the SJSB shall promptly furnish to the Bank upon their preparation, the plans, specifications and work schedules for the Project and any material modifications subsequently made therein, and in such detail as the Bank shall from time to time request.

*Section 2.04.* The SJSB 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 its operations, receipts and expenditures; shall enable the Bank's representatives to inspect the Project, the goods and any relevant records and documents; and shall furnish to the Bank all such information as the Bank shall reasonably request concerning the expenditure of the proceeds of the Loan, and the administration, operations, and financial condition of the SJSB.

*Section 2.05.* (a) The Bank, MARA and the SJSB shall cooperate fully to ensure that the purposes of the Loan will be accomplished. To that end, each of them shall furnish to the others all such information as they shall reasonably request.

(b) The Bank, MARA and the SJSB shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Loan. MARA and the SJSB shall promptly inform the Bank of any condition which interferes with, or

<sup>1</sup> See p. 270 of this volume.

threatens to interfere with, the accomplishment of the purposes of the Loan or the performance by MARA or the SJSB of their obligations under this Agreement, of which shall increase or threaten to increase materially the estimated cost of the Project.

*Section 2.06.* The SJSB shall satisfy the Bank that adequate arrangements have been made to insure the goods financed out of the proceeds of the Loan against risks incident to their purchase, importation into the territories of the Borrower and delivery to the Project Area. Any indemnity under such insurance shall be payable in a currency freely usable to replace or repair such goods.

*Section 2.07.* Except as shall be otherwise agreed by the Bank, the SJSB shall use all goods purchased in whole or in part with proceeds of the Loan exclusively in the carrying out of the Project.

*Section 2.08.* (a) The SJSB shall cause all facilities under its jurisdiction to be operated, maintained and renewed in accordance with sound silvicultural, engineering and financial practices.

(b) Except as the Bank shall otherwise agree, the SJSB shall not (i) sell, lease, transfer or assign any of its property or assets except in the normal course of its business and (ii) sell or otherwise dispose of any goods financed out of the proceeds of the Loan, other than such goods as shall have become worn out or obsolete.

*Section 2.09.* The accounts of the SJSB shall be audited at least once each year by independent auditors acceptable to the Bank. The accounts and audit shall be prepared in a form satisfactory to the Bank and the SJSB shall furnish to the Bank within four months following the close of its fiscal year signed copies of such auditors' reports.

*Section 2.10.* MARA shall cooperate fully with the State Authority in accordance with the provisions of the undertaking dated March 11, 1970 from the State Authority to the Borrower's Minister of National and Rural Development.

*Section 2.11.* The SJSB shall not change, amend or modify any arrangement for the marketing of the produce of the Project concluded pursuant to the Loan Agreement without prior consultation with the Bank.

*Section 2.12.* Except as the Bank shall otherwise agree, the SJSB shall not engage in any activity other than the Project and shall not undertake or execute, for its own account or for the account of any other party of parties, any projects or developments other than the Project.

*Section 2.13.* The SJSB shall at all times manage its affairs and maintain its financial position in accordance with sound business practices. Except as the Bank shall otherwise agree, the SJSB shall not (i) incur any indebtedness in excess of \$100,000 equivalent in the aggregate at any one time outstanding without the prior approval of the Bank, and (ii) distribute any profits prior to the Closing Date without the prior approval of the Bank and thereafter unless proper and adequate provision has been made for meeting the SJSB's obligations including debt service.

*Section 2.14.* The SJSB shall at all times maintain its existence and right to carry on operations and shall, except as the Bank shall otherwise agree, take all steps necessary to acquire, maintain and renew all rights, powers, privileges and franchises which are necessary or useful in the conduct of its business.

*Section 2.15.* MARA shall take all action which shall be necessary on its part to enable the SJSB to perform all of its obligations under this Project Agreement and shall not take or permit any action which would prevent or interfere with the performance of any such obligations of the SJSB.

*Section 2.16.* SJSB shall at all times be staffed with qualified and experienced senior personnel, shall inform the Bank of any proposed change in the positions of its (i) Managing Director, (ii) Project Manager and (iii) Financial Controller or of personnel filling such positions, and shall afford the Bank an opportunity to comment thereon prior to effectuating any such change.

### *Article III*

#### EFFECTIVE DATE; TERMINATION

*Section 3.01.* This Agreement shall come into force and effect on the date when the Loan Agreement shall become effective as provided therein. The Bank shall promptly notify MARA and the SJSB of such date. If the Loan Agreement shall terminate pursuant to Section 11.04 of the General Conditions, the Bank shall promptly notify MARA and the SJSB of this event and, upon the giving of such notice, this Project Agreement and all obligations of the parties hereunder shall forthwith terminate.

*Section 3.02.* This Agreement shall terminate and the obligations of the parties hereunder shall cease and determine on the date when the Loan Agreement shall terminate in accordance with its terms.

### *Article IV*

#### MISCELLANEOUS PROVISIONS

*Section 4.01.* No delay in exercising, or omission to exercise, any right, power or remedy accruing to either party under this Project Agreement upon any default shall impair any such right, power or remedy or be construed to be a waiver thereof or an acquiescence in such default; nor shall the action of such party in respect of any default or any acquiescence in any default, affect or impair any right, power or remedy of such party in respect of any other or subsequent default.

*Section 4.02.* Any notice, demand or request, required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram or cable to the party

to which it is required or permitted to be given or made at its address hereinafter specified, or at such other address as such party shall have designated by notice to the party giving such notice or making such demand or request. The addresses so specified are:

For MARA:

Majlis Amanah Ra'ayat  
232 Jalan Tuanku Abdul Rahman  
Kuala Lumpur, Malaysia

Cable address:

Maramal  
Kuala Lumpur

For the SJSB:

Sharikat Jengka Sendirian Berhad  
c/o. Majlis Amanah Ra'ayat  
232 Jalan Tuanku Abdul Rahman  
Kuala Lumpur, Malaysia

Cable address:

Maramal for SJSB  
Kuala Lumpur

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 4.03.* Any action required or permitted to be taken, and any documents required or permitted to be executed, under this Agreement or under Section 8.01 of the Loan Agreement on behalf of the SJSB may be taken or executed by the Managing Director or such other person or persons as the SJSB shall designate in writing.

*Section 4.04.* The SJSB shall furnish to the Bank sufficient evidence of the authority of any such other person or persons who will, on behalf of the SJSB, take any action or execute any documents required or permitted to be taken or executed by the SJSB pursuant to any of the provisions of this Agreement and to Section 8.01 of the Loan Agreement and the authenticated specimen signature of each such person.

*Section 4.05.* This Agreement may be executed in several counterparts, each of which shall be an original and all collectively but one instrument.

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

International Bank for Reconstruction and Development :

By J. BURKE KNAPP  
Vice President

Majlis Amanah Ra'ayat:  
By TAN SRI ONG YOKE LIN  
Authorized Representative

Sharikat Jengka Sendirian Berhad:

By TAN SRI ONG YOKE LIN  
Authorized Representative