

No. 10857

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

**Guarantee Agreement—*Second Power Project* (with annexed
General Conditions Applicable to Loan and Guarantee
Agreements, related letter, and Loan Agreement
between the Bank and the Taiwan Power Company).
Signed at Taipei on 16 May 1970**

Authentic text: English.

*Registered by the International Bank for Reconstruction and Development on
2 December 1970.*

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

**Contrat de garantie — *Deuxième projet relatif à l'énergie élec-
trique* (avec, en annexe, les Conditions générales applica-
bles aux contrats d'emprunt et de garantie, lettre connexe,
et le Contrat d'emprunt entre la Banque et la Taiwan
Power Company). Signé à Taipei le 16 mai 1970**

Texte authentique : anglais.

*Enregistré par la Banque internationale pour la reconstruction et le développement le
2 décembre 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 Agreement of even date herewith² between the Bank and the Taiwan Power Company (hereinafter called the Borrower) the Bank has agreed to make to the Borrower a loan in various currencies equivalent to forty-four million five hundred thousand dollars (\$44,500,000), 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, 1969³ with the same force and effect as if they were fully set forth herein (said General Conditions Applicable to Loan and Guarantee Agreements 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 have the respective meanings therein set forth.

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

¹ Came into force on 8 September 1970, upon notification by the Bank to the Government of the Republic of China.

² See p. 110 of this volume.

³ See p. 108 of this volume.

the redemption of the Bonds prior to their maturity and the punctual performance of all the obligations 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 the carrying out of 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 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 Guar-

antor 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. (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.

Section 3.07. Unless the Bank shall otherwise agree, the Guarantor shall reinvest in the Borrower, under terms and conditions acceptable to the Bank, any sums which it shall earn from time to time, until December 31, 1982, as dividends on its shareholdings in the Borrower.

Section 3.08. Unless the Bank shall otherwise agree, the Guarantor shall not take any action which would result in the amendment of the Borrower's Charter.

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 other person or persons as he shall appoint in writing are designated as the 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.*]

LETTER RELATING TO THE GUARANTEE AGREEMENT

REPUBLIC OF CHINA
BANK OF COMMUNICATIONS

May 16, 1970

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

Re: Loan No. 671 CHA
(*Second Power Project*)
Lien Under CIECD Loan Agreements

Dear Sirs:

1. Please refer to Section 3.05 of the Guarantee Agreement (*Second 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 Borrower) 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:

[Signed]

K. T. Li

Authorized Representative

Bank of Communications:

[Signed]

K. S. Liu

Authorized Representative

LOAN AGREEMENT

AGREEMENT, dated May 16, 1970, 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

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, 1969,¹ with the same force and effect as if they were fully set forth

¹ See p. 108 of this volume.

herein (said General Conditions Applicable to Loan and Guarantee Agreements being hereinafter called the General Conditions).

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

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 Agreement set forth or referred to, an amount in various currencies equivalent to forty-four million five hundred thousand dollars (\$44,500,000).

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 suspension set forth in, the Loan Agreement and in accordance with the allocation of the proceeds of the Loan set forth in Schedule I 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 Bank and the Borrower.

Section 2.03. (a) The Borrower shall be entitled to withdraw from the Loan Account such amounts as shall have been paid (or, if the Bank shall so agree, such amounts as shall be required to meet payments to be made) in respect of the reasonable cost of goods or services required for the Project and to be financed under the Loan Agreement.

(b) The Borrower shall also be entitled to withdraw from the Loan Account such amounts as shall be required to meet payments to be made to the Bank for interest and other charges on the Loan accrued on or before April 14, 1974 or such other date as may be agreed between the Bank and the Borrower.

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. 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 the Loan 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 and services 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, or as shall be agreed between the Borrower and the Bank, and (ii) contracts for the procurement of such goods and services shall be subject to the prior approval of the Bank.

Section 3.03. Except as the Bank shall otherwise agree, the Borrower shall cause all goods and services 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 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. (a) The Borrower shall carry out the Project with due diligence and efficiency and in conformity with sound administrative, 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 reports, plans, specifications and construction schedules for, or in connection with, 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 and services 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 goods and services financed out of such proceeds, 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 the Loan Agreement, 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.

(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 5.04. 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 not 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

¹ See p. 100 of this volume.

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.

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 at all times operate and maintain its plants, machinery, equipment and other property, and make all necessary renewals and repairs thereof, 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, under the supervision of experienced and competent management, and with the assistance of adequate, qualified and experienced staff.

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

Section 5.08. The Borrower shall have its financial statements (balance sheet, statement of income and expenditure, and other related statements) audited annually by an independent, competent and experienced auditor or auditing 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 to which they apply, transmit to the Bank certified copies of such statements and a signed copy of the auditor's or auditing firm's report.

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 public utility practices.

(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) "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 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 contract 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) 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 in connection with this Section 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 maintain its tariffs, or take all steps necessary to set them, at such a level as may be necessary to provide revenue sufficient to produce an annual rate of return of not less than 10% 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, valued in accordance with sound and consistently maintained methods of valuation, acceptable to the Bank, less the amount of accumulated depreciation, as defined hereinafter, determined on such value.
- (iii) The rates of depreciation applicable to the fixed assets shall be agreed upon by the Bank and the Borrower on the basis of the recommendations of the Borrower’s financial consultants whose services are financed out of the proceeds of the loan made by the Bank pursuant to the loan agreement between the Bank and the Borrower dated December 2, 1968,¹ not later than October 1, 1970 unless the Bank and the Borrower otherwise agree. Such rates of depreciation shall be employed to determine overall depreciation of the Borrower’s assets effective with the fiscal year ending December 31, 1970.
- (iv) 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.

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 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 5.13. 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 the Loan Agreement, the Guarantee Agreement or the Bonds.

Article VI

REMEDIES OF THE BANK; MODIFICATION OF PRIOR LOAN AGREEMENT

Section 6.01. If any event specified in Section 7.01 of the General Conditions 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 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

¹ United Nations, *Treaty Series*, vol. 677, p. 299.

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 purpose of Section 7.01 of the General Conditions, the following event is specified:

A default shall have occurred under the Loan Agreement between the Bank and the Borrower dated December 2, 1968, as the same may be amended from time to time, other than in respect of the payment of the principal or interest or any other payment required thereunder, and such event shall have continued for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower.

Section 6.03. The Loan Agreement dated December 2, 1968 between the Bank and the Borrower is hereby amended as follows:

The following words are added to Section 6.01 (iv) after the words “paragraph (c) of Section 5.02 of the Loan Regulations shall occur”:

“or if a default shall occur under the Loan Agreement between the Bank and the Borrower dated May 16, 1970, as the same may be amended from time to time, other than in respect of the payment of the principal or interest or any other payment required thereunder”.

Article VII

EFFECTIVE DATE; TERMINATION

Section 7.01. 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:

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

Article VIII

MISCELLANEOUS

Section 8.01. The Closing Date shall be December 31, 1974, or such other date as shall be agreed between the Bank and the Borrower.

Section 8.02. The following addresses are specified for the purposes of Section 10.01 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.

For the Borrower:

Taiwan Power Company
39 Ho-Ping East Road, Section I
Taipei, Taiwan
Republic of China

Alternative address for cables:

Taipower
Taipei

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 to be 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

Taiwan Power Company:

By L. K. CHEN
Authorized Representative

SCHEDULE I
ALLOCATION OF PROCEEDS OF LOAN

<i>Category</i>	<i>Amounts Expressed in Dollar Equivalent</i>
I. Thermal generating station equipment and facilities	24,100,000
II. Hydroelectric generating station equipment and facilities	4,800,000
III. Transmission	5,700,000
IV. Engineering services	2,000,000
V. Consulting and training services	400,000
VI. Interest and other charges during construction	4,700,000
VII. Unallocated	2,800,000
	TOTAL 44,500,000

REALLOCATION UPON CHANGE IN COST ESTIMATES

1. If the estimate of the cost of the items included in any of the Categories I to VI 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 VII.

2. If the estimate of the cost of the items included in any of the Categories I to VI 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 VII, 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>
April 15, 1975	775,000	April 15, 1983	1,345,000
October 15, 1975	805,000	October 15, 1983	1,395,000
April 15, 1976	830,000	April 15, 1984	1,440,000
October 15, 1976	860,000	October 15, 1984	1,490,000
April 15, 1977	890,000	April 15, 1985	1,545,000
October 15, 1977	920,000	October 15, 1985	1,600,000
April 15, 1978	955,000	April 15, 1986	1,655,000
October 15, 1978	985,000	October 15, 1986	1,710,000
April 15, 1979	1,020,000	April 15, 1987	1,770,000
October 15, 1979	1,060,000	October 15, 1987	1,835,000
April 15, 1980	1,095,000	April 15, 1988	1,900,000
October 15, 1980	1,135,000	October 15, 1988	1,965,000
April 15, 1981	1,175,000	April 15, 1989	2,035,000
October 15, 1981	1,215,000	October 15, 1989	2,105,000
April 15, 1982	1,255,000	April 15, 1990	2,180,000
October 15, 1982	1,300,000	October 15, 1990	2,255,000

* To the extent that any part 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 three years before maturity	1%
More than three years but not more than six years before maturity	2%
More than six years but not more than eleven years before maturity	3¼%
More than eleven years but not more than sixteen years before maturity	5%
More than sixteen years but not more than nineteen years before maturity	6%
More than nineteen years before maturity	7%

SCHEDULE 3

DESCRIPTION OF THE PROJECT

The Project comprises:

- (a) The construction of the Talin No. 4 Thermal Generating Station with a capacity of 375 MW;
- (b) The installation of the Nos. 3 and 4 Lower Tachien Hydroelectric Station generators, with a capacity of 90 MW each, completing the station;
- (c) Expansion of the transmission system related to the above generating facilities; and
- (d) The provision of training services for managerial, financial and technical personnel, and the services of engineering consultants to provide technical assistance in planning.

The Project is expected to be completed by March 31, 1974.

SCHEDULE 4

SUPPLEMENTARY PROCEDURES FOR PROCUREMENT OF GOODS TO BE FINANCED OUT OF THE PROCEEDS OF THE LOAN

1. With respect to any contract for procurement of such goods estimated to cost in excess of \$100,000 equivalent:

- (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.
- (b) After bids have been received and analyzed, the bid analysis, the recommendations of the consultants, where applicable, and the proposals for awards, together with the reasons for such proposals, will be submitted to the Bank for review and approval prior to any contract award or the issuance of any 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 under subparagraphs (a) and (b) above, the text of the proposed changes will be submitted to the Bank for its review or approval prior to the execution of such contract or issuance of such letter of intent.
- (d) As soon as a contract is signed or a letter of intent is issued, and prior to the date of submission of the first application for withdrawal of proceeds of the Loan in respect of any payment thereunder, the Borrower shall furnish to the Bank a certified copy of such contract or letter.

2. With respect to any contract for procurement of such goods estimated to cost no more than the equivalent of \$100,000, the Borrower shall submit to the Bank, at the time the award is made, a summary of bids or quotations received, the analysis thereof and the recommendation thereon, together with a copy of the *procès-verbal* of the public opening of the bids. As soon as such a contract is signed, and prior to the date of submission of the first application for withdrawal of proceeds of the Loan in respect of any payment thereunder, the Borrower shall furnish to the Bank a certified copy of such contract.