Content

Title：	Enforcement Rule of the Privatization of Government-Owned Enterprises Act Ch
Date：	1992.02.28
Legislative：	The full text containing 21 Articles was promulgated on February 28, 1992 as per the Executive Yuan's order No. Tai-81-Ching-07356 Article 8 was amended on May 11, 1994 as per the Executive Yuan's order No. Tai-83-Ching-16616 The full text was amended to contain 26 Articles on October 1, 1997 as per the Executive Yuan's order No. Tai-86-Ching-37171 Articles 19 and 21 were amended on January 27, 1999 as per the Executive Yuan's order No. Tai-88-Ching-03861 Articles 3, 4 and 9 were amended on February 22, 1999 as per the Executive Yuan's order No. Tai-88-Ching-46146 Article 10 was amended on July 5, 2000 as per the Executive Yuan's order No. Tai-89-Ching-20151 Article 21 was amended on August 30, 2000 as per the Executive Yuan's order No. Tai-89-Ching-25563 Article 21 was amended on October 4, 2000 as per the Executive Yuan's order No. Tai-89-Ching-28871 The full text was amended to contain 29 Articles on July 18, 2001 as per the Executive Yuan's order No. Tai-90-Ching-031979 Articles 4 and 10 were amended on February 6, 2002 as per the Executive Yuan's order No. Yen-Tai-91-Ching-091002042 Articles 19~21, 28 were amended and the full text was amended to contain 28-1~28-3 Articles on August 27, 2003 as per the Executive Yuan's order No. Yen-Tai-Ching- 0920028469 Articles 13-1 was amended on February 14, 2006 as per the Executive Yuan's order No. Yen-Tai-Ching- 0950001442 Article 21 was amended on November 13, 2008 as per the Executive Yuan’ s order No. Yen-Tai-Chiag-0970048633

Content：

Enforcement Rule of the Privatization of Government-Owned Enterprises Act

Article 1
This Rule is prescribed in accordance with Article 18 of the Privatization of Government-Owned Enterprise Act (hereinafter referred to as the Act).

Article 2
The term "government" referred to in the Act shall include the central government, municipal governments, and county (city) governments.

Article 3
The term "competent authority in charge of the enterprises" as referred to in Article 4 of the Act shall mean the competent authority at the central government level that the enterprises are under their jurisdictions in the case of the enterprises owned by the central government; and the municipal governments or county (city) governments in the case of the enterprises owned by local

governments.

Article 4
The term "sale of shares" referred to in subparagraph 1, paragraph 1 of Article 6 of the Act shall mean one of the following circumstances:

Sale in any of the following manners pursuant to the laws and regulations governing securities and exchange:
(1)Public sale of government-owned shares prior to being listed on the Taiwan Stock Exchange or the Over-The-Counter Securities Exchange;
(2)Sale of government-owned shares to the general public by public offering;
(3)Sale of government-owned shares on the centralized securities exchange market or over-the-counter market;
(4)Overseas sale of government-owned shares in the form of stocks or in the form of overseas depositary receipts;
(5)Sale of government-owned shares in other manners.

Share exchange or public sale of government-owned shares in accordance with other laws and regulations.

Sale of government-owned shares by way of negotiation in accordance with the provision of paragraph 2 of Article 6 of the Act.

Article 5
The term "auction sale of assets" as referred to in subparagraph 2, paragraph 1 of Article 6 of the Act shall mean to sell through bidding all or part of the assets of the government-owned enterprises for privatization. Assets include tangible and intangible assets.
The auction sale of assets under the preceding paragraph may be agreed to as general assumption of assets.

Article 6
The term "by way of contribution in kind" as referred to in subparagraph 3, paragraph 1 of Article 6 of the Act shall mean that government-owned enterprises may invest in establishing private-owned companies using all or part of its assets as payment of shares or as its contribution to the company's capital.

Article 7
The term "surviving enterprise" as referred to in subparagraph 4, paragraph 1 of Article 6 of the Act shall mean a surviving company after merger or a newly established company.

Article 8
When the privatization is effected by negotiation in accordance with paragraph 2 of Article 6 of the Act, the reasons for adopting the negotiation method and the qualification requirements for an acceptable transaction counterpart shall be submitted to the Executive Yuan for approval.
With respect to the privatization cases which have been approved by the Executive Yuan to be effected with a specific counter-party before the amendment of the Act on November 29, 2000, came into force, their privatization procedures may continue to be applied.

Article 9
The price appraisal committee as referred to in Article 7 of the Act shall be formed by representatives from the Ministry of Finance; the Directorate-General of Budget, Accounting and Statistics, Executive Yuan; National Development Council; Ministry of Labor; the competent authority in charge of the enterprises to be privatized, and be convened by the respective competent authorities in charge of the enterprises. In cases where a privatization evaluation of a government-owned enterprise involves an area of expertise, the competent authority of said area of expertise, as well as scholars and experts in that area, shall be solicited for their views.
The representatives from the various authorities referred to in the

preceding paragraph shall be limited to the incumbent officers of these authorities. The number of representatives from the competent authority in charge of the enterprises shall not exceed half of the total number of the members of the price appraisal committee.
The price appraisal committee for the privatization of enterprises owned by a municipal or county (city) government shall be organized ex officio by the respective competent authority in charge of the enterprises and shall apply the preceding two paragraphs.

Article 10
"To evaluate and decide the price" referred to in Article 7 of the Act shall mean, with respect to the privatization manner selected pursuant to Article 6 of the Act, to appraise the base price, reference price, price calculation formula or reference exchange ratio.
In the process of appraisal of the above-mentioned prices, consideration by the price appraisal committee may be given to factors including the acquisition cost, book value, current price, market price, future profits, market conditions, timing of sale, revaluation price of assets or appraisal price of assets, etc.

Article 11
The term "the date when a government-owned enterprise is privatized" as referred to in Article 8 of the Act shall be determined by the following subparagraphs:

The date on which the shares held by the government or government-owned capital is less than 50% of the issued shares or paid-in capital of the concerned enterprise, in the case of privatization through sale of shares or cash capital increase;
The date on which the assignee procures ownership of the assets, in the case of auction sale of assets or negotiation;
The date of establishment registration of the joint venture, in the case of formation of a private-operated enterprise with private individuals by way of contribution in kind;
The date on which the surviving company completes the amendment registration or the newly established company completes the establishment registration, in the case of merger.

Article 12
The term "employees" referred to in paragraphs 1 to 3 of Articles 8, paragraph 1 of Article 10, paragraphs 1 and 2 of Article 11 and Article 12 of the Act shall mean the personnel to whom the regulations regarding retirement and severance shall apply by law; however, the following personnel are not included:

Personnel who are engaged under the Contract-based Personnel Employment Act;
Personnel who are employed by means of contract under the Regulations on Contracted Employment of the Executive Yuan and Its Subordinate Agencies;
Personnel who are employed under fixed-term labor contracts;
Personnel on a temporary transfer or part-time basis;
Personnel on temporary employment.

Article 13
The "criteria for payment of pensions under the Labor Standards Act" as referred to in paragraph 2 of Article 8 of the Act shall be calculated, for the employees' service seniority after the said Act is applicable to the enterprise where they work, pursuant to the provisions set forth in Article 55 of the Labor Standards Act, and for their service seniority before the said Act is applicable to the enterprise where they work, pursuant to the applicable laws and regulations at the time.
If no applicable laws and regulations are available, the seniority of service shall be calculated pursuant to either the regulations prescribed by the enterprise on its own or through negotiation between the employees and employers. Alternatively, the employees may choose among the following provisions:

For the service seniority after the enforcement of the Labor Standards

Act, the pensions are calculated pursuant to Article 55 of this Act;
For the service seniority prior to the enforcement of the Labor Standards Act, the pensions are calculated pursuant to the Regulations Governing the Retirement of Factory Workers in Taiwan Province.

The criteria for payment of pensions are calculated pursuant to the service seniority before or after the enforcement of the Labor Standards Act as in the preceding paragraph shall be limited to a maximum of 45 units in total.

Article 13-1

After an employee has chosen the retirement pension system under the Labor Standards Act (hereinafter referred to as the new labor retirement system), he/she is not entitled to include his/her service seniority accumulated under the new labor retirement system into the calculation of his/her severance pay or service seniority settlement pay upon the privatization of the government-owned enterprise wherein he/she serves.

After entering into force of the Labor Pension Act, if an employee has chosen for the adoption of the new labor retirement system, and has further chosen, pursuant to paragraph 1 of Article 11 of the Labor Pension Act, to retain his/her service seniority accumulated prior to his/her choice for the adoption of the new labor retirement system (hereinafter referred to as the service seniority accumulated under the old labor retirement system), his/her severance pay or his/her service seniority settlement pay shall be settled and paid in accordance with the Article 13 hereof upon the privatization of the government-owned enterprise wherein he/she serves; whereas, if he/she has chosen for adoption of the new labor retirement system, and has further settled his/her service seniority accumulated under the old labor retirement system in accordance with paragraph 3 of Article 11 of the Labor Pension Act, he/she is not entitled to claim again for his/her severance pay or service seniority settlement upon the privatization of the government-owned enterprise wherein he/she serves; provided, however, that if he/she has not chosen for adoption of the new labor retirement system, his/her severance pay or service seniority settlement pay shall be settled in accordance with Article 13 hereof accordingly upon the privatization of the government-owned enterprise wherein he/she serves.

Article 14

The term "salary rate" as referred to in paragraphs 2 and 3 of Article 8 of the Act shall mean the monthly base salary excluding allowance, extra pay and bonus to the employees under the base salary system, or the monthly salary plus extra pay to employees to whom the base salary system is not applicable.

Article 15

The term "employees retained in employment" as referred to in paragraphs 3, 4 and 8 of Article 8 of the Act shall mean those employees who continue to serve the private enterprise that was privatized from a government-owned enterprise in whole or in part.

Article 16

The term "settlement" as referred to in paragraphs 3, 7 and 8 of Article 8 of the Act shall mean to settle and clear the service seniority and to make applicable payment. After the employees' accounts have been settled, their seniority of service shall start anew.

Article 17

With respect to the regulations governing the compensation drawn up by various competent authorities as referred to in paragraph 5 of Article 8 of the Act, the scope of compensation shall be limited to losses which are incurred at the time of privatization of government-owned enterprises; provided, however, that if any employees incur any damage to their rights and interests under labor insurance when they were laid off with severance within five years after the date of privatization, they shall be duly compensated.

Article 18

With respect to settlement and clearance of expenses and accrued interest originally set aside and contributed to the public service pension fund (hereinafter referred to as the Fund) pursuant to Article 9 of the Act, the competent authority in charge of the enterprises may, after the Executive Yuan's approval of the government-owned enterprises' evaluation of their financial conditions prior to the privatization, choose to make one lump sum payment provided in Article 19 hereof or payments to the pension fund management institution in annual budget provided in Article 20 hereof.

Article 19
In the case that the one lump sum payment method was adopted for settlement and clearance with the Fund, the day prior to the privatization of government-owned enterprises will be the record day of settlement and clearance. The amount settled shall be equal to the aggregate of expenses paid to the Fund by the government-owned enterprise at the compound annual average interest rate calculated according to the average of each month's first interest rate of two-year time deposit posted by Bank of Taiwan minus the aggregate of pension and posthumous relief payment received. The aggregate of pension and posthumous relief payment payable and calculated according to the following shall be deducted from the above amount as well:

For those who receive monthly posthumous relief payments for life pursuant to paragraph 3 of Article 13-1 of the Civil Servant Retirement Act, those who receive yearly posthumous relief payments for life pursuant to paragraph 2 of Article 9 of the Civil Servant Posthumous Relief Act, or those who receive monthly pensions exclusively or partially pursuant to Article 6 of the Civil Servant Retirement Act, the calculation shall be based on the average life expectancy (male and female) of the abridged life table in the Taiwan-Fuchien area promulgated and calculated by the Ministry of the Interior within the most recent year at the record day of settlement and clearance.

For those who are entitled to receive the posthumous relief payments in one lump sum or monthly posthumous relief payments because of the death of those who originally received monthly pension exclusively or partially pursuant to Article 13-1 of the Civil Servant Retirement Act, the calculation shall be based on the average life expectancy (male and female) of the abridged life table in the Taiwan-Fuchien area promulgated and calculated by the Ministry of the Interior within the most recent year at the record day of settlement and clearance and on the basis of payment of posthumous relief in one lump sum.

For those who receive yearly posthumous relief payments pursuant to paragraph 1 of Article 9 of the Civil Servant Posthumous Relief Act, the amount payable shall be calculated according to the period of payment prescribed by law.

For those who receive monthly posthumous relief payments until the age of majority pursuant to paragraph 3 of Article 13-1 of the Civil Servant Retirement Act, the amount payable shall be calculated until the age of majority.

For those who receive yearly posthumous relief payments until the age of majority or until graduation from college pursuant to paragraph 3 of Article 9 of the Civil Servant Posthumous Relief Act, the amount payable shall be calculated until the age of majority or graduation from college.

The aggregate of pension and posthumous relief payment to be paid according to each of the preceding subparagraphs shall be calculated on the basis of 3% salary increase each year and the current value of annuity of pension and posthumous relief payment to be paid in the future shall be calculated at the annual average interest rate which is calculated according to the average of each month's first interest rate of two-year time deposit posted by Bank of Taiwan.

The expenses paid to the Fund for the employees of government-owned enterprises who have resigned or transferred to other agencies before privatization shall be deducted from the expenses paid to the Fund by the said enterprises.

If the amount settled is positive, the pension fund management institution

in charge of the settlement and clearance shall pay the said amount in one lump sum to the government-owned enterprises; if the amount is negative, the government-owned enterprises pay the balance to the Fund. If the government-owned enterprises are not able to pay the balance according to the result of settlement and clearance, the government shall assume the responsibility and pay the amount in one lump sum.
Compound interest shall be accrued on the amount that is not paid pursuant to the preceding paragraph at the interest rate provided in paragraph 1 of this Article until the amount is completely paid.

Article 20
In the case that the settlement and clearance with the Fund are paid with the annual budget, the day prior to the privatization of a government-owned enterprise being the record day of settlement and clearance, the amount settled shall equal the aggregate of expenses paid to the Fund by the government-owned enterprises or their employees which is offset by the aggregate of expenses related to pension and posthumous relief payments paid by the agency managing the Fund, both of the aggregates of expenses calculated at the compound annual average interest rate calculated according to the average of each month's first interest rate of two-year time deposit posted by Bank of Taiwan before set-off, then the remaining minus the aggregate of expenses paid to the Fund for the employees of government-owned enterprises who have resigned or transferred to other agencies before privatization. If the amount settled is positive, the agency managing the Fund in charge of the settlement and clearance shall pay the said amount in one lump sum to the government-owned enterprises; if the amount is negative, the government-owned enterprises pay the balance to the Fund. If the government-owned enterprises are not able to pay the balance according to the result of settlement and clearance, the government shall pay the amount.
Compound interest shall be accrued on the amount that is not paid pursuant to the preceding paragraph at the interest rate provided in the preceding paragraph until the amount is completely paid.
After settlement and clearance by the agency managing the Fund, the government shall continue to bear relevant fees and expenses of various payments to be paid in the future by the employees who received various pensions or posthumous relief payments before privatization of the government-owned enterprises, and prepare each year's relevant budgets for the above fees and expenses and appropriate to the account of the agency managing the Fund, which shall pay the employees of the government-owned enterprises according to the laws and regulations.

Article 21
The term "original compensation payment withheld by the insuring agencies" as referred to in paragraph 1 of Article 10 of the Act means the compensation payment under the civil servant insurance program or the labor insurance program paid by the budget made by the competent authority in charge of the enterprises in accordance with paragraph 6 of Article 8 of the Act and the special fund established in accordance with Article 15 of the Act.
The insuring agencies of civil servant insurance and labor insurance shall, regarding the employees who had received compensation payment under the civil servant insurance program or the labor insurance program, withhold their original compensation payment when they claim for old age pension or old age benefits and return the compensation payment to the competent authority in charge of the enterprises; provided, however, that if the old age pension or old age benefits that is claimed is less than the original compensation payment received, the insuring agencies shall withhold the compensation amount equal to the old age pension or old age benefits.
A claim for old age benefits by an employee who has already received a compensation payment under the labor insurance program, as referred to in the preceding paragraph, shall be handled in accordance with the following provisions:

When the claim is for a one-time lump sum payment, the insuring agency shall make a one-time withholding of the original compensation payment.

When the claim is for payment of a monthly pension benefit, the insuring agency shall withhold one half of the pension payment each month until the whole of the compensation payment has been recovered. However, if the amortization period exceeds ten years, the recovery of the original compensation payment shall be limited to no more than ten years, with the amount due averaged monthly over that period and a corresponding sum withheld from each month's pension payment.

In the event that an employee as referred to in the preceding paragraph dies before the whole of the labor insurance compensation payment has been recovered, the following provisions shall apply:

If the employee's survivor chooses to claim a survivor's pension benefit as provided for by paragraph 1 of Article 63-1 of the Labor Insurance Act, the insuring agency shall not be required to withhold any further part of the amortization.

If the employee's survivor chooses to claim a one-time lump sum old age benefit less the total of monthly pension benefit already received, as provided for by paragraph 2 of Article 63-1 of the Labor Insurance Act, the insuring agency shall make a one-time withholding of the unrecovered portion of the original compensation payment. However, when the amount of the one-time lump sum pension payment less the total of monthly pension benefit already received is lower than the amount of the unrecovered portion of the original compensation payment, the insuring agency shall withhold only the former amount.

If an employee has any doubt regarding the withholding of the compensation as referred to in the preceding three paragraphs, he/she may request the competent authority in charge of the enterprises to handle it in an appropriate manner.

Article 22

Employees' job-transfer trainings or second career trainings provided in paragraph 1 of Article 11 of the Act means the technical trainings which are necessary for elevating original techniques and changing careers and held for the employees who are not willing to transfer to the privatized enterprises, and the technical trainings which are held for the employees who are willing to transfer to the privatized enterprise and which are enabling them to be competent for their work in the privatized enterprises.

In order to deal with the matters provided in paragraph 1 of Article 11 of the Act, the government-owned enterprises and the labor competent authority shall prepare relevant budgets, and where necessary, the competent authority in charge of the enterprises shall prepare relevant budgets to assist with dealing with such matters.

Official leave shall be granted to the employees during their trainings.

Article 23

The term "specific amount of shares set aside" as referred to in Article 12 of the Act contains the following particulars and these shares shall in total not exceed 35% of the total shares issued by the respective enterprises.

The amount for subscription: To be determined by dividing the total amount equivalent to 24 times the aggregate average salary amount paid by the enterprise concerned by the initial subscription price.

The amount for additional subscription: Upon the sale of shares at the time the government-owned enterprise concerned is privatized, the competent authority in charge of the enterprises may, within the amount for subscription, offer the shares to the employees of the enterprise for additional subscription.

Reserved shares in favor of long-term shareholders: The number of shares in the first sale of government-owned shares as reserved for subscription by employees, who hold the shares preemptively subscribed by them for longer than the period prescribed by the competent authority in charge of the enterprises, according to the ratio specified by the competent authority in charge of the enterprises.

The term "aggregate average salary amount" referred to in subparagraph 1 of the preceding paragraph shall mean the average of the monthly total amount of salaries paid to all employees based on the salary rate provided for in Article 14 hereof for the period of twelve months before the month in which the government-owned shares of the enterprise concerned are sold for the first time (exclusive of the month of the sale) after the implementation of the Act as amended on November 29, 2000. The term "initial selling price" shall mean the selling price of the government-owned shares sold for the first time by each enterprise concerned, or the lowest trading price if there are several trading prices, after the implementation of the Act as amended on November 29, 2000. Each enterprise concerned shall take into consideration the service seniority, the rank and the performance of service or other factors of the employees and separately specify the number of shares that each employee may subscribe or additionally subscribe.

Article 24
The price of subscribed shares paid by the employees pursuant to the amount for subscription set forth in subparagraph 1, paragraph 1 of Article 23, shall be consistent with the lowest trading price among the selling prices of the shares sold at the same time. When the government-owned shares are sold only through overseas sale in the form of stocks or in the form of overseas depositary receipts, the price of subscribed shares paid by the employees may be the underwriting price in the overseas sale of shares converted to New Taiwan Dollars or the closing price of the concerned enterprise's share on the domestic stock market at the same day of fixing the underwriting price in the overseas sale, whichever is lower.
If the employees voluntarily conduct a centralized deposit of all or part of their subscribed shares with the organization appointed by the enterprise and warrant not to transfer or pledge them within two years, the shares placed for such centralized deposit may be subscribed at 90% of the transaction price in the preceding paragraph; if employees warrant not to transfer or pledge within three years, the shares placed for such centralized deposit may be subscribed at 80% of the transaction price in the preceding paragraph.
The price of subscribed shares paid by the employees within the additional subscription amount provided in subparagraph 2, paragraph 1 of Article 23 shall be consistent with the lowest trading price among the selling prices of the shares sold at the same time.
Employees who hold shares within the limit of the subscription amount referred to in paragraph 1 of Article 23 for a period longer than the one prescribed by the competent authority in charge of the enterprises may, upon the expiration of the period prescribed by the competent authority in charge of the enterprises, subscribe the shares at the par value price at the ratio specified in subparagraph 3 of paragraph 1 of Article 23; provided, however, that should the original price for subscription be less than fourteen New Taiwan Dollars, the employees may subscribe the shares at 70% of the subscription price.
After the employees terminate their employment or retire, the provisions regarding the benefit for shares held for a long period of time referred to in subparagraph 1, paragraph 1 of Article 23 shall remain applicable to the shares subscribed by them during their employment.

Article 25
When the Executive Yuan instructs to publicly offer the shares of government-owned enterprises to the public at favorable terms, the competent authority in charge of the enterprises shall separately prescribe the subscription amount limit and the subscription price available to the employees of these enterprises and shall submit them together with the plan for sale of shares to the Executive Yuan for approval; in such circumstance, the provisions set forth in Article 23 and Article 24 shall not apply.

Article 26
The regulations governing subscription of shares by employees on favorable terms and preemptive basis as prescribed by the competent authority in charge of the enterprises under Article 12 of the Act shall include the following matters:
The way by which preemptive subscription shall be carried out;

The limit of the subscription amount;
The favorable terms;
The timing of subscription;
Other necessary matters.

Article 27
For subscription of shares by and compensation of rights and interests of the chairman of the board and the general manager of a privatized enterprise, rules applicable to the employees shall apply mutatis mutandis.

Article 28
The proceeds received by the government derived from the privatization of government-owned enterprises and from the sale of government-owned shares in the enterprise which the government's shareholdings do not exceed 50%, which are contributed to the national treasury pursuant to Article 15 of the Act, shall be handled in accordance with the following provisions:
Of the proceeds gained from the sale of shares held by the national treasury or the entire assets of the concerned government-owned enterprise, except for the portion to be set aside and appropriated to a special fund, the remainder shall be allocated to the national treasury.
The proceeds gained from the sale of a part of the assets of the concerned government-owned enterprise or the shares of a re-invested enterprise held by the concerned government-owned enterprise shall be included in the annual net income of the enterprise concerned, and except for making up loses and setting aside the legal reserve, no proceeds shall be retained.

Article 28-1
The term "expenses borne by the government for privatization" as referred to in subparagraph 1, paragraph 2 of Article 15 of the Act includes:
The taxes, fees, expenses and process charges related to sale of the government-owned shares;
The monthly pensions received by the retired employees before the privatization;
The monthly/yearly posthumous relief payments received by the family of the employees who receive pensions;
The monthly/yearly posthumous relief payments received by the family of the employees who died during their employment before the privatization;
Funeral and burial subsidies;
The balance assumed by the government after the settlement and clearance between the government-owned enterprises and the Fund provided in Article 19 and Article 20;
Compensation payment for the compulsory military service seniority provided in paragraph 8 of Article 8 of the Act;
The payments for lump sum no-interest pensions under paragraph 5 of Article 20 of the Act Governing Retirement of and Bereavement Compensation for Employees of Post and Telecommunications Enterprises under the MOTC;
Other relevant fees and expenses specially approved by the Executive Yuan.

Article 28-2
The term "payments" as referred to in subparagraph 2, paragraph 2 of Article 15 of the Act includes the following items:
Severance pay and the service seniority settlement pay;
Wage in lieu of one-month advance notice;
Other relevant fees and expenses specially approved by the Executive Yuan.

Article 28-3
The term "payments" as referred to in subparagraph 3, paragraph 2 of Article 15 of the Act includes the following items:
Pension and severance pay;
Compensation payment for insurance;

Additional six-month salary;
Wage in lieu of one-month advance notice;
Other relevant fees and expenses specially approved by the Executive Yuan.

Article 29

This Rule shall come into force from the date of promulgation.