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#### Content

Title: Rules of Preemptive Rights for Employees of Subordinate Enterprise under the Ministry of Economic Affairs upon the Privatization of State-owned Enterprises Ch

Date: 1992.11.27

- Legislative: 1. Promulgated on November 27, 1992
  - 2. Article 11 was amended on June 25, 1993
  - 3. Articles 4 and 5 were amended on August 29, 1994
  - 4. Full text was amended on June 3, 1998
  - 5. Articles 6 and 9 were amended on November 15, 2000
  - 6. Amended on December 12, 2001

#### Content: Article 1

These Rules are enacted pursuant to Article 12 of the Statute for Transforming State-owned Enterprises into Privately-owned Enterprises (the "Statute").

For matters not stipulated in these Rules, the Enforcement Rules of the Statue for Transforming state-owned Enterprises into Privately-owned Enterprises (the "Enforcement Rules") shall govern.

These Rules are applicable to all employees defined in Article 12 of the Enforcement Rules (the "Employees").

#### Article 3

Upon the sale of shares in the privatization of subordinate state-owned enterprises under the Ministry of Economic Affairs (the "Subordinate Enterprises") pursuant to the Statute, the Employees may subscribe the state-owned shares pursuant to these Rules.

#### Article 4

Upon subscribing shares in privatized state-owned enterprises pursuant to these Rules, the Employees may subscribe the shares directly without undergoing public offering procedures.

#### Article 5

The sum of shares subscribed by the Employees of the respective Subordinate Enterprise (including the amount for subscription, the amount for additional subscription, and the shares reserved for long-term shareholding) shall not exceed 35% of the total number of shares issued by the respective Subordinate Enterprise. The term "the total number of shares issued" referred to in the preceding Paragraph shall mean the number of shares representing the paid-in capital received in the initial offering of the government-owned shares.

#### Article 6

The price of the shares subscribed pursuant to "the amount for subscription" in the first Paragraph of Article 5 shall be equal to the lowest sale price of concurrently released shares. The subscription price of shares sold overseas or in the form of overseas depository receipts shall be the overseas underwriting price converted to New Taiwan Dollars or the domestic closing price of that stock on the pricing date for overseas sale, whichever is lower. If an Employee voluntarily submits all or part of the shares subscribed

Enterprise for centralized deposit, and covenant that such shares shall not be pledged or transferred in two years, the shares so deposited may be subscribed at 90% of the subscription price stated in the first Paragraph. If the Employee covenants that such shares shall not be pledged or transferred for three years, the shares so deposited may be subscribed at 80% of the subscription price stated in the first Paragraph. The price of the shares subscribed pursuant to "the amount for additional subscription" in the first Paragraph of the preceding Article shall be equal to the lowest sale price of concurrently released shares.

#### Article 7

The term "mount for subscription" referred to in Paragraph 1, Article 5 shall be an amount equivalent to 24 times the aggregate average salary paid by the respective Subordinate Enterprise and divided by the initial subscription price. Each Subordinate Enterprise shall take into consideration the seniority, rank, performance or other relevant factors of an Employee to determine the number of shares such Employee is entitled to subscribe.

The term "aggregate average salary amount" referred to in the preceding Paragraph shall mean the monthly average of the total amount of salaries paid to the Employees calculated based on the criteria provided for in Article 14 of the Enforcement Rules for the period of twelve months before the month in which the government-owned shares of the respective Subordinate Enterprise were initially released (excluding the month of release) after the implementation of the Statute as amended on November 29, 2000. The term "initial selling price" shall mean the selling price of the government-owned initial shares released by each Subordinate Enterprise after the implementation of the Statute as amended on November 29, 2000. If there is more than one selling price for the initial issue of government-owned shares, the lowest selling price shall apply. The term "the month in which the government-owned shares were initially released" shall mean the month which the date of the close of the public auction, negotiation of private transfer or filing to the Securities and Futures Commission for public underwriting.

The unit for calculating the amount for subscription referred to in Paragraph 1 shall be one share, anything less than one share shall not be calculated.

### Article 8

The amount for additional subscription referred to in Paragraph 1, Article 5 shall mean the additional shares that an Employee may subscribe within the limit of the amount for subscription as stated in the preceding Article upon the release of the government-owned shares. The respective Subordinate Enterprise shall take into consideration the seniority, rank, performance or other relevant factors of an Employee to determine the number of additional shares such Employee is entitled to subscribe.

### Article 9

If an Employee keeps the shares subscribed pursuant to Paragraph 1, Article 7 for one, two or three years after the date of close of subscription payment, such Employee may subscribe additional shares based on a percentage of the number of the shares originally subscribed at the face value price upon expiry of the required holding period. Nevertheless, if the original subscription price was lower than 14 New Taiwan Dollars, the price for additional subscription shall be 70% of the original subscription price. The percentage for additional subscription shall be as follows:

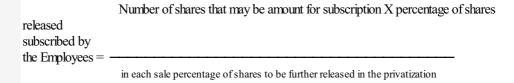
bscription price (New Taiwan Doll-	shareholding	additional su- bscription for shareholding	additional subscription for
Less than 20	18%	25%	39%

Over 20 but less than 30		12%	16%
Over 30 but less than 60		9%	12%
Over 60	6%	7%	9%

The number of reserved shares for long-term shareholding shall be the same as that calculated for additional subscription pursuant to the preceding Paragraph. The unit for calculating the number of reserved shares for long-term shareholding is one share. Anything less than one share shall not be calculated. After an Employee resigns or retires, the provision regarding additional subscription as stated in Paragraph 1 is still applicable to shares subscribed pursuant to Paragraph 1, Article 7 during his or her employment.

#### Article 10

The Employees of Subordinate Enterprises that release all government-owned shares in a single issue during privatization, may fully subscribe the shares calculated pursuant to the amount for subscription provided in Paragraph 1, Article 7 and additional subscription shares calculated pursuant to Article 8. For Subordinate Enterprises that release the government-owned shares in more than one issue during privatization, the formula for calculating the subscription amount of the shares pursuant to Paragraph 1, Article 7 by the Employees in each issue is as follows:



The term "percentage of shares released" shall mean the percentage of the number of shares released in a given issue to the number of shares representing the paid-in capital received in the release of government-owned shares for the first time. The term "percentage of shares to be further released in the privatization" shall mean the balance of 51% of the issued shares minus the percentage of privately-owned shares on the date of first release of government-owned shares.

The number of shares available for subscription for the last time for an Employee shall be the balance of the amount for subscription in Paragraph 1, Article 7 minus the number of shares which have been subscribed by the Employees during past share issues.

# Article 11

In cases where the Executive Yuan has ordered the public offering and sale of government-owned shares to the public on favorable terms, the MOEA shall determine the amount for subscription and the subscription price for the Employees in that given sale and submit a plan of share release for approval of the Executive Yuan to approve.

## Article 12

An Employee may subscribe the shares within the amount for subscription and amount for additional subscription in each issue of government-owned shares. The shares thus subscribed may not be transferred. An Employee shall pay in full the total price for the shares subscribed within the specified payment period. An Employee is deemed to have waived the rights to subscribe shares if the Employee fails to subscribe or pay fully for the shares.

### Article 13

In the privatization of a Subordinate Enterprise (whether government-owned

shares are released in one issue or several issues), an Employee shall forfeit his or her rights to subscribe the shares calculated pursuant to Paragraph 1, Article 7, as well as his or her rights to the additional shares calculated pursuant to Article 8 that have not yet been subscribed if he or she resigns before the date when the number of subscribed shares in a given sale is calculated.

#### Article 14

For the number of shares calculated pursuant to Paragraph 1, Article 7 and the number of additional shares calculated pursuant to Article 8, if an Employee waives or forfeits his or her rights to subscribe all or part of the said shares, the Ministry of Economic Affairs or the respective Subordinate Enterprise designated by the Ministry of Economic Affairs may seek the "specified persons" as defined in Subparagraph 3, Paragraph 1, Article 22-2 of the Securities and Exchange Law to subscribe the said shares, or resort to other means permissible under the Securities and Exchange Law to sell the said shares.

Article 15

The Criteria shall come into force upon the promulgation.

Data Source: Ministry of Economic Affairs R.O.C.(Taiwan) Laws and Regulations Retrieving System