

APPENDIX A

CATEGORIES AND ORDER OF PRIORITY OF EXPORT ENTERPRISES ADMISSIBLE FOR ESTABLISHMENT IN EXPORT PROCESSING ZONES

1. In compliance with the provisions set forth under Article 4 of the Statute for Establishment and Management of Export Processing Zones, the categories of export enterprises admissible to export processing zones are as follows :
 - a. Precision machinery and instruments
 - b. Electronics products
 - c. Optical products
 - d. Metal products
 - e. Plastic products
 - f. Machinery manufacturing
 - g. Furniture manufacturing
 - h. Handicrafts
 - i. Electrical appliances and products
 - j. Rubber products
 - k. Chemical products
 - l. Printed matters
 - m. Confectionery manufacturing
 - n. Cosmetics

- o. Leather products (excluding the tanning of raw-hides)
 - p. Paper containers
 - q. Toys
 - r. Yachts
 - s. Knitted & woven goods (excluding those using cotton yarn or cotton twine as raw materials. Mixed textile which is determined as cotton textile shall not be permitted to be exported to the area limited with quota.)
 - t. Garments (excluding those using cotton cloth as raw materials. Mixed textile which is determined as cotton textile shall not be permitted to be exported to the area limited with quota. The investors who have permanent in-country address will have priority over others.)
2. Among the above-mentioned categories, the export enterprises whose products possess one of the following conditions shall not be admissible to the zone :
- a. The local export enterprises of same category have already laid good foundation in the country, and the indication shows that there is saturation of their products in the international markets.
 - b. The processing charge is below 20% of the product FOB price.
 - c. The land on which the factory building is to be situated is not economically used.
3. The sequence of priority of the above-mentioned categories shall be revised if necessary.
4. The labor-intensive enterprises that are not included in the above-described categories but have a reliable foreign markets may submit their setup application to the Kaohsiung Export Processing Zone Administration which shall transmit it to the

Ministry of Economic Affairs in coordination with the Ministry of Finance and the Central Bank for special screening.

- 5. The above-mentioned categories and statement shall be reviewed and revised after one-year implementation.**

APPENDIX B

CRITERIA FOR THE LAND ALLOCATION OF THE KAOHSIUNG EXPORT PROCESSING ZONE

1. To execute the allocation for the land to be rented by export enterprises in the zone, the criteria herein prescribed are formulated by the Kaohsiung Export Processing Zone Administration, Ministry of Economic Affairs (hereinafter referred to as "the Administration").
2. The allocation for zone land is based upon the principles of collective security of the zone, environmental beautification, and convenience of management. In addition, consideration must be given to meet the requirements of plant operation to the full extent with a view of strengthening the economic use of zone land.
3. In compliance with the master plan of the Kaohsiung Export Processing Zone, the zone is divided into five areas, namely, A, B, C, D, & E. The use of various areas is prescribed as follows:
 - a. Area A : It is primarily used for construction of the standard factory buildings. However, a part of it may be rented for self-constructed factory buildings if necessary.
 - b. Area B: It is primarily used for construction of office buildings of various support agencies, such as the bank, post office, telecommunications office, etc., and for rent by repairing, packing, stevedoring, warehousing and transportation operations in the zone to serve export enterprises for their production and sales. However, it may also be rented by export enterprises for self-constructed factory buildings.
 - c. Areas C, D, & E : They are all used for self-constructed factory buildings with the exception of a part of the land reserved for public utilities.

- d. Thirteen (13) plots of the coastal land along the west side of Areas C, D, & E are demarcated to be used for specific industry.
4. In Area A, the export enterprises that have purchased the standard factory buildings must share the rent of land according to the floor space of purchased factory building. To plan the self-constructed factory buildings, the export enterprises shall rent the land based on the actual requirements.
 5. In Area B, the land to be leased and used by various support agencies shall be allocated according to the actually required floor space through coordination. The land to be rented by repairing, packing, stevedoring, warehousing & transportation operations, and other export enterprises shall be allocated in accordance with the actual requirements stated in the submitted projects.
 6. Areas C, D, & E are used by export enterprises for self-constructed factory buildings of small or large size only. To meet the requirements of export enterprises, to make economic use of land, and to consider the general appearance of the zone, with reference to the actual terrain, the depth of each area is demarcated as follows :
 - a. Area C : 75M, 73M, 60M, or 90M.
 - b. Area D : 82M, 90M, 75M, or 105M.
 - c. Area E : 55M, 75M, 60M, 90M, 70.6M, or 67M.
 7. In compliance with the regulations governing the construction of factory buildings in the industrial area of Southern Taiwan, inter-factory space shall be reserved 3 meters each as the interval between factory buildings. Therefore, the construction line must be set back for 3 meters. In addition, in the back of each factory building, 3-meter wide space must be reserved as the land for back alley. To fit the actual requirements of self-constructed factory building, the area prohibited from construction shall be deducted while calculating the proportion between the land and the construction.

8. To cope with the actual requirements of construction of factory building, the area to be leased and its location shall be surveyed and determined on the spot by the representatives from the Administration and the export enterprise for accuracy. If the representative from the export enterprise fails to be present as notified, the Administration shall alone determine the land area by judging the layout of factory building enclosed therewith the project submitted by the export enterprises and other related information.
9. To avoid the occurrence of piecemeal land and to cope with the depth of base for factory buildings as prescribed by the Administration, the accurate area and width applied by every export enterprise shall be determined, and an adjustment with the extent of 20% increase or decrease in the original allocation of land area may be made when the survey on the spot is conducted by the Administration.
10. For the use of self-constructed factory building, the land for lease applied by the export enterprise shall not be less than 1,000 sq. m.

APPENDIX C

REGULATIONS GOVERNING LAND FOR LEASE AND SALE OF STANDARD FACTORY BUILDINGS OF THE KAOHSIUNG EXPORT PROCESSING ZONE

I Land for Lease

1. Having been notified with the approval of investment applications, investors who have to lease the land shall report to the Administration to coordinate the survey of localities, and within 30 days, they must submit the performance bond equivalent to one-year rental of allocated land for lease.
2. The above-mentioned performance bond shall be refunded without any interest after the projected factory has started the production. Otherwise, it shall be forfeited as stated in the undertaking in case the approved project is not fulfilled, and the investment application, therefore shall be phased out. However, it would be their request of extension to the fulfillment of project.
3. Investors who intend to rent the land of allocated area shall sign the contract for lease accordingly. Counting from the date the contract is signed, the rental of land must be paid monthly. The construction of factory building shall be commenced within three months and be completed according to the project. If not, the extension request for no more than three months with reasonable justification may be submitted but one for approval. The contract for lease shall be terminated for the land on which the construction has not been commenced within the prescribed period of time, or even not after the extension, or not been completed in accordance with the project. Thus the rental paid shall not be refunded. The action for re-allocation of the shall be taken by the Administration.
4. The format of the contract for lease shall be formulated separately.

II Sale of Standard Factory Buildings

5. **Having been notified with the approval to their investment application, investors who have to purchase the standard factory building shall report to the Administration to coordinate the survey of its location, and within 30 days, they must deposit the performance bond equivalent to 5% of the selling price of approved floor space.**
6. **The above-mentioned performance bond shall be refunded without any interest after the projected factory has started the production.**
7. **Having signed the purchase confirmation and paid 10% of the selling price of approved floor space to the Bank of Communication and the Bank of Land, investors shall then sign the purchase contract with the said banks and pay 20% of the factory building selling price within one month after receiving the notification of turn-over of factory building. Any delay in this regard shall be considered voluntary forfeiture of the privilege, and the 10% amount of the selling price of approved floor space shall not be refunded.**
8. **The format of purchase confirmation and purchase contract shall be formulated respectively by the said banks.**
9. **The transfer of private-owned buildings located inside the zone shall be handled as prescribed in Article 12 of the "Statute for Establishment & Management of Export Processing Zones". Before paying full amount of the selling price or before being granted with ownership certificate, although the investors have signed the contract to purchase the standard factory building but violated the regulations of the said Article, the Administration shall purchase back the factory building and pay the investors by repreciation of the original price, and then resell it to other investors.**

III Reservation for Land & Standard Factory Building

10. Before submitting the investment application, investors shall make the reservations for land or factory building and pay the deposit based upon the following criteria :
 - a. Deposit for Land : one-year rental of the reserved land area.
 - b. Deposit for Standard Factory Building : 5% of the selling price of the reserved floor space.
11. After paying the deposit, investors shall submit their investment application within two weeks. The reserved land or factory building shall not be retained beyond the prescribed period of time, and the deposit will be refunded without any interest. However, the extension request for deliberate period of time with reasonable justification may be submitted but once for approval.
12. After the investment application is approved, the deposit will be changed into the performance bond upon request. Matters regarding the handling of the performance bond are referred in the above-mentioned I & II paragraphs.

APPENDIX D

REGULATIONS GOVERNING THE COLLECTION OF INFRASTRUCTURE COST OF THE KAOHSIUNG EXPORT PROCESSING ZONE

1. To collect the infrastructure cost from the export enterprises inside the zone, the regulations herein prescribed are formulated by the Kaohsiung Export Processing Zone Administration in compliance with the provisions set forth under Article II of the Statute for Establishment & Management of Export Processing Zones and Article 16 of the Enforcement Rules of the said Statute.
2. The income of infrastructure cost shall be used for handling the following activities :
 - a. Development and maintenance of public utilities and installations.
 - b. Measures for maintenance of environmental sanitation and public safety.
3. The above-mentioned infrastructure cost is calculated in the form of annuity carrying the amount already paid or determined and the loan together with interest which shall be collected from land lessee inside the zone over a period of ten years. The land lessee shall pay NT\$30.51 per ping per year (or NT\$9.23 per sq. m). Having completed their setup before July 1, 1966, the export enterprises inside the zone are required to pay the infrastructure cost from July 1, 1966, while others complete their projects after the said date shall pay the said cost from the date of completion. The infrastructure cost shall be collected once every three months and used as the financial source to pay back the loan.

The infrastructure cost including environmental sanitation and public safety expenses shall be paid by the export enterprises inside the zone based upon the amount of their exports. NT\$0.10 will be paid for every US\$1.00 worth of product to be exported. The same action shall be taken for those products to be sold in the domestic market as approved by the competent authorities.

APPENDIX E

REGULATIONS GOVERNING DISPOSAL OF THE OBSOLETE ITEMS & SCRAPS OF EXPORT ENTERPRISES IN EXPORT PROCESSING ZONES

1. The regulations herein prescribed are formulated in accordance with the provisions set forth under Article 6 of the Statute for Establishment and Management of Export Processing Zones.
2. The obsolete items indicated herein are the machinery and components used for a long time and/or other materials that are not through the course of production but a part of manufacturer's estate already ruined, corroded and unserviceable for production; or the products and/or facilities damaged by disaster can no longer be used by the manufacturer itself but a part of the estate.
3. The scraps referred herein are the useless rubbish and/or waste materials left during the course of production; or the accumulated rubbish, waste and used packing materials that are neither through the course of production nor a part of the estate.
4. In case the useless obsolete items and/or scraps may be sold but neither in foreign markets nor in the zone, the manufacturer shall, for sale to the domestic customs territory and paying the duty accordingly, submit the information concerning category, description, quantity and price of the obsolete items and/or scraps to the Export Processing Zone Administration which is required to screen and transmit the case to the competent foreign trade authority for approval.
5. In case the obsolete items and/or scraps are a part of the controlled goods, the Export Processing Zone Administration shall submit the special request to the competent foreign trade authority for action.
6. Being unable for sale, the useless obsolete items and/or scraps shall be destroyed by the Export Processing Zone Administration together with customs office and tax bureau.

APPENDIX F

MEASURES CONCERNING EXPORT ENTERPRISES IN EXPORT PROCESSING ZONES TO LEASE LAND, TO PURCHASE STANDARD FACTORY BUILDINGS AND DEPOSIT PERFORMANCE BOND

1. The measures prescribed herein shall be applied for the export enterprises, after having been approved per the Statute for Establishment & Management of Export Processing Zones, to lease the land of the export processing zone and to purchase the standard factory buildings and to deposit the performance bond in accordance with the provisions set forth under Item 2 by the Kaohsiung Export Processing Zone Administration.
2. To set up export enterprises in the export processing zones, before submitting the application for investment, the investors must pay the deposit in compliance with the following criteria:
 - a. Deposit for the Land : one year rental of the reserved land.
 - b. Deposit for the Standard Factory Building : 5% of selling price of the reserved floor space.
3. After paying the deposit, investors shall submit their investment application within two weeks. The reserved land or factory building shall not be retained beyond the prescribed period of time, and the deposit will be refunded without any interest. However, the extension request for deliberate period of time with reasonable justification any be submitted but once for approval.
4. In case the investment application is disapproved, the deposit for land or standard factory building shall be refunded without any interest by the Export Processing Zone Administration (hereinafter referred to as "the Administration"). If it is approved, the deposit will be turned into the performance bond from the date of approval. The amount of the performance bond shall be calculated according to the criteria as prescribed in paragraph 2 above. In case the export enterprises request to increase the

reserved land area or floor space of the standard factory building, the performance bond for the increment must be paid after approval. If the request for increment is disapproved, the investors must still carry out their project according to original application; otherwise the performance bond originally paid shall be forfeited by the Administration.

5. Having requested to rent the land, the export enterprise must sign the contract for lease within 30 days after the Administration's approval. In compliance with the related provisions as prescribed under the Land Law, the export enterprise shall, from the date the contract being signed, pay the rental monthly and the infrastructure cost accordingly. However, as the special case, if the export enterprise, after the approval of investment application but before signing the contract for lease, is permitted to use the land by the Administration, the rental shall be paid from the date of permit.

The above-mentioned export enterprise which rents the land shall commence the construction of factory building within three months after the date of signing the contract and be completed according to the project. If not, the extension request for no more than three months with reasonable justification may be submitted but once for approval. Nevertheless, the contract for lease shall be terminated for the land on which the construction has not been commenced within the prescribed period of time, or even not after the extension, or not been completed in accordance with the project. Thus the rental paid shall not be refunded. The land will be taken back and re-allocated by the Administration. In case there is engineering construction in existence or change to the feature of land, the export enterprise whose contract is terminated is normally required to recover the land to its original condition. However, if the engineering construction or change to the feature of land does not adversely affect the land for lease to other investors, the export enterprise concerned may be eliminated with the responsibility of restoration to its original condition.

6. The duration for export enterprises to lease the land in the export processing zone is ten years. The original lessee may request to

continue the lease sometime before the termination.

7. In case the value for the land in the export processing zone is redetermined by the local land administrative agency, the rentals shall be adjusted in the following month after the redetermination of land value.
8. In case the rental is not paid by the export enterprises before the suspense date, actions shall be taken as follows :
 - a. Exceeding the time limit for more than one month but less than two months, additional 5% of rental as penalty shall be charged.
 - b. Exceeding the limit for more than two months but less than four months, additional 10% of rental as penalty shall be charged.
 - c. Exceeding the time limit for more than three months but less than four months, additional 15% of rental as penalty shall be charged.
 - d. Exceeding the time limit for more than four months, the contract for lease shall be terminated, and the rental and penalty that have not been surrendered shall be dunned for payment.

The lessee shall be kept informed about the above conditions respectively by the Administration's written notification.

9. The export enterprises are required to lease the land or buildings in the export processing zone based upon their actual operational requirements. During the time of lease, a part of all of the rented land or buildings that are not required must be released to the Administration for control. The lease is non-transferable.
10. The export enterprises request to purchase and move in the standard factory buildings only after paying certain amount of the selling price and signing the contract for purchase within the time limit as notified by the owner of the factory buildings. Any

delay in this regard will be considered voluntary forfeiture of all privileges.

11. In compliance with the approved projects (including the projects of all phases), the export enterprises shall complete all their investments and be issued with certificate to commence production. Then, the performance bond will be refunded without any interest.
12. In case the export enterprise does not complete the project as approved, the investment case originally approved shall be phased out by the Administration. The performance bond already paid will be forfeited by the Administration as agreed in the understanding.

APPENDIX G

MEASURES CONCERNING REQUISITION AND SALE OF PRIVATE-OWNED BUILDINGS INSIDE EXPORT PROCESSING ZONE

Article 1 :

These measures are prescribed in accordance with the provisions set forth under Article 12 & item No. 3 of Article 8 of the Statute for Establishment and Management of Export Processing Zones, and Articles 26, 27 & 28 of the Enforcement Rules of the said Statute.

Article 2 :

The private-owned buildings located inside the export processing zones, once found and determined under one of the following conditions, shall be requisitioned at market price by the Export Processing Zone Administration (hereinafter referred to as “the administration”).

- a. The building is not used by an export enterprise.**
- b. The status of the building being used may endanger public safety or public health inside the zone.**
- c. The building is not used according to the original project.**
- d. More than 50% of the floor space of factory building or storeroom have been empty over six months.**
- e. For certain reason, the export enterprise using the building has not been in operation for three months, and there is no possibility to restore business.**
- f. Exorbitant prices are demanded for transfer of the building.**
- g. Being determined with the violation of regulations, the**

export enterprise has been ordered to move out of the export processing zone.

The above-mentioned private-owned buildings are those standard factory buildings, for which the export enterprises have obtained the ownership; or the self-constructed factory buildings and water, power as well as toilet facilities attached thereof, and other related installations as well.

Article 3 :

To handle the requisitioning of private-owned buildings and the evaluation of their selling price, the Committee for Requisitioning & Selling Price Evaluation of Private-Owned Buildings (hereinafter referred to as "the Evaluation Committee") is organized by the Administration. The following personnel shall be the Committee members and the Director of the Administration be the convenor.

- a. The Director of the Administration.
- b. The chiefs of various related divisions and offices of the Administration.
- c. The manager(s) of the bank(s) in the zone.
- d. The president of the manufacturers' association to which the export enterprise of the requisitioned private-owned building belongs.
- e. Other invited specialists and personnel concerned.

Article 4 :

To requisition the private-owned buildings inside the zone, the procedure is taken as follows :

- a. The private-owned building of the export enterprise once found under one of the conditions as mentioned in Article 2 shall be investigated by the Administration. In case it is

processed, the notification will be sent to the export enterprise concerned.

- b. The private-owned building once determined to be requisitioned shall be estimated by the technicians from the Administration in accordance with the Criteria for Estimate of Improved Construction Buildings. A written report together with relevant information will be submitted to the Administration for screening. The format of the report shall be prescribed separately.
- c. After screening the contents of the report, the relevant unit of the Administration shall forward it to the Evaluation Committee for resolution. The owner or occupant of the building will be invited to state his opinions in the conference when the Committee is in session, and be excused from the meeting after the statement is made.
- d. After the price of the private-owned building is determined by the Evaluation Committee, the Administration shall send a written notification of value amount to the owner or occupant of the building.
- e. In case the export enterprise or owner is not satisfied with the resolution passed by the Evaluation Committee, the request for re-determination with reasonable justification may be submitted but once to the Committee within 15 days after receiving the notification.
- f. Having determined or re-determined the price of private owned building to be requisitioned, the Administration shall send a written notification to the export enterprise or owner requiring to draw the amount within prescribed time. In case the export enterprise declines or cannot draw it, the Administration shall deposit the money and wait for drawing.
- g. The privilege and obligation of the export enterprise in connection with the requisitioned building shall be terminated immediately after the amount of money is drawn or deposited.

Article 5 :

To requisition the private-owned building inside the zone, the financial source to be used by the Administration area as follows:

- a. To collect the amount of money in advance from other export enterprises that have the necessity to use the factory building.
- b. The advance money will be paid with self-provided fund.
- c. The advance money will be paid by the bank under the terms of "trust receipt" or "loan on collateral security".
- d. The advance money paid with the "operating fund" of the Administration.

The advance money paid as mentioned in paragraphs b & d above shall be reimbursed by the Administration after receiving the amount of money from the sale of requisitioned building.

Article 6 :

The machinery, equipment and other movable assets inside the requisitioned private-owned building shall be handled in accordance with the provision set forth under Article 29 of the Enforcement Rules of the Statute for Establishment and Management of Export Processing Zones.

Article 7 :

The contract for lease of the land shall be terminated and the land be taken back by the Administration on the day when the amount of money is paid for the requisitioned private-owned building.

Article 8 :

The requisitioned private-owned building shall be sold and the land already taken back be rented to some other export enterprises for use by the Administration. The selling price of

requisitioned private-owned building will be screened by the relevant units of the Administration and be determined by the Evaluation Committee.

Article 9 :

In case the export enterprise declines the private-owned building be requisitioned, the Administration shall request the court to enforce it.
