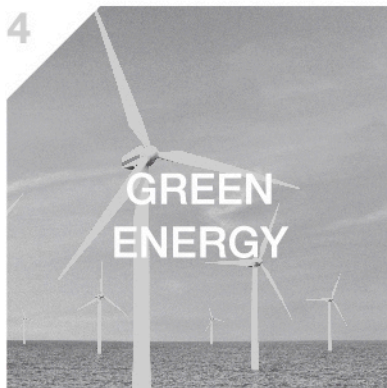
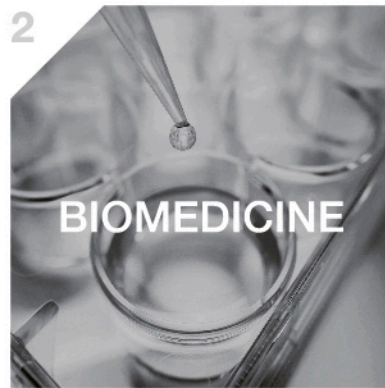
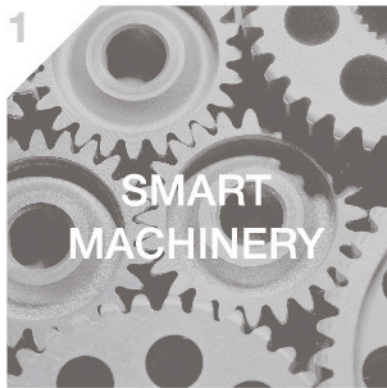




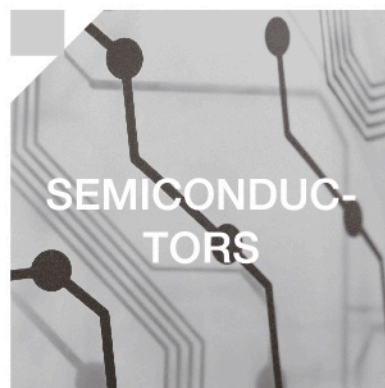
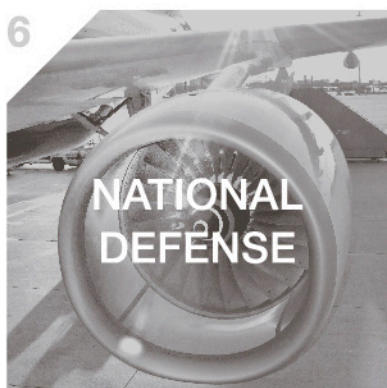
TAIWAIN

KEY INNOVATIVE INDUSTRY —
ASIA SILICON VALLEY





**KEY
INNOVATIVE
INDUSTRIES**



To stimulate economic growth and create new momentum for industrial development, since 2016 the government has been actively promoting the “5+N Innovative Industries” development program including the smart machinery, biomedicine, Asia Silicon Valley (Internet of Things), green energy, national defense, and circular economy industries, plus advanced semiconductors and other key industries.

TAX AND TARIFF INCENTIVES

- Business income tax rate is **17%**.
- Up to **15%** of R&D expenses may be credited against the profit-seeking enterprise income tax payable by the company in the current year.
- Imported machinery that is not yet manufactured domestically may enjoy tariff-free treatment.
- Royalty payments to foreign companies for imported new production technologies or products that use patents, copyrights, or other special rights owned by foreign companies are, with the approval of the Ministry of Economic Affairs, exempt from the business income tax.

R&D SUBSIDIES

- **Global Innovation and R&D Partnership Plan**
Subsidies are available for up to **50%** of total spending by foreign enterprises on the establishment of R&D centers in Taiwan.
- **Advanced Technology Research Plan**
Subsidies are available for **40%** to **50%** of total development funding for new technologies that are not yet mature in Taiwan and that will, in the future, generate strategic products, services, or industries.
- **Integrated R&D Plan**
Subsidies are available for **40%** to **50%** of total project cost for the integration of key and cross-sector technologies.
- **Industrial Upgrading and Innovation Program**
For companies having R&D teams in Taiwan, subsidies are available for **40%** - **50%** of project funding for projects that conform to government programs and up to **40%** of funding for projects generated by the applicants themselves.

- **Vision of “Asia Silicon Valley” (IoT)**

Using Taiwan’s ICT industry advantages, the Internet of Things (IoT) will be used to stimulate industrial transition and upgrading and to build an R&D-based innovation and startup ecology that can link with core technology clusters around the world for the move into next-generation industries, and can form an Asia-Pacific developmental base for young innovators and entrepreneurs.

- **Two Core Objectives of the "Asia Silicon Valley"**

- ▶ **Promoting innovation and R & D in the IoT industry:**

This objective includes promoting the development of Internet of Things (IoT) application services through the strengthening of collaboration with Silicon Valley and other global innovation clusters; introducing international R&D initiatives in Taiwan and constructing value chains of the IoT through cross-disciplinary integration; and creating a demonstration area for diverse intelligent applications, developing smart transportation and smart medical applications, and advancing the development of IoT application services.

- ▶ **Creating a sound innovation and entrepreneurship ecosystem:**

This objective includes using innovation and entrepreneurship to drive economic growth by invigorating innovative talent, establishing comprehensive financial assistance, optimizing the regulatory environment, strengthening international links, and creating a sound innovation and entrepreneurship ecosystem.

- **The "Asia Silicon Valley" Project**

In 2017, in addition to allotting a total of US\$348 million for the science and technology budget and public construction funds to promote the digital economy, the IoT, and innovation and entrepreneurship, the government is also providing investment and financing assistance, including:

- ▶ US\$3.33 billion investment fund for industry innovation transformation.
- ▶ US\$330 million start-up fund for angel investments.
- ▶ Financing assistance to encourage bank loans for innovations in the 5+N industries. The amount of loans extended increased by US\$10 billion from May 2016 to June 2017.

Focus Areas of the Asia Silicon Valley Promotion Program

Push into next-generation industries by driving economic growth through innovation and entrepreneurship as well as connecting Taiwan’s IoT industry with the world’s advanced technology R&D efforts.

Promotion of innovative R&D for the IoT industry, strengthening of the innovative startup ecology, and exhibition of the Silicon Valley spirit.

Set up an innovation R&D center

Single window for coordinating resources, with ample office space, and the establishment of a testing and verification venue

Investment of abundant government resources

Science and technology budget, public construction, national investment companies, and convenient bank financing



Strengthen cooperation with the world’s major innovative clusters

Set up a single window in Silicon Valley

Link with international resources to attract large enterprises and venture capitalists in Silicon Valley, and speed up discussions on cooperation

INVESTMENT ENVIRONMENT

- **Strong terminal and component supply chains**

Based on both the existing semiconductor and the communications industries, Taiwan is able to provide the hardware development, testing, manufacturing, and software that are needed by Internet of Things business operators for the development of their applications.

- **Platform advantages of rapid manufacturing, verification, and shipping**

Goods for IoT development tend primarily to utilize "small-volume large-variety production", for which Taiwan can provide international manufacturers with such features as fast delivery and highly customized products; the Small and Medium Enterprise Administration under the Ministry of Economic Affairs has also established the "Taiwan Rapid Innovation Prototyping League for Entrepreneurs" (TRIPLE) to provide quick testing plus high-value services for domestic and foreign innovative businesses with high-quality software and soft hardware integration as well as advanced manufacturing and management capability.

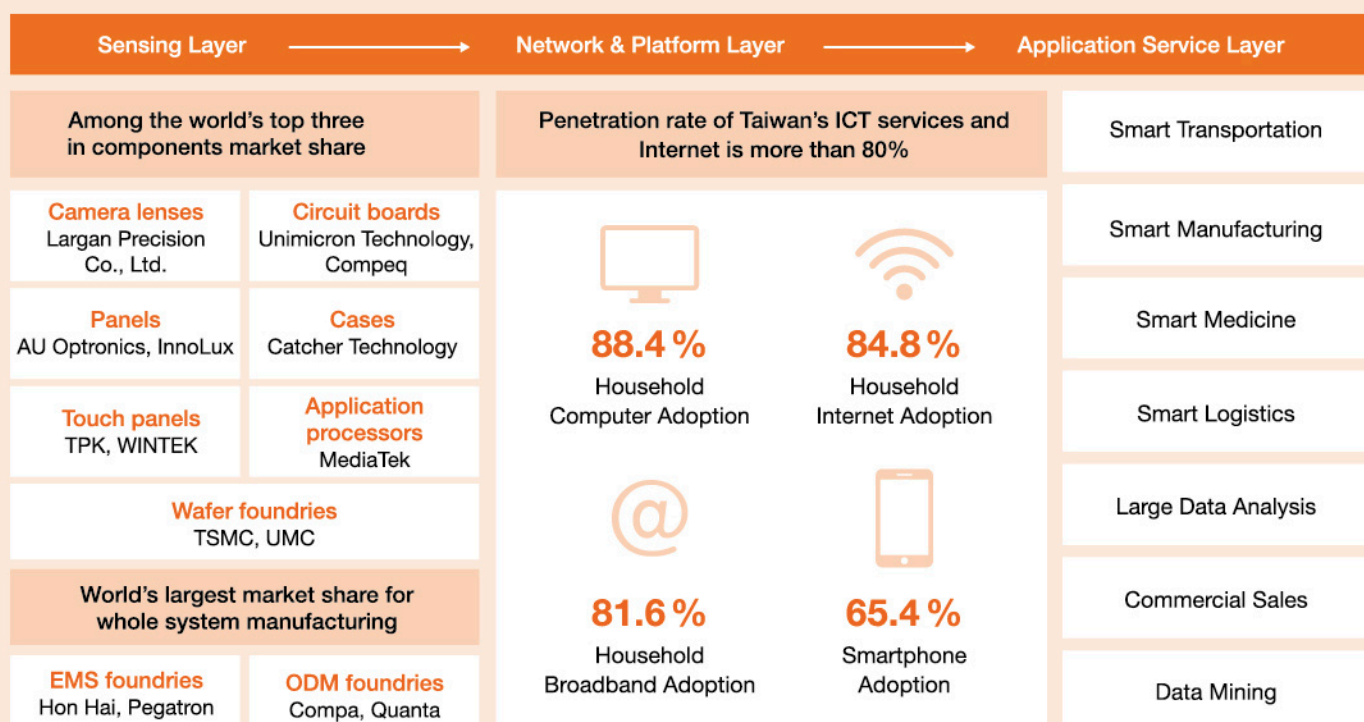
- **Complete Infrastructure**

Taiwan, with an average ICT service and network penetration rate of more than 80%, provides a complete infrastructure environment in which international manufacturers can achieve forward-looking networking applications. In 2017, five cities in Taiwan were appraised by the International ICF Forum as excellent smart cities, the second-largest number of cities of any country in the world. Taiwan's friendliest network environment and urban infrastructure for international businesses can speed up the implementation of IoT applications.

- **Perfect Start-up Base**

Taiwan offers 78 co-working spaces for microenterprise entrepreneurs or freelance workers (Taipei Co-Space is one such example), seven public venture spaces (such as: TAF innovation base, the Taoyuan innovation R&D center), and 93 incubation centers to assist new business exchange, mentoring, and entrepreneur networking.

Taiwan's Outstanding ICT Application Environment and Industrial Ecology



INVESTMENT OPPORTUNITIES

Cooperating with Taiwan Manufacturers to Promote the Development of the Internet of Things Industry

- There are huge business opportunities in the IoT area. The market for IoT devices in 2020 will grow to US\$20.8 billion and create a market of nearly US\$3.4 trillion related to hardware and application spending, according to the international research and consultation company Gartner. As Taiwan has a hardware manufacturing advantage in the ICT industry, foreign IoT companies can focus on innovative planning of technology development or operational models for entry into the international market through the industry's hardware manufacturing (small-volume large-variety production or mass production) as well as hardware and software integration for the joint creation of an IoT value chain.
- For example, Sigfox, a well-known French networking company, has cooperated with Taiwan's Advantec, a company which produces IoT equipment for Sigfox devices so that Sigfox can devote its energies to expanding into the global market. In addition, Sigfox has linked up with Taiwan's IoT innovative initiatives and cooperated with various new companies and teams in Taiwan.
- The domestic IoT industry and the start-up community have jointly formed the "Asia Silicon Valley Internet of Things Industry Alliance." Several international companies, including Cisco, Microsoft, and IBM, have already joined. Foreign businesses are welcome to join the alliance participate in exchanges and collaborate with domestic manufacturers to stimulate a new mode of cooperation.

Government Investment in Intelligent City Construction

Taiwan's local governments are actively promoting smart city applications, including smart government, smart health, smart environment and smart transportation. In addition, the Executive Yuan has launched a forward-looking infrastructure project - digital construction, in which the Ministry of Economic Affairs plans to invest US\$200 million to promote universal smart applications for urban and rural living over three years from 2018 to 2020.

From Apr, 2017, Taiwanese government plans to invest US\$120 million to promote the "4G Smart City application & Service Program" in four years.

Taiwan: A Forward-looking Intelligent Demonstration Site for the Asia-Pacific Market

- Taiwan boasts a unique blend of highly-concentration and diversified industrial clusters, including semiconductor, electronics and petrochemical industry clusters; a broad range of industry knowledge, speedy certification and import services, strict attention to information security, and rich and innovative business resources. These qualities allow manufacturers to use Taiwan as an ideal test site for Asia-Pacific market penetration in terms of feasibility verification of smart logistics, smart medicine, intelligent power grids, intelligent transportation, intelligent manufacturing, intelligent energy, and other application systems prior to entering the greater China and Southeast Asian markets.
- Using smart transportation as an example, unmanned buses built by a privately held passenger train operator from France, Easymile, have been introduced into a number of counties and cities in Taiwan to conduct field tests, and will be able to use their successful experience in Taiwan to facilitate their entry into other Asian markets in the future.

International Manufacturers, Research Institutions, and Investor-related Institutions are Welcomed to Conduct R&D in Taiwan

- Taiwan has an excellent manufacturing spirit, exceptional technical talent and rich innovation, and a passionate entrepreneurial outlook. Foreign enterprises that come to Taiwan to set up innovative R&D centers will be able to tap into Taiwan's advantages to enhance their IoT innovation efforts and become part of an important hub connecting Asia-Pacific markets.
- Specific areas include sensor technology and intelligent sensing modules, core and network technology for next-generation communication networks, and the hardware and software integration technology of IoT and cloud environments such as cloud management software and network virtualization technologies.

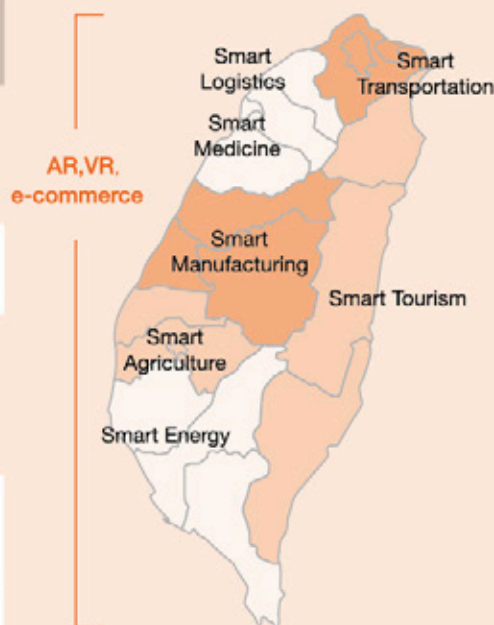
• **Major Foreign Investors in Taiwan**

The IoT Innovation Center set up by the U.S. company Microsoft will establish a partnership with Taiwan to form an International IoT Team to compete for the global market; and an MOU signed by Qualcomm Corp. and the Ministry of Economic Affairs will see the setting up of a new technology laboratory in Taiwan to focus on the Internet of Things, 5G, and car networking technologies, helping domestic enterprises with technology development, service design, and product marketing, thereby jointly promoting the development of Asia Silicon Valley.



Demonstration Sites for Intelligent Applications Created by Asia Silicon Valley

Ministries and Councils	Demonstration Project
Ministry of Transportation and Communications	Smart Transportation
Ministry of Health and Welfare	Smart Medicine
Ministry of Economic Affairs	Mobile Broadband, Smart Logistics, Smart business, e-commerce, Cloud Applications, Smart Grid
Ministry of Science and Technology	Mobile Services, Intelligent Science Parks, Innovation and Entrepreneurship Areas in Science Parks



Sites Across Taiwan
AR, VR, e-commerce

Regional Demonstration Areas
Smart logistics, smart medicine, VR, e-commerce, etc.

Intelligent Parks, Smart Grids
Cross-disciplinary demonstration areas
Smart transportation systems in Keelung, Taipei, Taoyuan, and Hsinchu; smart manufacturing in Central Taiwan; smart energy in Southern Taiwan; and smart tourism in Eastern Taiwan

DEPARTMENT OF INVESTMENT SERVICES, MINISTRY OF ECONOMIC AFFAIRS (INVESTAIWAN SERVICE CENTER)

As the one-stop window for the promotion of FDI and the provision of investment services in Taiwan, DOIS provides investors with all necessary assistance during the investment process. Its services include information gathering, investment evaluation, partner finding and matchmaking, and access to water, electricity and land in the beginning stage of the investment process; application for permits and incentives during the investment implementation period; and the elimination of operational obstacles, assistance for the expansion of operational scale, and help for the implementation of new startup investments after the investment process is completed. For investment projects in excess of NT\$500 million, DOIS provides special courtesy services by designated project managers.

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