

Policy Provisions on Encouraging the Development of Software Industry and Integrated Circuit Industry of Shanghai Municipality

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Chapter one General Provisions

Article 1 In order to quicken the development of software industry and integrated circuit industry of Shanghai and pursuant to policies on Encouraging the Development of Software Industry and Integrated Circuit Industry published and promulgated by the State Council (State Council Issue NO. 18, hereinafter called “Policies”), Shanghai Municipality People’s Government, taking into consideration the practical conditions of Shanghai Municipality, formulated this present policy Provisions.

Article 2 According to the provisions promulgated by the State Council and its relevant Ministries and Commissions, the authenticated software enterprises and integrated circuit enterprises are entitled to enjoy this Policy Provisions, besides the “Policies” and the related policies on encouraging the development of hi-tech industry promulgated by the State and Shanghai Municipality.

Article 3 The authenticating organization and procedures shall be determined in accordance with relevant provisions by Shanghai Municipal Information Office, jointly with Shanghai Municipal Planning Commission, Shanghai Municipal Economic Commission, Shanghai Municipal Science & Technology Commission, Shanghai Municipal Foreign Economic Relations and Trade Commission, Shanghai Municipal Economic Relations and Trade Commission, Shanghai Municipal Education Commission, Shanghai Municipal Financial Bureau and Shanghai Municipal Administration of Quality & Technical Supervision. Chapter two Software Industry

Article 4 RMB0.5 billion of specific funds will be allocated by Shanghai Municipal Government to support the infrastructure construction of software industry. important software projects and the conversion and industrialization of software technologies and the relevant State projects will be provided with match funds. Of the above-mentioned funds, risk investment seed money will be specifically established to set up, with various pioneering funds, investment companies, Listed companies at home and abroad, risk investment organization that co-invests in software industry.

Article 5 Shanghai Municipal Economic Commission, Shanghai Municipal Science & Technology Commission, Shanghai Municipal Information Office and the People’s Government of the districts and counties shall annually appropriate at least 25% of the science and technology development funds to which they are entitled to support the research and development of such basic software and general software as operating system, large-scale database, network platform, developing platform, information security, cut-in system and large-scale application software system.

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Article 6 The risk investment organizations set up by Shanghai Municipal Government and its relevant departments shall strengthen the investment in software industry and other science risk investment organizations are encouraged to invest in software industry. Shanghai Municipal Restructuring Office shall, jointly with the relevant departments, help the qualified software enterprises list at home and abroad.

Article 7 If an enterprise which was registered with the relevant department of Shanghai Municipality and hands in income tax invests, with the after-tax profits achieved after January 1, 2000, in the authenticated software enterprises with the contract term longer than 5 years and the capital of the enterprises is formed or increased, the part of local revenue of the handed-in corporate income tax corresponding to the invested capital shall be refunded by relevant financial department at the same level.

Article 8 If the software enterprises in Pudong Software Park, Shanghai Software Park, State Information Security (East China) Base and Shanghai Integrated Circuit Design Industrialization Base bear an actual corporate income tax of more than 10% of the income of the relevant year, the part of local revenue from the income tax beyond 10% shall be put into specific funds by the government at the same level and shall be used to support the building, construction and development of the parks and base concerned.

Article 9 Departments of Administration for Industry and Commerce shall simplify the examination and approval formalities and procedures and “Registration as Approval” system shall be applied to the establishment of software enterprises.

Article 10 The government-invested projects, with the price of the software system over RMB 0.5 million, shall go through invitation and submission of tenders. Government agencies and non-profit institutions shall, by means of government procurement, purchase the software products relating to the security of the State. Information security products shall be authenticated by the State information security authenticating organization before they are sold in Shanghai municipality.

Article 11 The relevant government agencies shall strengthen the safeguard over intellectual property, severely combat against piracy and safeguard, coordinating with the judicial department, the lawful rights of the owners of intellectual properties. The government agencies at various levels, enterprises and institutions must apply authentic software. The financial agencies at various levels shall appropriate specific funds for the government agencies and non-profit institutions with funds appropriated by the relevant government to purchase authentic software . The government agencies and the above-mentioned institutions that do not purchase authentic software in a relevant year will be allocated budgets on a reduced basis.

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Article 12 Shanghai will establish INTERNET thoroughfare specific to the exportation of software products. The software products exported through the specific thoroughfare, which have been determined by the customs, are entitled to the relevant preferential policies. The foreign exchanges hereof can be collected, reimbursed and cancelled after verification as they are done in tangible trade.

Article 13 If the software (software technology included), which is imported by enterprises, will be exported after being redeveloped, the imported software (software technology included) shall be adopted corresponding bonded measures or the import of the software (software technology included) will be carried out as processing trade.

Article 14 The authenticated software enterprises are entitled to software import and export power. Shanghai Municipal Foreign Economic Relations and Trade Commission, Shanghai Municipal Economic Commission and the overseas affiliates of Shanghai Industry (group) Corporations shall encourage software enterprises to establish branches and affiliates abroad and the software enterprises shall be guided and assisted in the establishment formalities and procedures.

Article 15 The rewards granted to the persons who have developed the software with autonomous intellectual property shall, after approval by Shanghai Municipality Government through Shanghai Information Office, be exempted from personal income tax. The rewards in-kind granted to software developing employs by the relevant enterprises could be calculated into wages paid.

Article 16 The autonomous intellectual properties owned by software enterprises can, after assessment and verification of value, be added to the registered capital funds as intangible capital.

Article 17 The application of the employees working with software enterprises for going abroad can be submitted for examination and approval once a year and the approval shall be valid for several times in the relevant year. The software enterprises which must dispatch employees to travel to and fro between Shanghai and Hong Kong can apply to going through the formalities for traveling several times to and for between Shanghai and Hong Kong. The employees of the software enterprises without supervisory administrative department can, after authentication by Shanghai Information Office, go through the formalities for going abroad with reference to those for public affairs.

Article 18 The colleges and universities shall make greater efforts to build up such disciplines as computer science and software. The enrolled students shall be permitted to change into the discipline of software and to develop software in relevant enterprises. The students with remarkable achievements in the development of software will be credited. In colleges and universities, the courses with respect to software science shall be taught bilingually.

Article 19 The colleges & universities, educational institutions, well-known software enterprises

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are encouraged to establish schools on cooperative basis or to set up vocational software training organizations to train software professionals. The training of software professionals shall be brought into the intellects introduction scheme formulated by Shanghai Municipality Government. In the intellects introduction projects, a certain proportion of software professionals will be sent to participate into the relevant training. Chapter Three Integrated Circuit Manufacturing Industry

Article 20 The newly established chip, screening film, sealing & packaging and testing related integrated circuits projects and their relevant projects, which are determined to be advanced in technology and promising in sales, shall be assisted in fund by the local financial agencies with reference to the preferential taxation policies on encouraging foreign investment into energy and communications projects.

Article 21 The newly established integrated circuit streamlines shall be listed as important engineering projects of Shanghai Municipality Government. In the construction period, 1% of interests allowance will be deducted from the total interests accruing from the part of RMB yuan of the loan for fixed assets investment.

Article 22 The newly established integrated circuit chip manufacturing projects shall, within 3 years after the day of authentication, be free from the transaction fees required for the purchase of manufacturing houses and property registration fees, free from the tap water capacity expansion fees, gas capacity expansion fees and power supply surcharges required for the relevant projects.

Article 23 The customs, the exit & entry inspection and quarantine bureau and airport shall establish the system of "all-day-long appointment" and a specific express customs declaration window shall be set up to facilitate the picking up or shipping of imported or exported goods by the integrated circuit enterprises within 10 hours.

Article 24 Shanghai Municipal Restructuring Office shall, jointly with other organizations concerned, endeavor to assist the qualified integrated circuit enterprises in listing abroad. The integrated circuit enterprises are encouraged to participate into the capital restructuring of listed companies. The listed integrated circuit enterprises are encouraged to enlarge their scales through consolidation & merge, purchase and issuing more stock shares.

Article 25 Articles 7,14,15,17and 18 in this present Policy Provisions, which are relevant to software industry, are also applicable to integrated circuit industry enterprises. Chapter four Integrated Circuit Designing Industry

Article 26 Shanghai Municipal Science & technology Commission shall make out a program of Specific Assistant in Funds and appropriate specific funds to establish IP bank and integrated circuit designing platform. The integrated circuit designing enterprises will be provided with EDA designing services and performance & quality assessment, testing and authentication services. The

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whole-set electronic products manufacturing enterprises are encouraged to work jointly with integrated circuit designing enterprises to develop the latest products.

Article 27 If overseas enterprises transfer the use and property of integrated circuit designing technology to the enterprises at home, the transferred technology which is authenticated to be advanced shall, after check and approval by financial and taxation agencies at the same level, be exempted from withholding income tax.

Article 28 If the production of chips and screening films abroad or sealing & packaging and testing overseas are truly essential to the integrated circuits designed by integrated circuit designing enterprises and the processing contract (specifications and quality terms shall be included) has been authenticated by Shanghai Municipal Information Office, the processed products will be levied the tariff in accordance with the interim preferential tariff rates. The part of local revenue from the VAT that is to be imposed during the processing will be refunded by the financial agencies at the same level. During the processing, if it is necessary that some intermediate steps be accomplished at home and then renew the processing abroad, some suitable bonded measures shall be adopted.

Article 29 The policies relevant to software industry in the second chapter of this present Policy Provisions are also applicable to integrated circuits designing industry.

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