



## “Hong Kong – Your Safe and Fast Track to Grow Technology Business in China” Case Studies, Panel Discussion and Q&A

New York, NY  
June 11, 2013

Hong Kong’s R&D capability, efficient professional services,  
and business friendly environment can help to facilitate  
USA’s technology companies to develop and commercialize  
their technology products for the China and Asia markets.

Organizers:



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# China & IP – Is It Time to Believe?

## 2006

- Tian Lipu, Commissioner of China's IP office, told China's state-run website that more IP protection helps Chinese companies and promotes innovation.
- But within a few short years lax enforcement escalated to a WTO trade dispute. When the panel report issued in January 2009 both sides claimed victory.

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Source: <http://wfllegalpulse.com/2011/01/18/intellectual-property-rights-protection-in-china-is-it-time-to-believe/>

# China & IP – Is It Time to Believe?

## 2010

- Lipu declared in a December 2010 *Wall Street Journal* opinion article that China was serious about protecting IP rights.
- However, the next month, then-Commerce Secretary Gary Locke publicly lamented China’s “lax intellectual property protection and enforcement.”

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Source: <http://wfllegalpulse.com/2011/01/18/intellectual-property-rights-protection-in-china-is-it-time-to-believe/>

# Example of IP win, but ...

## 2011

- Software makers Microsoft, Adobe, and Autodesk settle copyright infringement suits against a midsize Chinese steel structure engineering company (Guangzhou Wuyang Steel Structure Co).
- Settlement ~\$US200,000 and split three ways.
- Although supposedly this does not include “undisclosed financial damages,” concerns remain about the use of pirated software.

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# Perception of China: IP Theft Issues

- **Kenneth G. Lieberthal's routine seems straight from a spy film.** 'He leaves his cellphone and laptop at home and instead brings "loaner" devices, which he erases before he leaves the United States and wipes clean the minute he returns. In China, he disables Bluetooth and Wi-Fi, never lets his phone out of his sight and, in meetings, not only turns off his phone but also removes the battery, for fear his microphone could be turned on remotely. He connects to the Internet only through an encrypted, password-protected channel, and copies and pastes his password from a USB thumb drive. He never types in a password directly, because, he said, "the Chinese are very good at installing key-logging software on your laptop.'"
- He's not alone: "If a company has significant intellectual property that the Chinese and Russians are interested in, and you go over there with mobile devices, your devices will get penetrated," Joel F. Brenner, formerly the top counterintelligence official in the office of the director of national intelligence.

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*Source: Traveling Light in a Time of Digital Thievery, Nicole Perlroth, The New York Times, February 10, 2012.*

# Singapore & Hong Kong

## Singapore

- More than good rules
  - Tax Incentives
  - Grants
  - Research Centers
  - Strong IPOs
  - Financing
  - Clustering
  - Enforcement
  - Rule of law

## Hong Kong

- Singapore elements plus:
- Key considerations:
  - Geographic Location
  - Low tax
  - No Foreign Exchange Control
  - Active, forward-thinking IPD
  - HK Partners

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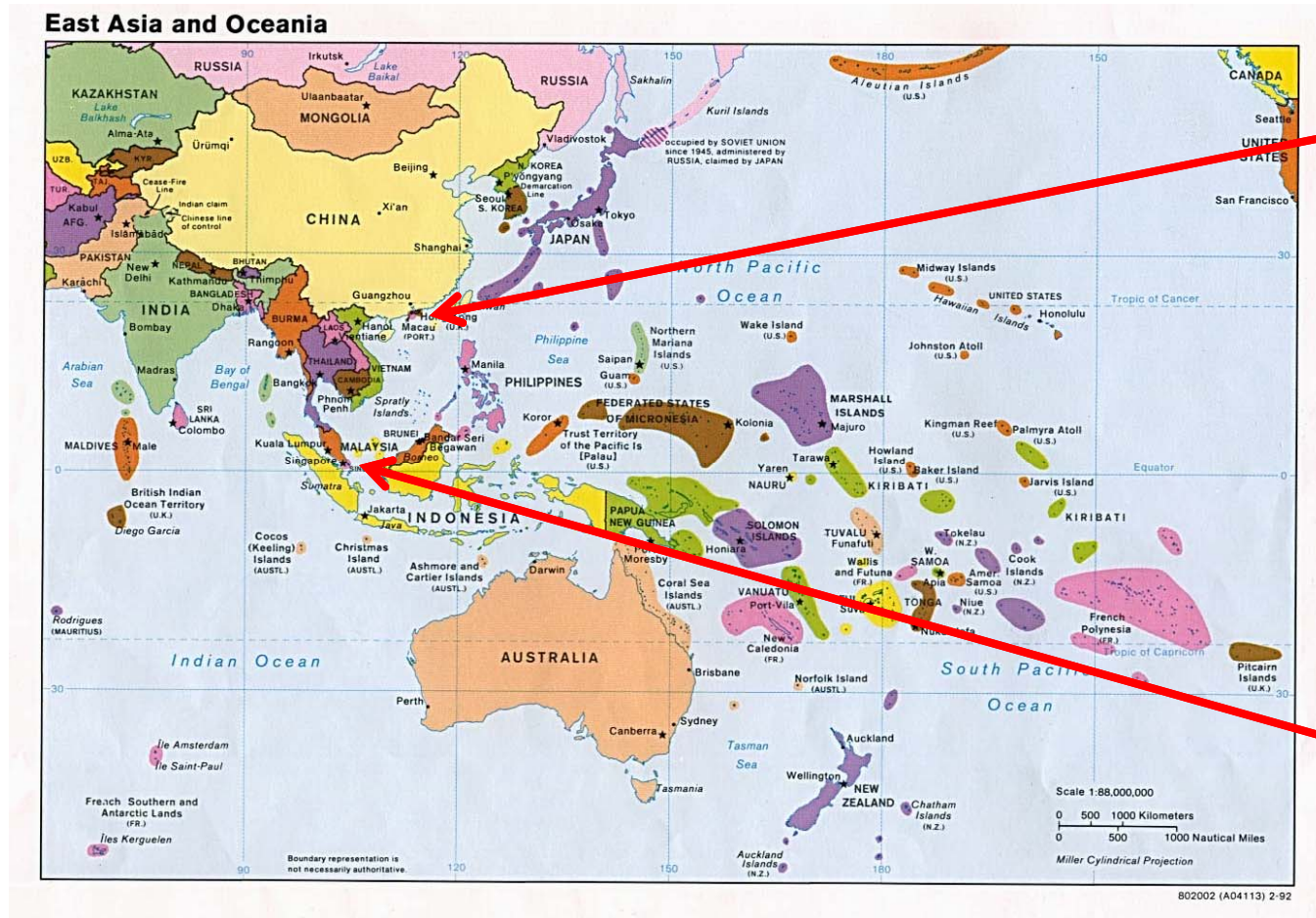


■ [www.investhk.gov.hk](http://www.investhk.gov.hk)



■ [www.hktdc.com](http://www.hktdc.com)

# Choices for Regional Headquarters



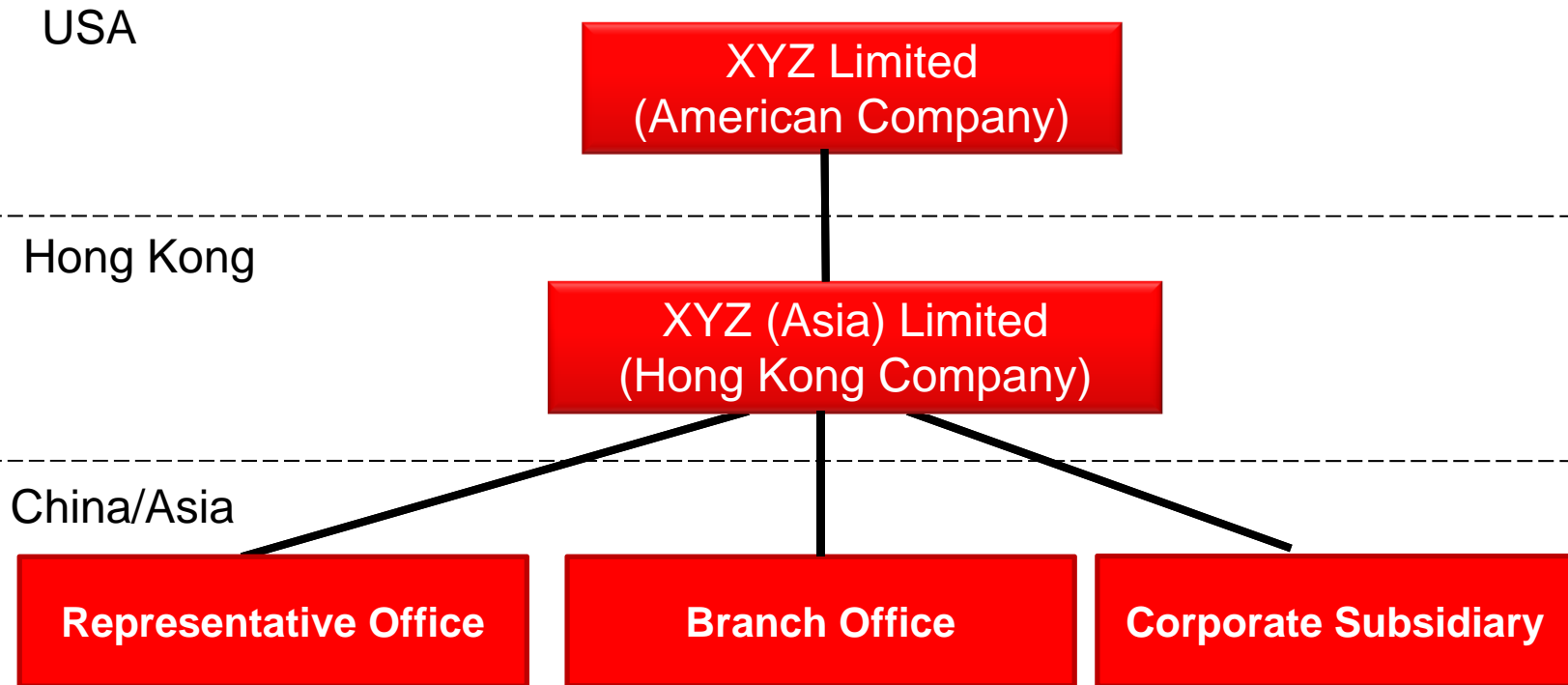
Hong Kong

Singapore

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# Entering Asia via Hong Kong



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- Extension of Headquarters
- On the payroll of parent co.
- Only non-profit activities
- Generally not permitted to engage in business

- Extension of Headquarters
- On the payroll of parent co.
- Generally permitted for some type of profit activity

- Subsidiary company
- Independent Legal Status
- Generally permitted to engage in business



# Tax Regimes

Hong Kong	China
<ul style="list-style-type: none"><li>• Profits Tax: 16.5% or 0%</li><li>• Salaries Tax: 15%</li><li>• Stamp Duty: up to 4%</li><li>• Business Tax: 0%</li><li>• VAT: 0%</li><li>• Consumption Tax: 0%</li><li>• Withholding Tax: 0%</li><li>• Capital Gains Tax: 0%</li><li>• Estate Duty: 0%</li></ul>	<ul style="list-style-type: none"><li>• Enterprise Income Tax: 25%</li><li>• Individual Income Tax: 5 to 45%</li><li>• Business tax: 5 to 20%</li><li>• VAT: 3 to 17%</li><li>• Consumption Tax: 3 to 45%</li><li>• Withholding Tax 5 to 20% (dependent on jurisdiction)</li><li>• Capital Gains Tax: 10 to 20%</li><li>• Education Surcharge 3% (new)</li><li>• Urban Construction Charge 1 to 7% (new)</li><li>• Estate Tax: 0%</li></ul>

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Courtesy of Orangefield ICS

# Hong Kong's tax treaty with China

- Preferential tax rates *from* China *to* Hong Kong companies
- Withholding tax rates:

▶ Royalties	7%
▶ Interest	7%
▶ Dividends	5%*

\* 10 per cent if shareholding of the China entity less than 25 per cent.

# Hong Kong-based IP Trading Platforms



Intellectual Property Department  
The Government of the Hong Kong Special Administrative Region



- IPEXC  
[www.ipexc.com](http://www.ipexc.com)
- HKIPEX  
[www.hkipex.com.hk](http://www.hkipex.com.hk)
- HKIPX  
[www.hkipnews.org](http://www.hkipnews.org)
- HK IP Exchange  
[www.hkipx.com](http://www.hkipx.com)
- IP exchub  
[www.ipexchub.com](http://www.ipexchub.com)
- HKTDC IP Portal  
[www.hktdc.com/ip-portal](http://www.hktdc.com/ip-portal)



5-6 December 2013  
Hong Kong Convention & Exhibition Centre

Courtesy of Hong Kong IPD and Peter Cheung



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