

HK Platform for Global Impact: IP Commercialization beyond China's "One Belt And One Road" (OBAOR) Strategy (一帶一路)

2013 (5th IP Annual Seminar)

Global IP Strategy and Investment



“Building a Sustainable Platform for
Scientist Entrepreneurs- Success Stories”

2014 (6th IP Annual Seminar)



Innovation in a Changing **IP** **World**

“Deal Structure and Platform for IP
Commercialization-
China/Hong Kong Chapter”

2015 (7th IP Annual Seminar)

IP Challenges affecting the Global Economy



2015 (7th IP Annual Seminar)

Hong Kong Platform for
Global Impact:

IP Commercialization
beyond China's
“One Belt and One Road”
Strategy



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- Post Albert's 6th **IP World/Global** seminar 2014
- Post Umbrella Movement
- Why?
- The role of Hong Kong
- The Hong Kong Legal Sector
- The Hong Kong IP Development



What has
happened in
Hong Kong

after

Albert's 6th **IP**
World/Global
seminar 2014?









Umbrella Revolution/ Umbrella Movement

(from 26 September 2014 to
15 December 2014)



“In fact, the naked truth about Hong Kong's future can be summed up in two words:

It's over.”

Fortune, June 26, 1995

“I predict that within two years of taking control, Beijing will impose **capital controls** and replace Hong Kong's independent currency pegged to the **U.S. dollar** with Chinese **renminbi**.”





"I cannot conceive of a proud sovereign country like China entertaining the prospect of having **two currencies** at the same time."



***Nobel Prize-winning
economist:***

***Milton Friedman
1995***

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**Another side
of the coin**

Shanghai-Hong Kong Stock Connect

- **Announced on 10 April 2014
by Chinese Premier Li
Keqiang**
- **Launched on 17 November
2014**



Shanghai-Hong Kong Stock Connect

- Establishment of mutual stock market access between Mainland China and Hong Kong
- Goldman Sachs: it adds more than **800** companies of **US\$1 billion** or greater market capitalization to the investable universe



Shenzhen -Hong Kong Stock Connect

- Expected to be announced at the end of 2015



Listing in Hong Kong 2014

- Over 140 IPOs in 2014
- *IPO funds raised in 2014:
US\$29 bn*
- *ranking 2nd worldwide and
1st in Asia*
- *NYSE 2014: US\$74 bn*
- *Losing Alibaba to the NYSE
(US\$25 bn)*



Listing in Hong Kong 2015

- *Total IPO funds raised from January to June 2015 amounted to US\$16.7 billion*
- **Global Ranking: No. 1, with 51 companies listed**
- ***Listing in Hong Kong Bi-Monthly Newsletter***



Hong Kong Growth Enterprise Market

- Hong Kong's Growth Enterprise equities market will also be opened to investment from the Chinese insurance funds
- Hong Kong's Growth Enterprise Market jumped over **2 percent** after China relaxed overseas investment rules for domestic insurance funds



(Reuters on 1 April 2015)

Hong Kong Growth Enterprise Market

- Chinese insurance companies grew their assets by 8.54% for the first four months this year **to 11.02 trillion RMB**

(The China Insurance Regulatory Commission (CIRC) (中国保监会))

- Note: Hong Kong Stock Market Cap as at 31 July, 2015: **HKD 26.7 trillion**

(about 2 times of the CIRC figure)



Mutual Recognition of Funds (MRF)

- Memorandum of Regulatory Cooperation concerning Mutual Recognition of Funds (the MRF)
- between the Mainland and Hong Kong signed on **22 May 2015**



The Securities and Futures Commission (SFC) and the China Securities Regulatory Commission (CSRC)

Mutual Recognition of Funds (MRF)

- launching of MRF on 1 July 2015.
- The initial investment quota:
RMB300 billion
- for funds flow between Hong Kong and the Mainland each way
- Hong Kong- a new era for fund management in China and Hong Kong



(PriceWaterhouse's Report)

Tax Exemptions in Hong extended of Offshore PE Funds

- The Government published in the Gazette on July 17, 2015 the Inland Revenue (Amendment) (No.2) Ordinance 2015
- which seeks to extend profits tax exemption for offshore funds to private equity funds



Tax Exemptions in Hong extended of Offshore PE Funds

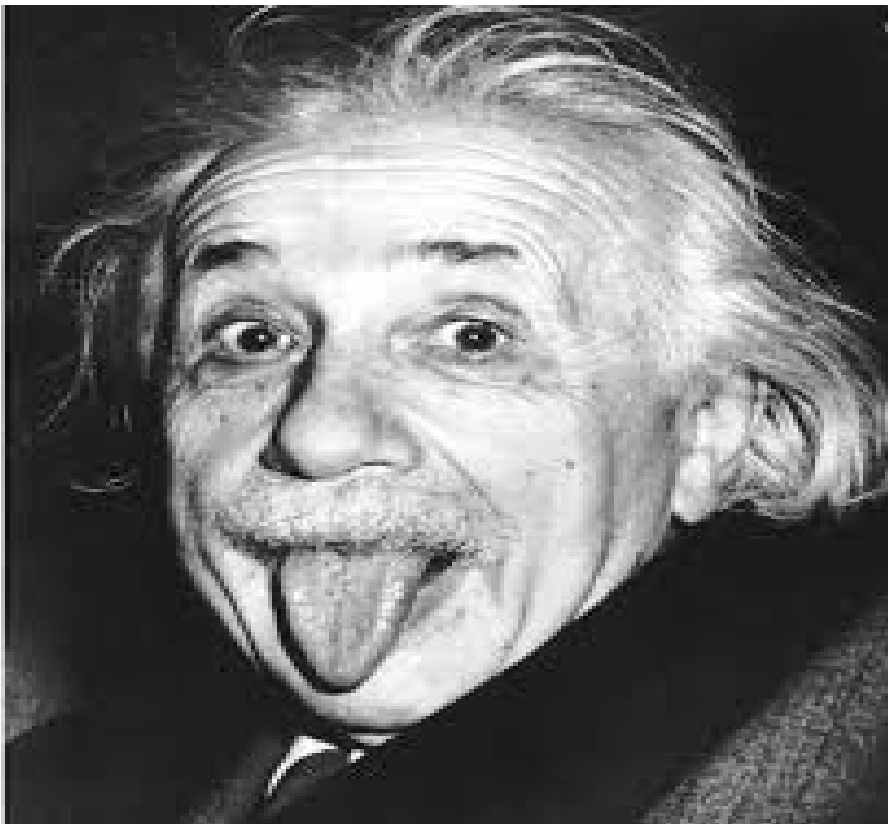
- transactions conducted by offshore private equity funds in respect of securities of eligible overseas portfolio companies will be able to enjoy profits tax exemption:-
 - (1) “excepted private companies”;
 - (2) “special purpose vehicles”



Tax Exemptions in Hong extended of Offshore PE Funds

- “A welcome contribution to the development of the PE industry in Hong Kong”





**Why
???**

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Free-trade Zones (FTZ)



- ***Nikkei, Asian Review***

Free-trade Zones (FTZ)



State Council approves 3 more free-trade zones, following Shanghai:-

- (1) Tianjin
- (2) Fujian
- (3) Guangdong

(December, 2014)

Free-trade Zones (FTZ)



- Subject to the same “negative list”
- restricting foreign investment in 122 business areas
- E.g. genetically modified seeds, rare earth mining, internet news services, and television broadcasters

Free-trade Zones (FTZ)



The Guangdong FTZ:-

- aims to speed economic integration with Hong Kong
- allows Hong Kong and Macau companies to issue yuan-denominated bonds in the mainland
- explores ways to sell yuan-denominated shares in Hong Kong

Free-trade Zones (FTZ)

The Fujian FTZ:-

- focuses on Taiwan
- aims to become a “cooperation platform” for the “21st century maritime silk road”
- Companies and individuals will be permitted to invest overseas directly "using their own financial assets"



Free-trade Zones (FTZ)

The Tianjin FTZ:-



- part of a push to better integrate the city with nearby Beijing and Hebei province
- *(State Council, 21 April 2015)*

The OBAOR Strategy



The OBAOR Strategy



The OBAOR Strategy



“The Chinese Marshall
Plan”

or

“The New Long March”
(新长征)

The OBAOR Strategy



“One belt, one road”

- a development strategy started by the Chinese government in 2013
- It refers to the New Silk Road Economic Belt:
(linking China with Europe through Central and Western Asia); and
- the 21st Century Maritime Silk Road:
(connecting China with Southeast Asian countries, Africa and Europe)

The OBAOR Strategy



- Neither the belt nor the road follows any clear line geographically speaking
- they serve more as a roadmap for how China wants to further integrate itself into the world economy and strengthen its influence in these regions
- *(Xinhua Finance Agency)*

The OBAOR Strategy



- Reasons for the OBAOR Strategy:-
 1. overcapacity (capital and productivity) + infrastructure capability
 2. the internationalization of the yuan

The OBAOR Strategy



3. creating alternative options in international financial system in need of reform: Asian Infrastructure Investment Bank (AIIB)
4. shaping a more pliable regional security and political environment
5. finding alternatives shipping routes

The OBAOR Strategy

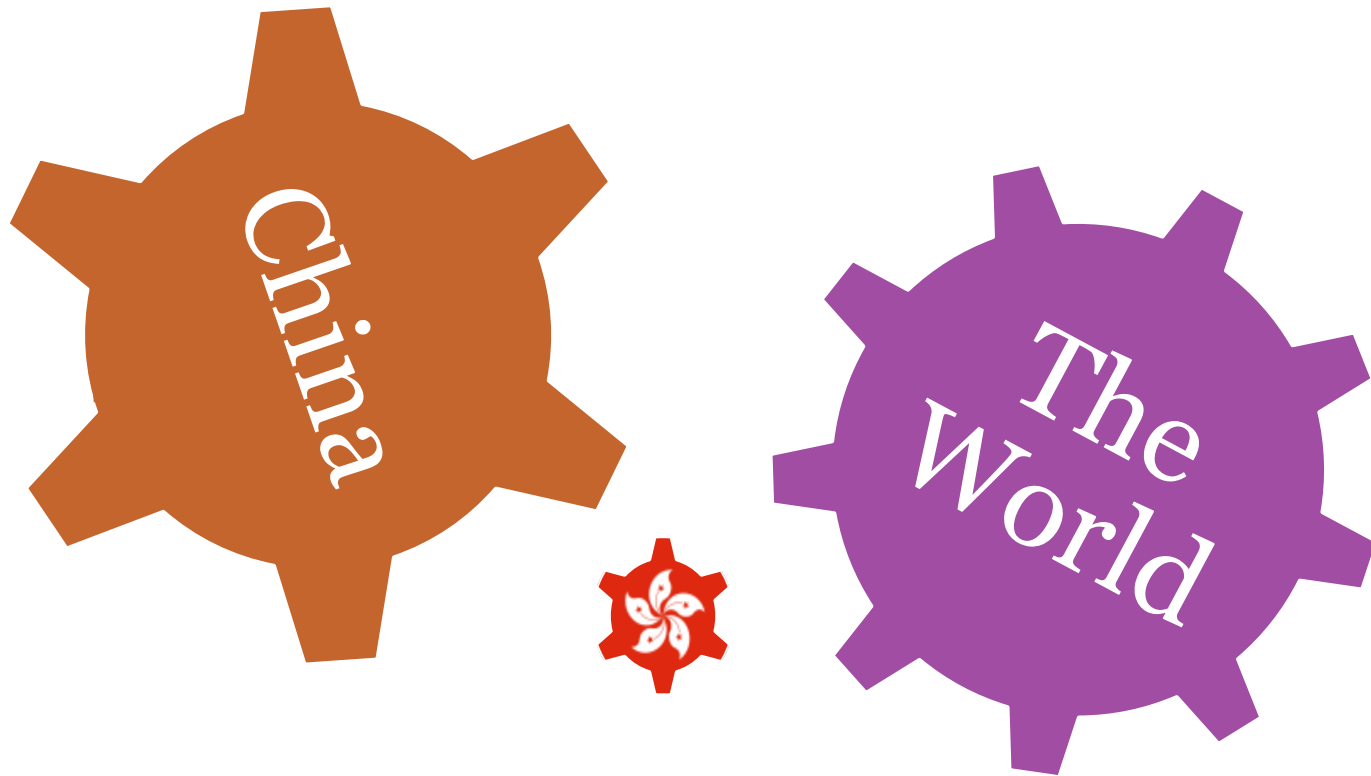


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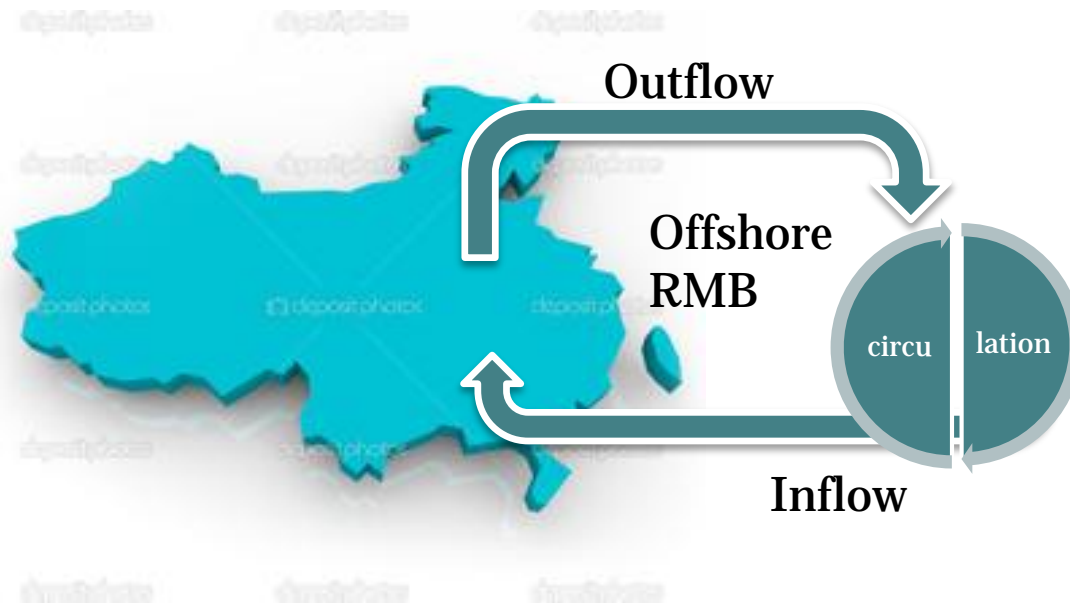
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The Role of Hong Kong



The Role of Hong Kong

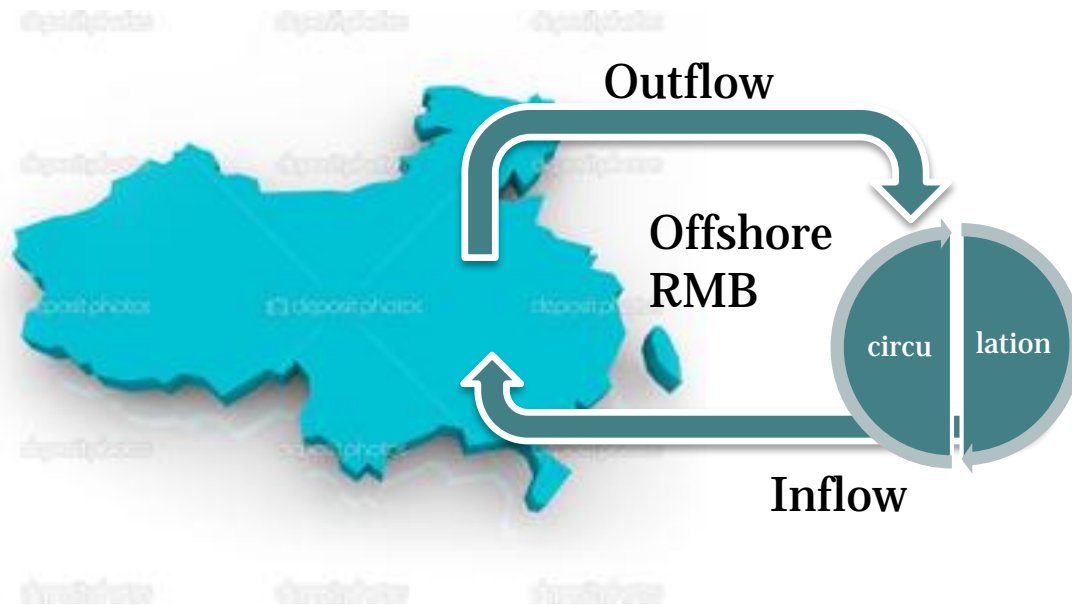
From 2010 to
2020:-



- Asia-Pacific Countries require **US\$ 8 trillion** for infrastructure investment

(Asia Development Bank)

The Role of Hong Kong



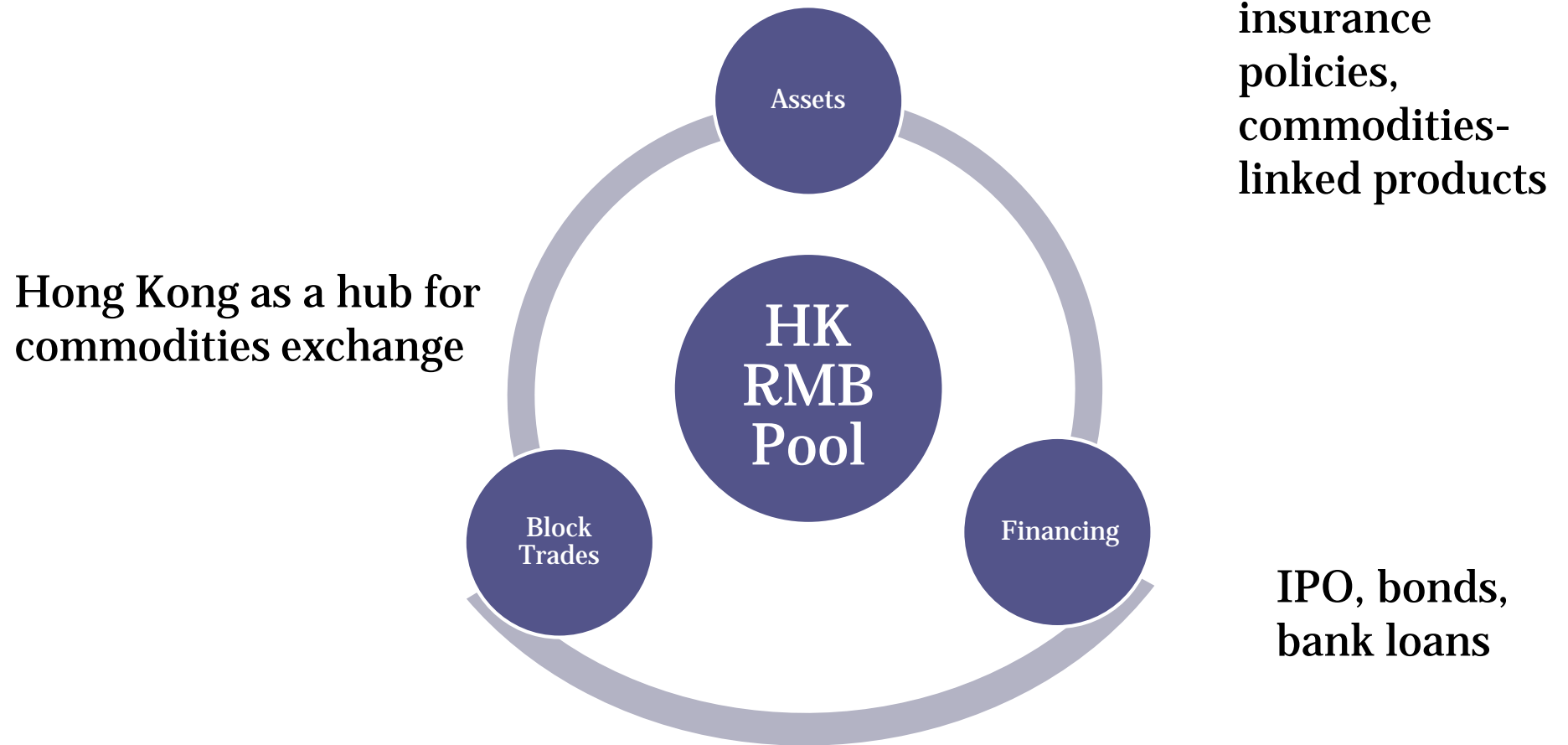
2 times of

the foreign
exchange reserve
of China
(***24.8 trillion RMB***)

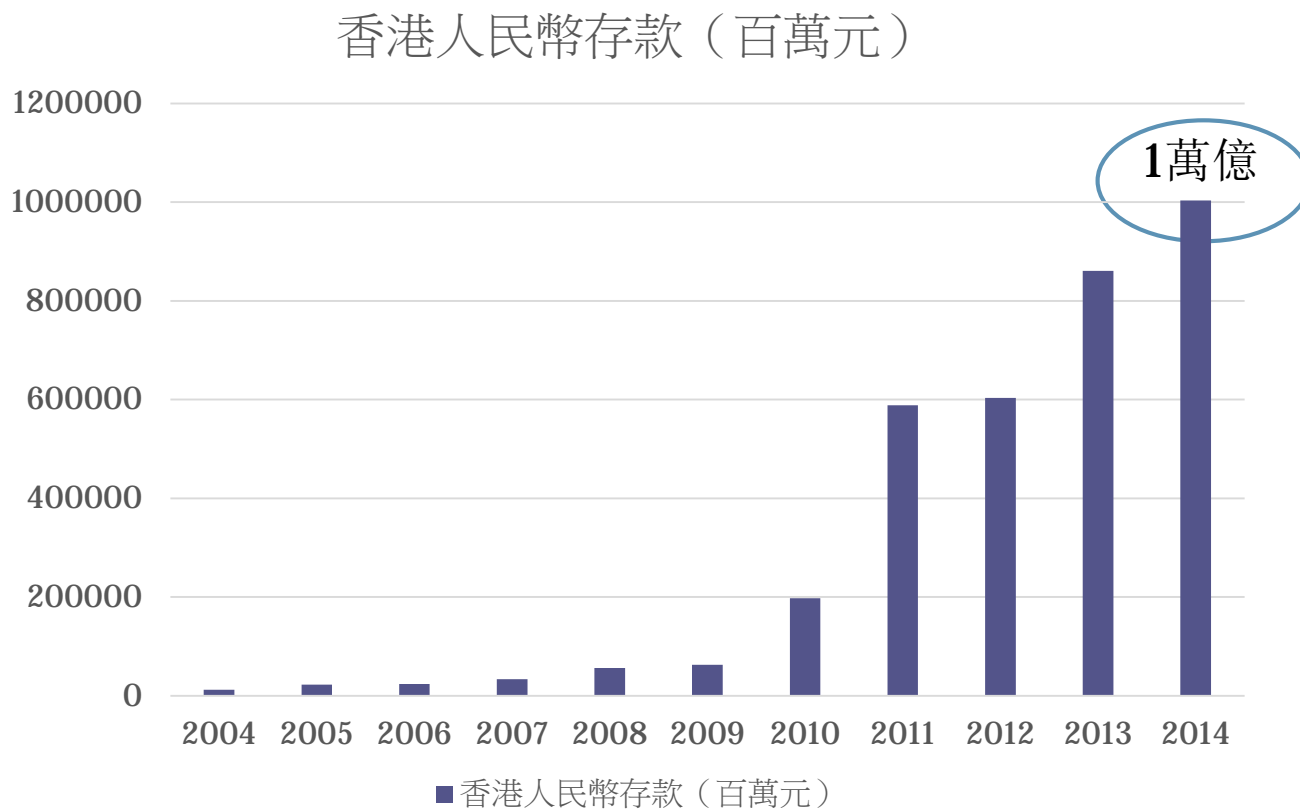
Hong Kong as the Premier Centre for Offshore Renminbi Business (increase of the RMB liquidity pool)



Hong Kong as the Premier Centre for Offshore Renminbi Business (raising funds for the OBAOR)



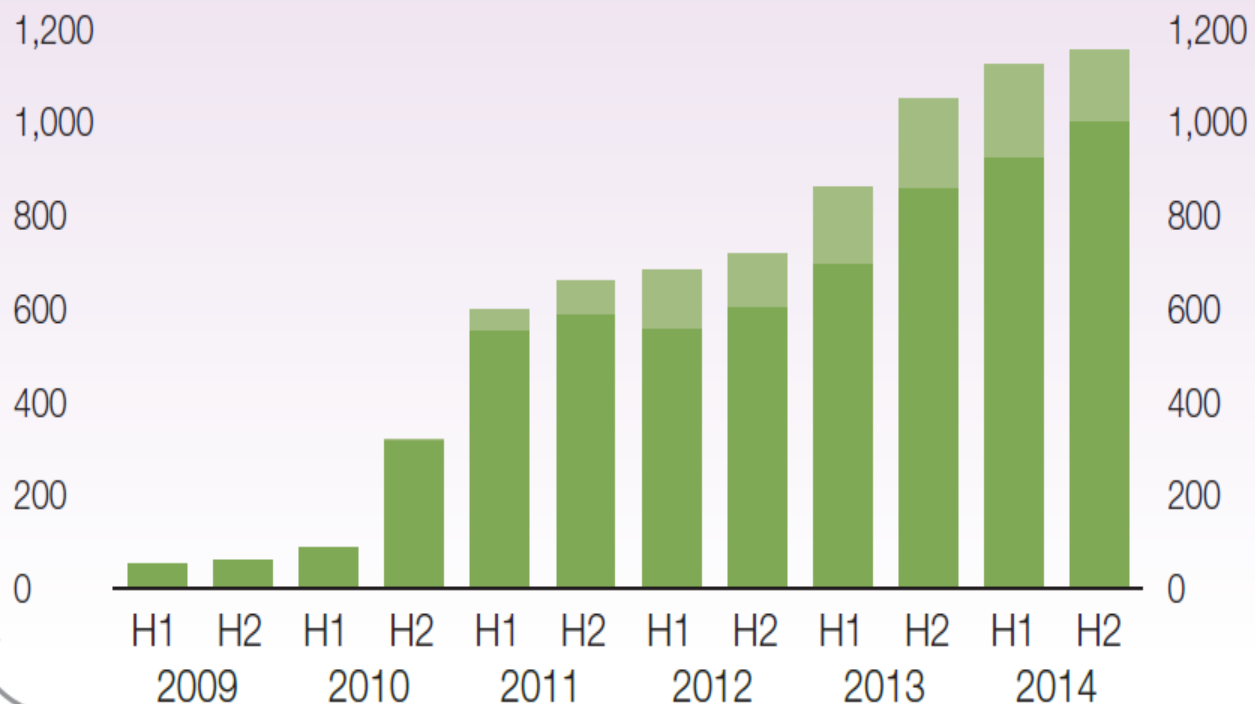
香港的離岸人民幣十年走勢



Renminbi deposits in Hong Kong

■ Renminbi customer deposits ■ Renminbi certificates of deposit

RMB billion



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International Law Firms in HK (by number of partners)

▶ HONG KONG – INTERNATIONAL					
Rank	Firm	Total partners and lawyers	Lawyers	Partners	Change from 2010
1	Mayer Brown JSM	201	133	68	—
2	Baker & McKenzie	167	118	49	—
3	Linklaters	147	131	16	—
4	Clifford Chance	137	113	24	—
5	DLA Piper	115	92	23	NEW
6	Richards Butler/Reed Smith	110	71	30	▼
7	Allen & Overy	106	87	19	NEW
8	Herbert Smith	88	70	18	▼
9	Norton Rose	83	67	16	NEW
10	Freshfields	81	70	11	▼

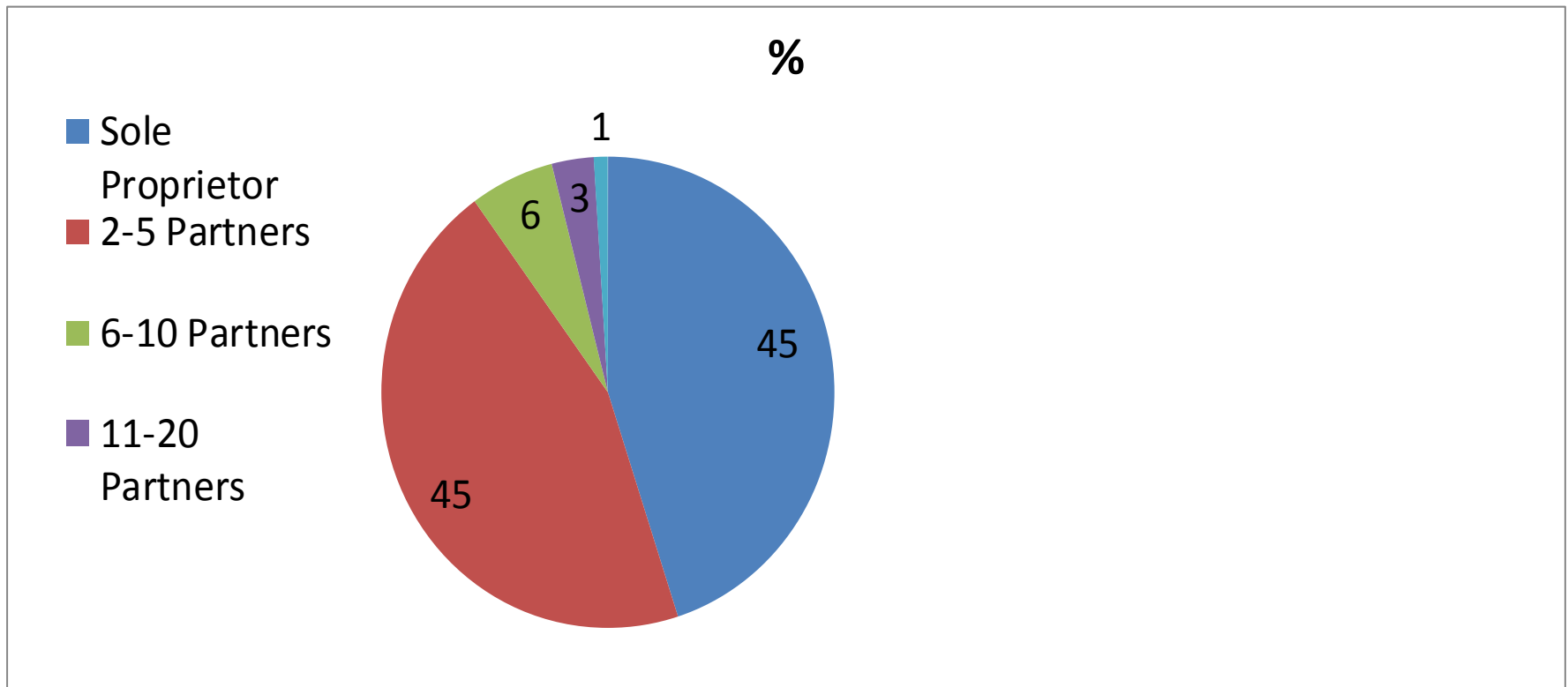
*(Asian Legal Business: <http://asia.legalbusinessonline.com/surveys-and-ranking/asias-50-largest-law-firms-of-2011/108186>)

Hong Kong “Local” Law Firms

▶ HONG KONG – DOMESTIC						
Rank	Firm	Total partners and lawyers	Managing partner	Lawyers	Partners	Change from 2010
1	Deacons	155	Jeremy Lam	103	52	=
2	Woo Kwan Lee & Lo	72	William CY Kwan	45	27	=
3	Wilkinson & Grist	50	Michael Wah-Tip Chan	24	26	=
4	Li & Partners	47	Robin Li	40	7	NEW
5	Gallant YT Ho & Co	38	Amanda Liu	19	19	▼
6	Hastings & Co	38	Helen Yuen-Hoong Kong	24	14	=
7	PC Woo & Co	34	Moses Cheng	18	16	NEW
8	Haldanes	32	Andrew Powner	16	16	▼
9	Stevenson Wong & Co	31	n/a	23	9	▲
10	ONC Lawyers	31	Sherman Yan	23	8	▼

*(Asian Legal Business: <http://asia.legalbusinessonline.com/surveys-and-ranking/asias-50-largest-law-firms-of-2011/108186>)

Hong Kong Law Firms (by numbers of partners)



As at Dec, 2013

Challenges to the HK Legal Profession



- 90% of Hong Kong's law firms are run by Sole Proprietors or 2-5 partners
- Only about 10 law firms has 20 or more partners

Challenges to the Chinese Legal Profession



- Competition from multinational law firms
- Differences in legal system
- Market economy Vs. Socialist-Market economy
- Professional indemnity system
- Partnership and management system

Challenges to Both Legal Professions



- Hong Kong remains one of, if not the most competitive legal market in the world
- a market where leading UK and US law firms now go toe-to-toe with each other on an equal footing
- The majority of the top Wall Street and US law firms localised some years ago by establishing Hong Kong law teams
- In doing so, some US firms propelled themselves to market leader status. One example is Davis Polk & Wardwell LLP
(The Legal 500)

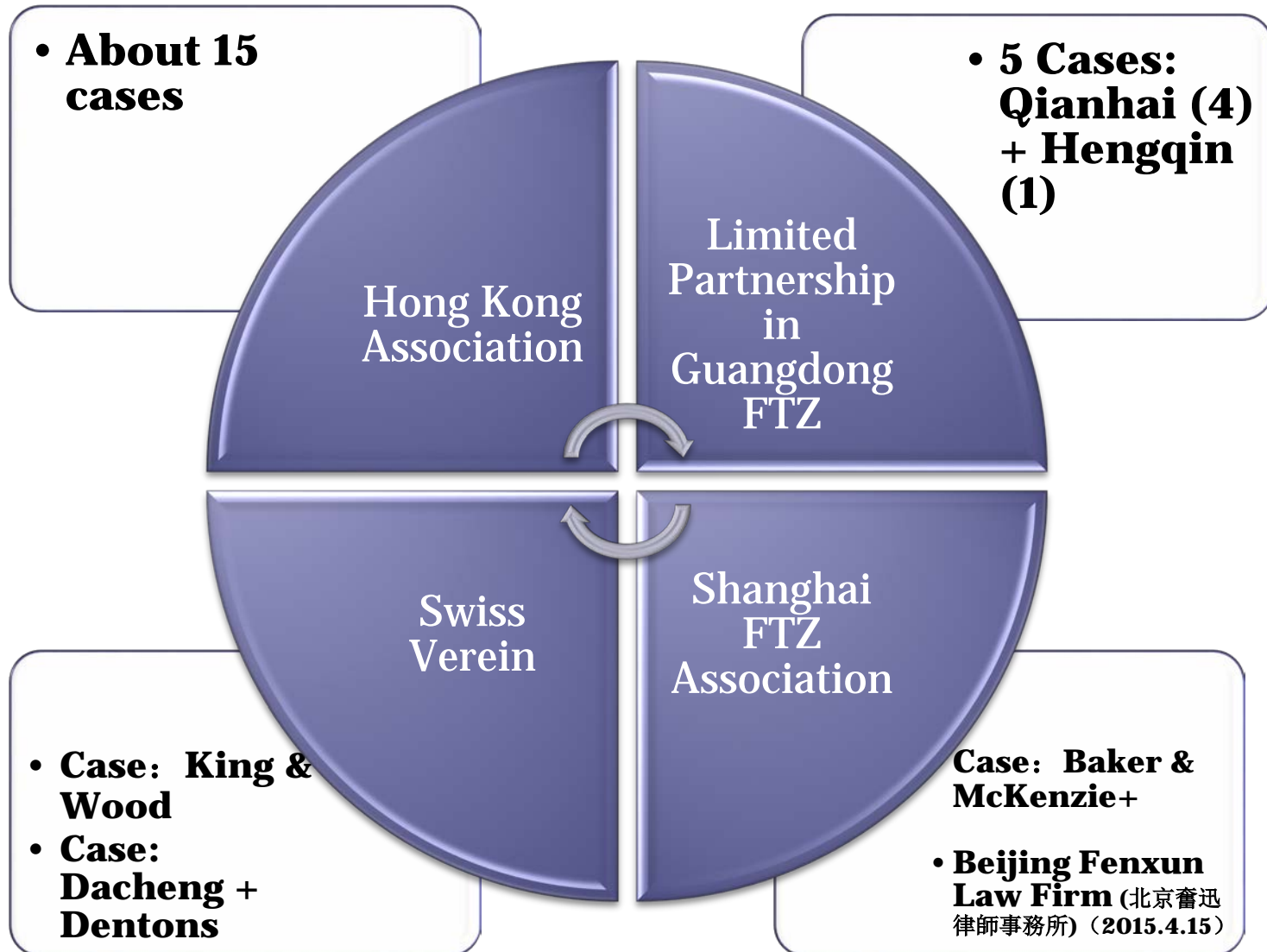
Challenges to Both Legal Professions



- 65 among the world top 100 law firms have presence in Hong Kong

The American Lawyer 2012

New Forms of Collaboration: Hong Kong/Chinese Law Firms



New Kinds/Increase of Legal Works



- RMB Cross-border Borrowing
- IPO
- RMB PE Fund
- RMB Public Fund
- RMB Bonds
- RMB derivatives and other financial instruments

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Hong Kong IP Development

- The Chief Executive announced the setting up of the Working Group on IP Trading in his 2013 Policy Address



Hong Kong IP Development

Terms of reference of the Working Group :-

- (1) to advise on the overall strategies to promote the development of Hong Kong as an **IP trading** hub; and



Hong Kong IP Development

Terms of reference of the
Working Group :-

- (2) to identify possible policy and other support measures to facilitate **IP trading** in Hong Kong.



Hong Kong IP Development

Four major strategic areas in 2014 Policy Address:

- Enhancing the IP protection regime
- Supporting IP creation and exploitation
- Fostering IP intermediary services and manpower capacity
- Promotion, education and external collaboration.



Strategic Framework

Vision

Position and promote Hong Kong as the premier IP trading hub in Asia.

Mission

Leverage and further Hong Kong's advantages in financial, legal and physical infrastructure, IP regime, professional services and specific role as "gateway to China", in attracting international IP trading and management activities to take place in Hong Kong

Build up the necessary clusters conducive to the overall development of Hong Kong as a knowledge-based economy that spearheads exploitation and commercialisation of IP and supports enterprises to make the most of IP as a core business asset that should be built, managed, valued and leveraged strategically to drive innovation and growth

Explore means to promote Hong Kong's creative industries, innovative technologies and IP economies through IP creation, protection, exploitation, management and trading

Strategic Areas

I. Enhancing the IP protection regime

Focus Strategies

1. Develop an Original Grant Patent (OGP) system in Hong Kong in parallel with the existing re-registration system, and encourage quality filings from local, Mainland and overseas

2. Keep the other components of our IP regime (copyright, registered design, trademarks, etc) under constant review to ensure that the system follows international norms, on par with IP regimes of advanced economies, and conducive to IP trading

II. Supporting IP creation and exploitation

3. Support industries in meeting strategic needs through creation, exploitation, acquisition and management of IP

4. Support R&D, technology transfer, and acquisition and commercialisation of IP

5. Support creative industries in engaging in licensing and franchising arrangements

III. Fostering IP intermediary services and manpower capacity

6. Facilitate the provision of highly specialised professional services in IP trading, e.g. –

- IP valuation
- IP financing
- IP insurance
- IP arbitration and mediation
- IP due diligence
- IP matching services (e.g. IP trading platforms)

7. Attract and nurture talents in IP activities, support the building of strong IP related professions

IV. Promotion, education and external collaboration

8. Brand and market Hong Kong as a premier IP trading hub to attract overseas/ Mainland IP owners and users, as well as intermediaries

9. Foster an IP awareness culture in society especially among SMEs and the younger generation, and promote the importance and opportunities brought by IP management and trading

10. Collaborate with Mainland, overseas and international IP authorities in fostering the development of IP trading internationally and in the region

Hong Kong IP Development

Policy Address 2015

- China will have a rising status as a major intellectual property (IP) user, buyer, provider as well as seller
- Hong Kong can play a key role in providing Mainland and overseas players with a range of intermediary services,
- in such areas as IP agency and management, consultancy, legal services, dispute resolution and due diligence



Hong Kong IP Development

Policy Address 2015

- IP support strategies and corresponding initiatives are being implemented
- the TDC's Asia IP Exchange has showcased more than **25,000** IP listings; and
- formed strategic alliances with **28** partners from overseas, the Mainland and Hong Kong.



Hong Kong IP Development

Some of the initiatives under way and in the pipeline include:

- * setting up of the Original Grant Patent system;

- * review of copyright and parody;



Hong Kong IP Development

* organising of the Business of IP Asia Forum as an annual flagship event for the regional IP trading nexus;

* launch of an online IP trading portal to enhance Hong Kong's online IP trading volume, capabilities and connections; and



Hong Kong IP Development

* a survey on IP trading and manpower in Hong Kong providing statistical and other relevant information to support the Working Group's further deliberations.



Conclusion

- The role of Hong Kong as an intermediary will remain unchanged, if not increase in significance;
- The FTZs and the OBAOR will gain more momentum;
- The Hong Kong Legal Sector will change rapidly; and
- The Hong Kong IP industry will flourish.

See you again:

The Albert Chan 8th

IP World/Global

Seminar 2016