



The Shenzhen Miracle

The southern Chinese city simmers with tech potential while Hong Kong wrestles with whether it can, or should, keep up

AmCham led a group of 20 from Hong Kong to Shenzhen and Guangzhou on a two-day tour of China's Greater Bay Area. Delegates, representing a variety of industries, met with local government officials, technology startups and MNCs to exchange ideas on how the three cities can work together

"I'm most interested to see what the opportunities are as the GBA becomes more relevant"

— David Chao,
a delegate from United Overseas Bank,
and co-vice chair of AmCham's Trade & Investment committee



‘A week in Shenzhen equals a month elsewhere’

Since its designation as China’s first Special Economic Zone in 1980, Hong Kong’s upstart neighbor has transformed from grubby borderland town to modern metropolis, with clean streets, shared bikes and a thriving tech industry to rival Silicon Valley.

At the end of last year, Shenzhen became the world’s first major city to electrify its entire bus fleet — more than 16,000 vehicles. Taxis will follow in 2019, a year ahead of schedule. Other government-led initiatives to spur innovation and technology in this city of 11 million people include a RMB100 billion (HK\$124 billion) plan to build affordable housing to attract talent, and a massive expansion of the metro network to more than 1,200km by 2030.

Government ambitions have elevated Shenzhen’s reputation for tech, but the city’s core strength lies in its ability to commercialize innovative technology as soon as it comes out. Here, businesses have access to the complete industry value chain, from R&D to distribution.

“A week in Shenzhen equals a month elsewhere,” says Duncan Turner, General Partner and Program Director at HAX Accelerator. “Success here is measured by how quickly you can get a product to market.”

Located in the heart of Huaqiangbei (dubbed “China’s Silicon Valley”), HAX is an investment company with a program that takes teams of entrepreneurs with hardware prototypes and turns them into functional, sustainable companies. At the end of the program, teams get to present their pitch and demo to press, investors and potential partners in the Greater Bay Area.

Investors hunting for new opportunities will be spoilt for choice inside Shenzhen’s countless R&D labs and science parks, brimming with bright young talent and their innovations waiting to be discovered. The tour took in one such example: BrainCo Tech,

a Harvard Innovation Lab-born startup developing wearable devices controlled by brain waves (or brain-machine interface technology, as it’s known). After an exciting demo of a robotic arm prototype, a couple of delegates showed a keen interest in the product. If most startups around the world might be palpitating at the prospect of wooing a potential suitor, the overtures only prompted some mild amusement. This is Shenzhen, after all: Potential investors are a dime-a-dozen.

Etta Wong, a delegate from the University of Southern California, unwittingly confirms this presumption on our way out of the Shenzhen Tsinghua Hi-Tech Park. “As the focus on tech increases globally, we want to



Delegate Philip Leung tries the robotic arm by BrainCo Tech



Alex Murawski of NOA Labs

collaborate more with startups and tech companies in Shenzhen looking for funding,” she says.

Aptitude, not attitude

While Shenzhen races ahead, Hong Kong is still figuring out its role in China’s GBA plan — and the opportunities and challenges that this will present to the city’s people and businesses. But whenever the conversation takes place in the context of innovation and technology, Hong Kong is typically compared unfavourably with its tech-savvy neighbor and urged to close the gap.

That’s the wrong approach, according to Alex Murawski, CEO & Founder of NOA Labs. While it makes sense to promote new businesses that can add another engine of growth to the city’s current core industries, he says the government shouldn’t focus on trying to compete with Shenzhen. That’s because Hong Kong isn’t even designed for low-tech, let alone hi-tech, Murawski told the delegates.

“Hong Kong is a place for mature companies, but it doesn’t have a place for hardware development,” he said.

The culture and attitude of Hong Kong people don’t help either, he said. “In Hong Kong, you get the impression that if you want access to China, you are in the wrong place. The people there still don’t take mainland China seriously.”

If allowed to continue with this mindset, Hong Kong risks isolating itself and killing innovation altogether. Rather, each city should focus on what it does best, he said.

For those who stubbornly insist on comparing the two cities, there are two key advantages for success in tech that Hong Kong still has over Shenzhen: global interconnectivity and equal rights for foreign businesses.

“I’ll only be in China for as long as the government here tolerates me,” he said, laughing.

Inside China's hottest EV startup

Smart cars, smart prices

On day two of the tour, AmCham visited the Guangzhou headquarters of electric car startup Xiaopeng Motors, or Xpeng. Like many local car manufacturers in recent years, Xpeng has joined the race to become China's answer to Tesla, with its creation of "smart," internet-connected vehicles for a fraction of the price.

Demand for the company's first model, the Identy-X SUV, has been strong since a beta version of the car was unveiled in late 2016, according to a presentation to delegates by Jack Xu, Xpeng's Vice President of Technology, and Guo Dong Feng, Xpeng's Senior Director. Xpeng is now ramping up

production of the upgraded version after securing RMB2.2 billion (HK\$2.7 billion) in the latest round of funding in January, with plans to manufacture 50,000 units over the next two years.

The car boasts smart functions such as voice control and recognition, autonomous driving and an interconnected car system. After the presentation, delegates were offered a test drive in a cherry-red model.

Electric car enthusiast and Deloitte automotive expert Andrey Berdichevskiy jumped at the chance. As someone who has test-driven electric vehicles of different makes before, including various Tesla models, he was eager to try the Identy-X. (And no, that's not a spelling mistake.)

"It was comparable," he said of the experience. "In my opinion, the key differences and future success of electric vehicles will be down to space and interior concept, the driver and passenger experience, and the application of smart technology to driverless systems further down the road."



Test driving Xpeng's Identy-X electric SUV



The future of mobility comes in cherry red

Founded in 2014, Xpeng already has more milestones under its belt than many other startups reach in a decade. With more than RMB5 billion from investors that include Tencent and Alibaba, which now holds a 10 percent stake in the company, the company can certainly boast some powerful and deep-pocketed backers.

"In the beginning, no supplier wanted to play with us. Now they are lining up to get involved," Xu said. Often compared with Tesla, Xpeng has been vocal about its ambition to become the world's leading smart car manufacturer and operator. Though it uses the same motor and battery technology as its American rival, Xpeng insists its ambitions go far beyond simply aping Elon Musk: it aims to be the leader in intelligent, self-driving and connected vehicles.

"What we are doing is about more than just protecting the environment," said Guo.

While the public can expect to see the new Identity-X on Chinese roads later this year, they'll have to wait a little longer for the brand new G3

model that premiered at the Consumer Electronics Show 2018 in January. That they unveiled the model at a trade fair better known as a launchpad for the latest smartphones, laptops and geeky gadgets signals that the future battlefield for EVs will be centred on connectivity and the application of smart technologies to autos.

"Smart mobility is going to be the fastest-growing and most imaginative industry, and will bring tremendous change to people's lives," Joseph Tsai, co-founder and vice-chairman of Alibaba, said at the time of the latest funding round. Xpeng embodies the "integration of the Internet, artificial intelligence and traditional manufacturing," he said.

During the tour, AmCham's Xpeng hosts said they were keeping the price of their new G3 car a "commercial secret." But both were adamant that at this stage the focus is strictly on building the company's foundations and developing a high-quality product rather than hurrying to market.

"Brand first, money second," as they put it.

