

## Mainland-UK tech joint venture optimises business success from Hong Kong base



Over the last two decades, Hong Kong has established itself as a two-way platform for business between Mainland China and the rest of the world. Award-winning companies Scientific Generics, a UK-based international technology consultancy, and Automatic Manufacturing Ltd (AML), a successful Chinese manufacturer set up SGAI (pronounced see-guy) in Hong Kong in January 2005 to create a low risk product design and development resource which capitalises on Hong Kong's role as the gateway to the Mainland. SGAI provides design service with manufacturing capability for various market leading brands and assorted product category winners around the world, with current projects ranging from hobby trains to showering systems to an emergency power system for ambulances.

With its HQ in Hong Kong and a satellite office in Cambridge UK, SGAI is a joint venture which provides flexible solutions for its clients so they benefit from greater efficiency in the product development process. This is accomplished through the complementary strengths of the three centres where the company operates: the design strengths and European market knowledge of the UK, the development capability and talent in Hong Kong and the unbeatable manufacturing resources in Mainland China.

InvestHK spoke with Dr KM Chow, Chief Operating Officer, to learn more about his expectations and future plans.

### Why Hong Kong?

"The creation of SGAI is a milestone for hi-tech design consultancies in the UK. Linking Cambridge directly with Hong Kong and Mainland China enables SGAI to rapidly translate clients' needs into final products through a low risk and integrated process.

Although we considered other locations in Asia, the protection offered by Hong Kong's robust and uncomplicated intellectual property (IP) regime had significant appeal. Clients from Europe and other places enjoy great peace of mind knowing that Hong Kong has a pivotal role in our supply chain. Also Hong Kong's proximity to the manufacturing hotbeds on the mainland was another huge plus for the city.

Hong Kong is not as famous for its technical and research strengths as it is for financial services. However, the support, expertise and resources presented by clusters like the Hong Kong Science and Technology Park further added to the city's attractiveness. It is an ideal base for mid-cap and start-up companies to leverage the value of China.

In summary, Hong Kong is a significant and international hub for the development of technically rich and innovative products."

### Priorities and challenges

"A key priority was to make sure that SGAI had the best access to suppliers and the Chinese market. Hence, within 14 months of opening in Hong Kong, SGAI created a Shanghai Technology Centre to provide local manufacturing support and sourcing in the Yangzi River Delta (YRD).

Even with this location, Hong Kong remains the design and development centre for the JV, providing SGAI with vital IP assurance and remaining critical to the business model. Starting with 5 people, we now have 15, and hope to expand to a headcount of 20 next year. We have recently moved to larger premises."

### Meeting expectations?

"We made a profit in the first year of trading. We have also been able to bring

forward our expansion plans, so all in all, Hong Kong has been an excellent experience for us.

The company has enjoyed a string of successes, including winning the inaugural Cathay Pacific Business Wings Award for innovation and dynamism. Government officials, including Anthony Wong, Commissioner of the Innovation and Technology Commission, have visited SGAI's UK offices twice in the last year to understand more about our successful collaboration model."

### How did InvestHK help?

"InvestHK was instrumental in Scientific Generics finding AML and provided invaluable help and advice about the formation of SGAI. InvestHK has provided us with excellent networking opportunities, including attendance at many events where we met senior government officials."

### Tips for investors

"When we started SGAI, we realised there was a huge opportunity for a business of this kind in Asia and we have not looked back. The greatest risk would be to not invest in the Hong Kong gateway and not try to leverage Mainland China at a lower risk.

Have a clear joint venture agreement, plan, and budget, and keep to it strictly.

Have regular board meetings and communicate often so all parties are fully aware. It is invaluable to use local experts who better understand the local market."

[www.sgaitech.com](http://www.sgaitech.com)