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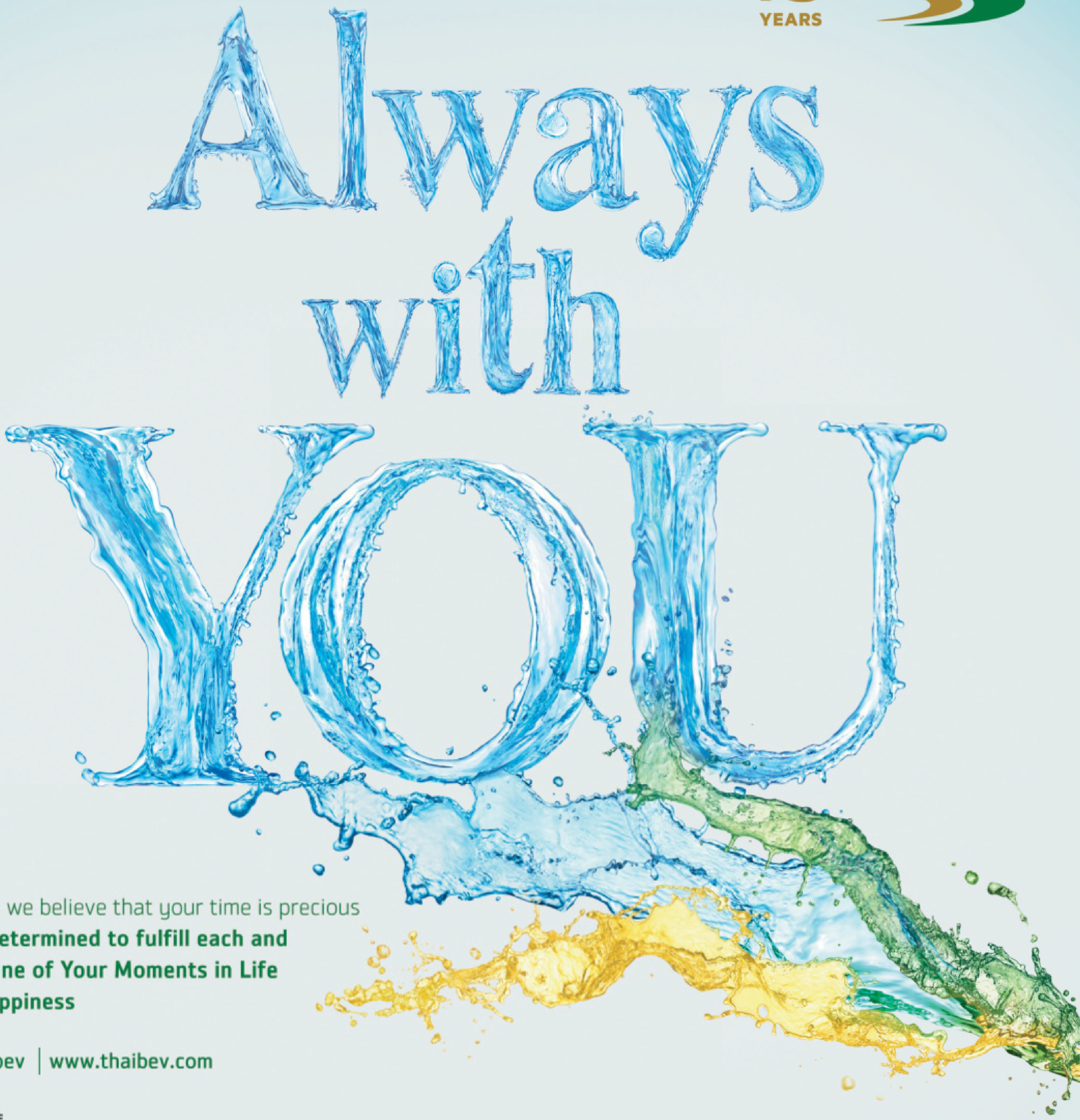

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VICTOR CHA'S HONG KONG CLAN 'GOING TO MAKE A SPLASH' AS IT ROLLS OUT PROJECTS ELSEWHERE
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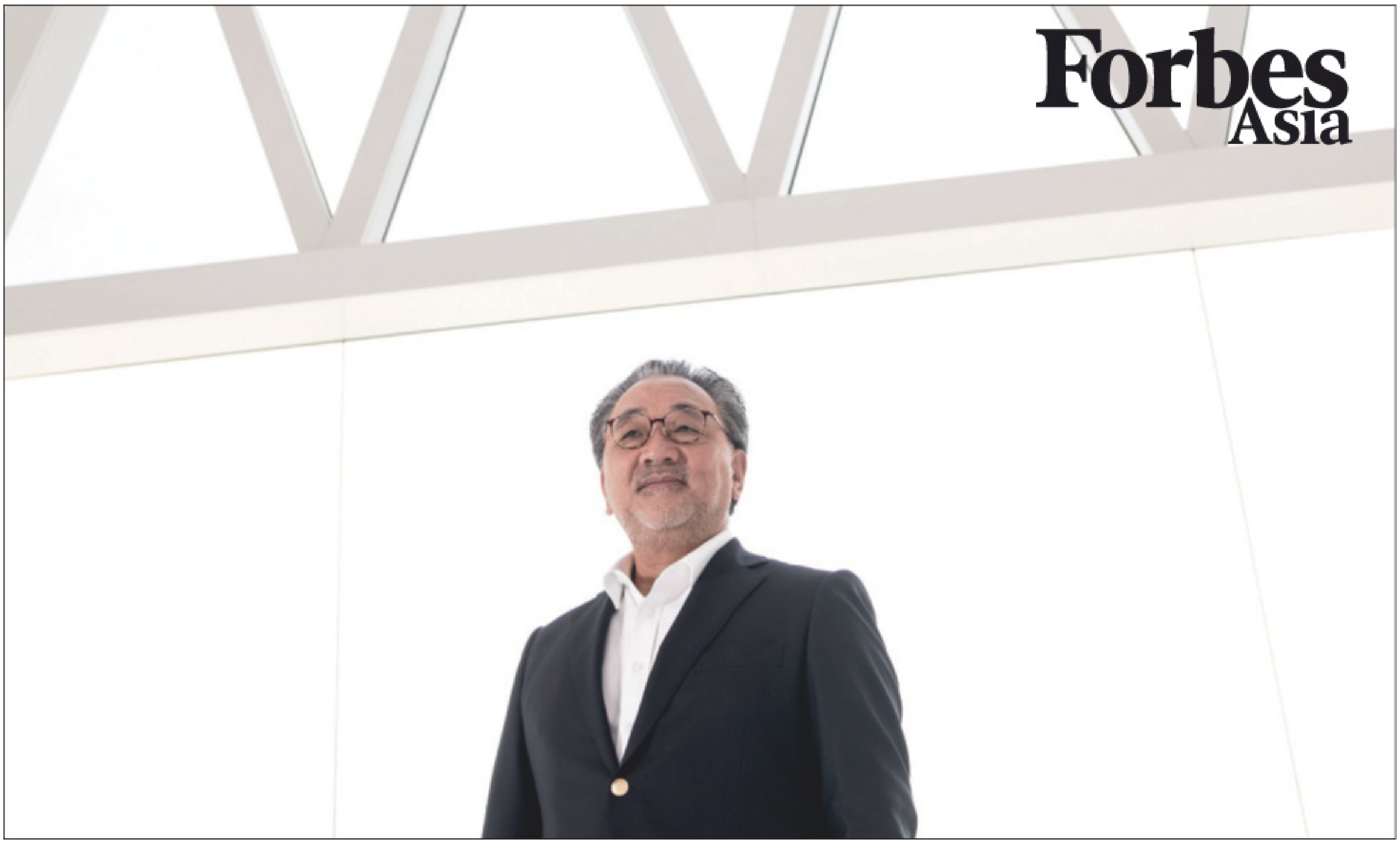

▲ PAGE 76

"WE ARE GOING TO MAKE A BIG SPLASH."

—VICTOR CHA, deputy chairman, Hong Kong Resorts International.

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▲ PAGE 48

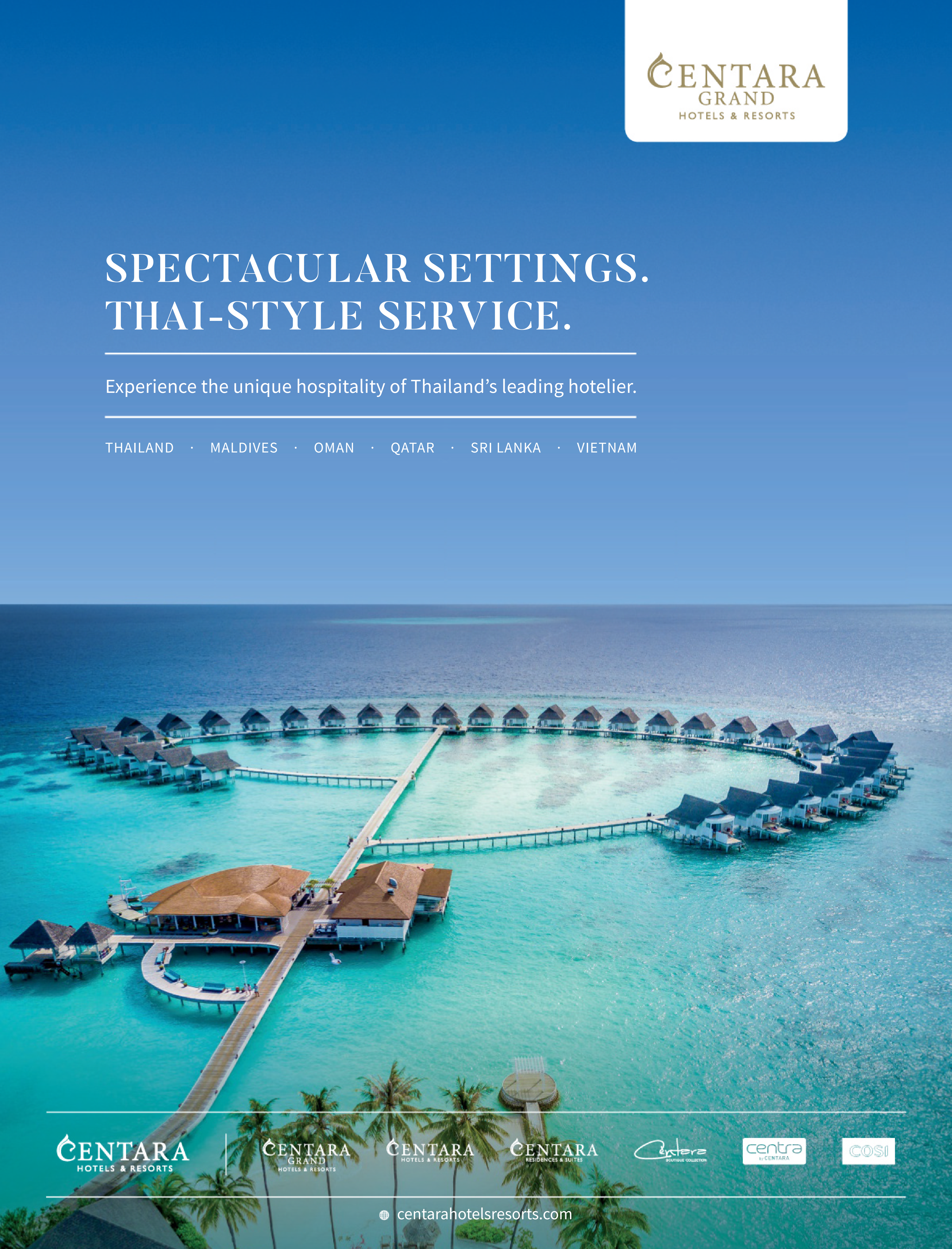
“BE NICE TO THE MACHINES OF THIS GENERATION.”

—JOE LUBIN, cofounder of Ethereum blockchain.

▶ PAGE 92

“ABOUT 90% OF OUR CLIENTS BUY NEW ZEALAND HORSES.”

—LIN LANG, chairman, Rider Horse Group.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SIDELINES

New Jersey Out

GREGORY ANDERSSON FOR FORBES

Goodbye: Our office colleagues (some on proxy paddles) join us in wishing Asia readers well.

This year-end issue marks a transition for some of us at the magazine and for *Forbes Asia* itself. Before I get to that, however, let me provide a bit of background.

Since *Forbes* started publishing its own edition abroad (as distinct from our many licensed, local-language titles), we have drawn considerably from the resources of the home office, including editors and designers as well as research staff. Most *Forbes Asia* text, of course, has come from our able correspondents in the territory we cover.

With the increasing importance of Asia-Pacific to the overall Forbes Media business, this publication is concentrating its resources within its regional bailiwick. Beginning in 2019, a new editing and design team will take charge from Singapore. They will join our well-established and determined business-side counterparts in Asia. (I personally hope to stay connected with what's going on there and with many of you.)

Over these several years in New York, and lately across the river in New Jersey, our core team listed in the nearby masthead has been supported by a range of *Forbes* staff who helped us do our work. Most of them have been behind the scenes. But they are joining us here in this send-off with best wishes for all that lies ahead.

Tim W. Ferguson

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FORBES ASIA

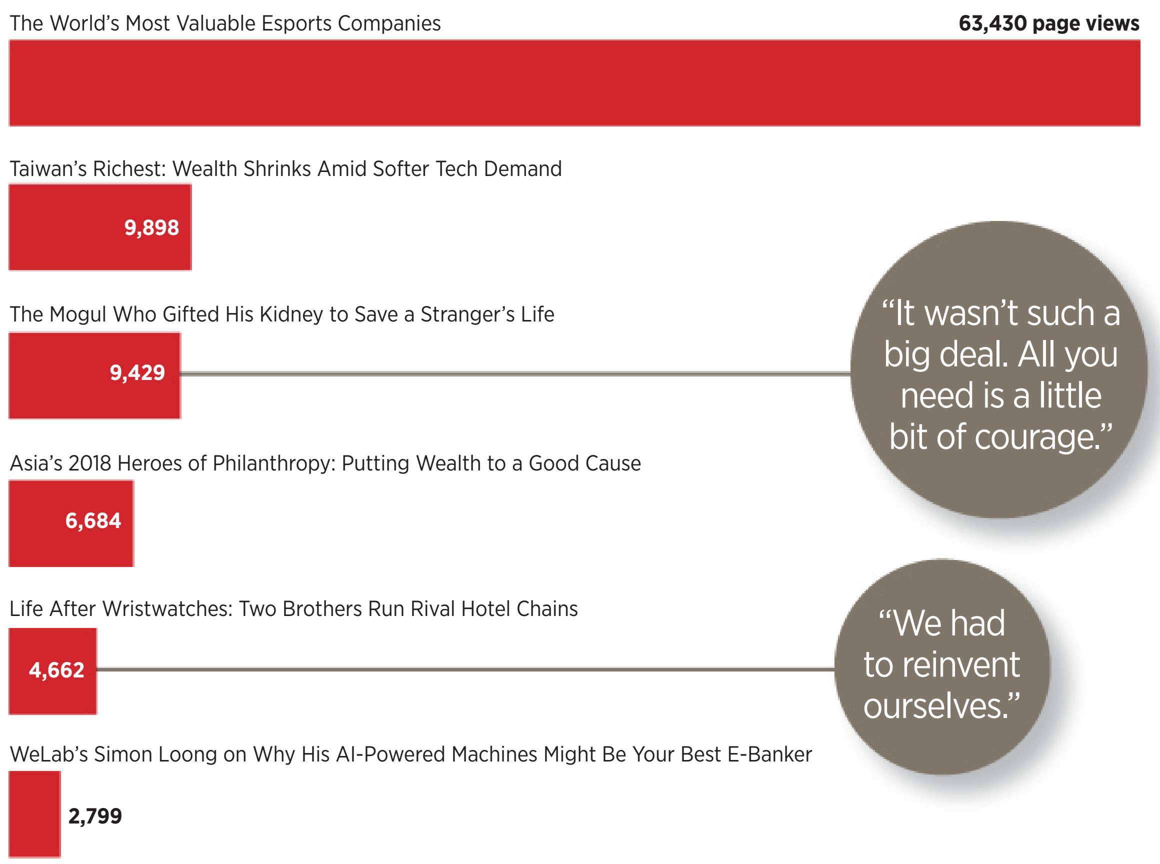
READERS SAY

CONVERSATION

OUR FEATURE on the burgeoning esports industry, and the potential sponsorships and fast growth in media rights that go with it ("Shoot-Out," *November, p. 32*), elicited quite a buzz from our readership. @UbiJustin tweeted: "Great to see that 5 out of the top 10 most valuable orgs have a team in R6. A testament to the growth of that scene too, which had humble beginnings." A diligent student, @CeeZeeThatsMe, replied, "I plan on doing my thesis for my finance major on the esports industry, love reading this stuff." @jh_moore was more skeptical: "Personally I'm not so sure it bodes well for esports when a bunch of these 'most valuable' esports companies have had to go through 'strategic realignment' recently."

THE INTEREST GRAPH

Esports rocked the magazine competition, with more than six times the hits of the runner-up:

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IN A FIGHT WITH THE FED THE WHITE HOUSE WINS

BY STEVE FORBES, EDITOR-IN-CHIEF

THE FEDERAL RESERVE backed off its plans for aggressive interest rate hikes next year after President Donald Trump relentlessly and personally bashed chairman Jerome Powell—a recent Trump appointee, no less.

The Federal Reserve and its defenders stress the importance of its independence from outside interference. Otherwise, they maintain, election-worried Washington politicians and special interests would distort decision-making, which would end up doing real economic harm.

Our central bank has done a remarkable job over the years creating an aura that those who attack it are either ignoramuses or cranks outside the boundaries of respectable and responsible opinion. This achievement comes in the face of several major blunders, most notably the terrible inflation of the 1970s and early 1980s, and the lead-up to the crisis of 2008–09.

Nonetheless, the reality is that if the executive branch pushes hard, the Fed backs off. It is not a fourth branch of government enshrined in the Constitution but a creature of Congress. Moreover, by law it is the Treasury department, not our central bank, that sets policy on the dollar.

The Fed's actual but hidden weakness has been a fact of life since its inception in 1913. During WWI, President Woodrow Wilson's Treasury chief made it clear that interest rates were to be kept low, and they were. The same was true during WWII. After the war President Harry Truman insisted that the low-rate policy continue. He was wrong, but only after several years and two guillotined Fed heads later did rates go up. In the 1960s President Lyndon Johnson put fierce pressure on our central bank to keep rates low. The Fed buckled, and the dollar weakened. President Richard Nixon appointed a chairman with whom he spoke behind the scenes to run the printing presses to help his reelection, actions that ultimately destroyed the gold-based Bretton Woods monetary system. The George W. Bush Treasury department wanted—and got—a weakening of the dollar, which played the pivotal role in the housing debacle and subsequent recession.

The basic problem isn't the Fed's independence, but a true understanding that money is a measure of value and that it works best, as Alexander Hamilton well understood, when its value is fixed to gold. Such a fixed value no more restricts the growth of the economy than the 12 inches in a foot restricts the size of a building.

Nothing Cheesy Here

Why isn't Switzerland held up as an impressive economic model for other countries? Why does the IMF ignore its lessons of long-term success when recommending prescriptions to nations that get into trouble? Swiss growth rates, very dependent on exports, have been good despite the country's low-growth neighbors.

• **Taxes.** Understanding investment's basic importance to progress, this Alpine nation imposes no capital gains tax. That's right: zero. Its value-added tax (VAT)—7.7%—is paltry by European standards, where punishing double-digit levies are the norm. The corporate tax rate averages 17.7%, better than the rates of most of its peers (the rate varies depending on which canton—the equivalent of a state or province—the company is located in; the lowest is a mere 11.5%). The highest personal income tax rate (federal and local) ranges from 22% to 45%. The comparative range in the U.S. is 37% to over 50%.

Naturally, the IMF and all too many economists recommend burdening taxpayers even more.

• **Currency.** During the past 100 years, no other nation in the world has matched Switzerland for sound money. Not even close. This utterly underappreciated virtue has been crucial to the country's superb economic performance. Capital creation and investment flourish best when a currency's value is fixed. Yet the IMF routinely tells troubled clients, such as Argentina, to let theirs "float," a euphemism for devaluation, to ostensibly spur exports. Left unexplained is how Switzerland has become an export powerhouse despite its supposedly overvalued franc.

The Swiss federal system—in which its 26 cantons have considerable autonomy—has enabled its German-, French- and Italian-speaking citizens to live peaceably and productively together for more than 800 years.

Forbes Asia

GAME OFF!

Beijing is balking, and developers big and small are pinched in one of China's premier sectors.

BY YUE WANG

CHESNOT/GETTY IMAGES

Jim Lee is a veteran in China's video game industry. The 40-year-old entrepreneur once worked for America's Electronic Arts as general manager of its China division. In 2014 he gave up this well-paid job to launch his own gaming studio in Beijing. And as the country's online games market took off, Lee's company scaled up rapidly, with revenues growing by 100% in 2017.

But after China suspended giving out operating licenses to potential and some existing games in March, his business was suddenly in disarray. "It has been really, really hard for us," says Lee of his Elevation Point Entertainment. "Our products are delayed because we can't get licenses. We are now trying to adapt some titles into streaming video to find a new growth point."

China, with a most opaque regulatory system, halted games approval in the name of reorganizing two government departments responsible for the process. But analysts say Beijing's real intention is reducing the money and time spent on online games. Authorities are drafting much harsher regulatory measures, as they blame the video game industry—China's is the world's largest, expected to generate $38 billion in domestic sales by year-end—for fomenting a wide range of social ills. "From the government side, there have been concerns about how games influence people," says Tom Wijman, senior market analyst at consultancy Newzoo.

Now, amid the unprecedented wait, smaller studios like Lee's are frantically searching for a way out, and midtier developers are laying off employees to cover for lost profit, while larger firms from Tencent to NetEase have shed hundreds of billions of dollars in market value amid warnings of much slower growth.

TENCENT, ONCE REGARDED as a national tech champion, is now in hot water. State media have singled out its flag-

The future is murky for *PlayerUnknown's Battlegrounds*, a game that has been criticized for being too violent.

ship *Honor of Kings* mobile game for fueling online addiction among minors, prompting the company to introduce identity checks and playtime curbs that limit underage players to two hours a day. In August, authorities also announced their intention to curtail the total number of online games as part of a national plan to tackle growing rates of myopia associated with screen overuse. Beijing hasn't explained how the limits would work, but analysts say the number of circulating titles could eventually be reduced by half. Currently, as many as 7,000 games have been backlogged for regulatory review, according to Cui Chenyu, an analyst at research firm IHS Markit.

"Even after China resumes approvals, the process would be slow and not many games can receive licenses," Cui says.

Some of Tencent's most popular games are being held up. It can't obtain approvals to make money from two mobile versions of the *PlayerUnknown's Battlegrounds (PUBG)* battle-royale game, which is estimated to have attracted 160 million active players in China, or to bring the desktop version of the Fortnite game into China. *PUBG*, which has also been criticized for being too bloody and violent, faces a particularly cloudy outlook.

This is because Tencent licenses the title from South Korean developer Bluehole for distribution in China. Beijing is still blocking cultural imports over Seoul's decision to host the U.S.-developed THAAD missile-defense system. THAAD can potentially reach into Chinese territory, presenting a military risk.

"It has been really, really hard for us": Jim Lee, founder of Elevation Point Entertainment.

Amid this hostile environment, *PUBG* may not receive the needed licenses even by end of next year, says Charlie Chai, an analyst at Shanghai firm 86 Research. Currently, it is free to play but needs approvals to start charging players for in-app purchases. The loss of potential revenues has sent growth at Tencent's smartphone game business to a record low of 7% in the third quarter, spooking investors and wiping out $110 billion in market value this year.

Gaming represents about half of Tencent's overall Web take, and the company is further enhancing its anti-addiction system by requiring in late November some players to go through facial recognition checks before logging into *Honor of Kings*. But Tencent is also pushing ahead with game development abroad, such as signing a distribution partnership with Singapore's Sea and launching mobile versions of the *PUBG* game in the U.S. Meanwhile, it is wringing additional revenue streams from newer business lines like streaming video and cloud computing, though heavy investments in these areas are expected to suppress the company's once lucrative margins.

Meanwhile, risks are also building up for Chinese Web rival NetEase, which is even more game-centric. In November the company signed an agreement with American developer Blizzard Entertainment to make mobile versions of the popular *Diablo* desktop franchise. But if China doesn't resume games approvals, it would be a "massive issue" for both companies because the mobile titles are designed for the China market in the first place, according to Newzoo's Wijman. So far this year, NetEase has shed 32% of its market value. To make up for shortfalls, the company has been pushing its e-commerce business and is also launching more games in overseas markets. In the third quarter, it generated 10% of its games revenues from outside China, thanks largely to the recent success of its *Knives Out* battle game in Japan.

For all the challenges, Tencent and NetEase are weathering the storm much better than smaller firms. Companies that are hardest hit include developers of card and poker games. This year, state media has exposed massive gambling schemes that it says were linked to Hong Kong-listed game developers Ourgame and Boyaa Interactive. Boyaa didn't respond to repeated requests for comment. In a May 11 filing, Ourgame said six employees of its poker gaming unit had been detained by police and subject to prosecution for "utilizing the company's games platform to engage in personal activities contrary to the gambling laws of the PRC." In a separate emailed statement, an Ourgame spokesperson said the company had no further comment on the matter.

Now, amid this challenging environment, Boyaa has reduced its workforce by almost 30% this year, according to its online filings. Meanwhile, Ourgame has laid off 40% of its employees. The company has experienced a "substantial downturn on revenue and profitability" in the first half this year, a recent regulatory filing shows. In another emailed statement, the aforementioned spokesperson confirms that the layoff "was related to the current regulatory environment."

The negative impact has spread to startup finance. Song, a young entrepreneur who only agreed to give his last name, runs a Shenzhen software company that develops additional gaming formats to enhance existing titles. So far, revenues have slid by one third as the startup has fewer and fewer projects to work on, he says. Hu Bin, a partner at Chinese investment firm Qiming Venture Partners, says he is getting cautious and invests less in the gaming sector. "We now have higher requirements on a team's sustainability," he says. "We are only looking at companies with truly innovative games."

Still, this is an adventuresome field. "I am sure people can figure out a way," says Elevation Point Entertainment's Lee. "The entire industry won't just be killed. It is a winter time for us, and companies will [adapt] their best to survive." F

Palmer V. Citic: New Round


Clive Palmer, once one of Australia's 50 richest.

MARK GRAHAM/BLOOMBERG

Outspoken Aussie mining mogul wants officials to do Chinese no favors.

BY TIM TREADGOLD

Australia's relationship with China is being put to the test anew by bumptious businessman Clive Palmer, who holds the key to an essential investment in a $10 billion Chinese-owned iron ore project in Western Australia.

The Sino Iron project of Citic, based in Hong Kong but basically a Chinese state conglomerate, needs access to more land to stockpile waste generated in the conversion of low-grade ore into high-grade material shipped to make steel in China.

Palmer, who has had a stormy relationship with Citic, is withholding his approval, partly because of a long-running dispute over royalty payments he claims Citic owes his company, Mineralogy.

The standoff between Palmer, 64, who was once one of Australia's 50 richest people and is also a former member of the Australian Parliament, took a political turn in late November when the state government of Western Australia criticized Palmer for endangering the continued operations of Sino Iron, which employs 3,000 workers.

The premier of Western Australia, Mark McGowan, told the State Parliament that he was very disappointed in Palmer's conduct, hinting that a legally binding agreement with the WA Government might be rewritten to bypass Palmer whose approval is required for Sino to gain access to more land.

Palmer's response has been to ratchet up his claims by raising the issue of Australian national security, accusing Citic of trying to control access to an Australian port and avoiding scrutiny by Australia's international investment watchdog, the Foreign Investment Review Board.

The threat of altering a State Agreement is a serious move because it raises the specter of sovereign risk, potentially coloring the view of foreign investors planning an investment in Australia. Palmer has been quick to criticize the government for its support of Citic, publishing an open letter to McGowan in local newspapers that raised the issue of foreign control of Australian resources.

"There is little value in a State Agreement and Western Australian sovereignty if a foreign government can demand property from Australians and take it without paying for it with government support," Palmer said in his letter to McGowan. "Mineralogy regards Sino Iron's approach to enlist the support of an Australian State Government in its commercial dispute against an Australian company as disturbing. I do not understand why your government would discriminate against an Australian company that owns the projects' mining leases in favour of a Chinese Government-owned mega group."

McGowan is unbowed: "At the end of the day this government will do what is in the best interests of Western Australia and the 3,000 hardworking Australians that work on Citic's operations."

As well as verbal jousting with Palmer, Citic has turned to the Australian courts to apply its own form of pressure by asking for a reversal of an earlier judgment in which Palmer won a $275 million settlement for unpaid royalties. In an appearance before the Western Australian Supreme Court Palmer's lawyer, Alan Archibald, argued that the judge had erred in awarding Citic the payment, calling instead for the money to be returned. Citic has warned several times that unless it gains access to additional land it might be forced to close the Sino project. F

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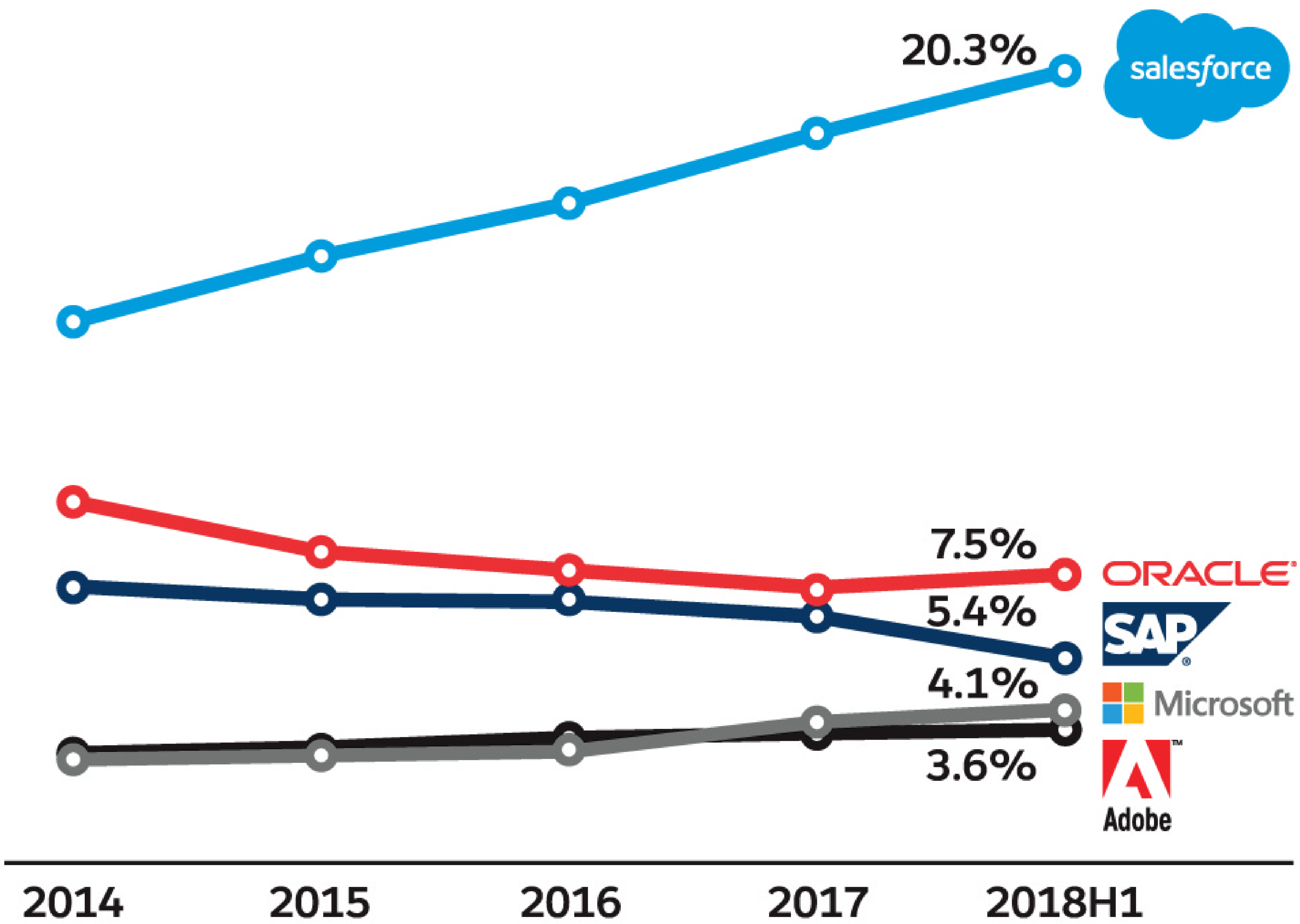

Source: IDC, Worldwide Semiannual Software Tracker, October 2018.

What is CRM

Joker in the Deck

Lotte Tour's new casino resort on Jeju Island aims to cash in, despite South Koreans not being allowed to gamble there.

BY MUHAMMAD COHEN

At the center of South Korea's Jeju Island rises the nation's tallest mountain, Halla, an icon attracting millions of visitors annually. In the center of Jeju City, Jeju Dream Tower is rising as the island's tallest building. At 38 stories, it can be a new icon in Asia's increasingly crowded gambling resort space. Making this $1.4 billion bet pay off requires that developer Lotte Tour draw the right cards in local politics, international affairs and the tricky foreigners-only casino business.

That last consideration is the joker in the deck. Only foreign passport holders can enter 16 of South Korea's 17 casinos. The lone one open to domestic players, Kangwon Land, a 3.5-hour drive from Seoul, raked in $1.3 billion in casino revenue last year, more than the 16 others combined. Sheldon Adelson's Las Vegas Sands and Wynn Resorts founder Steve Wynn said they would build integrated resorts on the grand scale of Singapore's $5.7 billion Marina Bay Sands, if only South Korea would allow its citizens to play there.

"We want to be the Marina Bay Sands of Jeju," Lotte Tour COO Lawrence Teo says, hoping to appeal to the Korean majority of Jeju visitors who can't gamble. Its twin towers will host Asia's largest Grand Hyatt hotel with 1,600 rooms, Korea's biggest pool deck and a top floor observation area with dining and nightlife. Standing 169 meters, three times Jeju's normal height limit, the towers will have unobstructed views of Mount Halla and the sea. Under the "modern Korean lifestyle" theme, Dream Tower will feature 24-hour Korean barbecue, hip takes on the Korean diner and jjimjilbang spa plus a Korean designer fashion mall open deep into the night. All told, that should amount to 3,000 jobs and, Lotte Tour says, the biggest source of taxes on Jeju.

Lotte Tour arranged a complex financing deal for one Jeju Dream Tower, to open in late 2019, with China's Greenland Group. The Korean firm, which was born in 1971 as a separate entity from the country's larger and better-known Lotte Group *(see sidebar, p. 26)*, is handling the cost of the other tower and the eight-level podium building.

For decades, Lotte Tour has catered to Korean and foreign travelers, including Jeju shore excursions for cruises. "We know what tourists want," says Teo, who ran Melco Entertainment's VIP-focused

Jeju Dream Tower resort complex: twin buildings that will be Jeju Island's tallest at 38 floors (rendering of the finished buildings, right).

Altira Macau for Lawrence Ho.

There's one big nonconstruction challenge ahead: In July, Lotte Tour purchased a casino elsewhere on Jeju, whose license it hopes to transfer to Dream Tower. This would set up a full competition with the island's first integrated resort, Shinhwa World. It opened a half-hour drive away last year and got its casino license transferred only in February.

A volcanic island 90 kilometers off the Korean peninsula's southern tip, Jeju has all the makings of a resort rivalry: a milder climate than the peninsula and three UNESCO World Natural Heritage sites amid stunning landscapes with dozens of golf courses, hiking trails and museums. The 50-minute Jeju-Seoul air route is the world's busiest, averaging 490 flights daily. Jeju International Airport also connects to 19 cities in six jurisdictions, and, unlike the rest of Korea, allows travelers from mainland China and all but a hand-

ORANGE GROUP NIGERIA:
PARTNER OF CHOICE

The company's track record in helping propel Indonesian pharmaceuticals to leading market positions in West Africa offers an opportunity to other Indonesian firms ready to make their mark there.

For more than three decades, Nigeria's Orange Group has supported the entry of Indonesian companies into fast-growing, consumer goods markets in Africa. As a large diversified consumer goods group, Orange leverages its industry knowledge, manufacturing capabilities and extensive distribution network to bring Indonesian products and brands to African consumers.

Orange Group's presence spans West Africa in four key segments: pharmaceuticals, beverages, personal care and lighting. In the pharmaceutical space, the company has partnered with some of Indonesia's largest pharmaceutical groups, Kalbe Farma, Tempo Scan Pacific, Dexa Medica and Mensa Group, for at least a decade or more. Its relationship with Kalbe Farma goes back almost to the founding of Orange Group in the 1980s.

Beyond distributing and marketing their partners' products in Nigeria and Ghana, the company also engages contract manufacturers to produce Orange-owned brands at several factories in Indonesia. More recently, it has been developing technology in Indonesia to assist with sales and marketing activities in West Africa.

One of the group's key competitive advantages is a corporate culture built around trust—a core value instilled in the company by its founder Sir Tony Ezenna that has underpinned its success. "Our partners continue to work with us simply because they trust that we can deliver on expectations," says Sir Tony's son Ernest, who is Orange Group's Business Development Director.

Orange Group enjoys a special affinity with Indonesian companies because their home countries share a similar demographic and cultural profile. From a business perspective, Indonesian products and services can succeed in Nigeria because of these similarities—both Indonesia and Nigeria have large youthful populations, a high population growth rate and similar household spending profiles. The two nations also have large Muslim populations and strong ethnic roots.

From the left: Uchenna Ezenna-Gboneme, Media Relations Director at Orange Group, Ernest Ezenna, Business Development Director at Orange Group, Anthony Ezenna, Finance Director and CFO at Orange Group.

"Moreover, we have been able to find affinity with our Indonesian partners because most of them are large family businesses that have a long-term business view, just like us. It would be difficult to work with partners who do not share a long-term approach to doing business," says Ernest, who spent close to a year living in Indonesia working with Southeast Asian private equity firm Northstar Group.

A Learning Journey

Orange Group is now seeking to introduce the opportunities available in West Africa to other Indonesian companies. Nigeria has become a top export market for each of Orange Group's partners. The successes of Kalbe Farma, Tempo Scan Pacific, Dexa Medica and Mensa show that with the right partner, more Indonesian entities can prosper there.

Going forward, Orange plans to expand its business network in Indonesia, specifically in the food and beverage segment. "Currently, we have a solid network in the Indonesian pharmaceutical space, but would like to expand our business into the food and beverage segment as we see large opportunities in that space in West Africa moving forward," says Ernest.

He notes Orange has learned a great deal from its Indonesian partners over the years, specifically in the areas of product innovation, marketing and technology. After noticing the proliferation of beverage sachets in Indonesian *warungs* (small family-owned shops), for instance, he led Orange to expand its product offerings in the low volume, affordable sachet packaging format.

On the technology front, the company observed relevant software being used in Indonesia to assist with managing large branch networks and sales—a solution that can potentially be deployed in Nigeria and Ghana as the group expands its business.

At the same time, Orange's Indonesian partners can learn more about the nuances of the West African consumer through the group. "We believe that the same marketing approach from Indonesia should not simply be replicated in West Africa as there are some subtle differences. One basic example would be launching a brand derived from Bahasa into the West African market, which is largely anglophone and francophone," says Ernest.

Expanding in Africa

Orange plans to replicate what it has learned from its Indonesian partners in Nigeria and Ghana, as both markets are 15 years behind Indonesia, Ernest reveals. As the largest economy with the largest population in Africa, Nigeria is one of the world's top frontier markets. Some global fast-moving consumer goods companies may be reluctant to enter markets in sub-Saharan Africa due to political and currency risks, as well as highly price-sensitive consumers. This opens the door for local players such as Orange Group with the expertise and risk appetite to expand in these markets.

Among its strengths, the group has a fully integrated logistics, warehousing and sales operation that allows it to distribute directly to its wholesalers and retailers. It also owns two factories in Nigeria that focus on manufacturing pharmaceutical, personal and home-care products.

By leveraging these advantages, Orange Group is confident of helping more Indonesian firms explore the vast potential of Africa on an equal partnership basis. Says Ernest: "The West African market, specifically Nigeria and Ghana, remains relatively untapped and offers large opportunities to companies able to offer great products through an efficient distribution network and effective marketing campaigns."

Warehouse in Lagos, Nigeria

Pharmaceutical factory production floor in Lagos, Nigeria

THE OTHER LOTTE


Kim Ki-Byung


Shin Jung-Hee

Lotte Tour was created by a branch of the Korean clan that is behind the famous brand name Lotte Group, but the two Lottes today are run as entirely separate entities.

Founded by Shin Kyuk-Ho, now 96, the Lotte Group is South Korea's fifth-largest conglomerate by assets and has interests that include food, finance, retail, tourism, chemicals and construction. With $64 billion in domestic sales last year, it is giant compared to its former subsidiary Lotte Tour, which also operates the country's longest-running Dongwha Duty Free Shop.

Together, the two smaller companies, which are now controlled by Shin's brother-in-law Kim Ki-Byung and sister Jung-Hee, 80 and 72, respectively, generated some $340 million during the same period.

Lotte Tour split off from the conglomerate in 2005 but retained the well-known name. Two years later, however, following a joint venture with Japan's JTB, the Lotte Group entered the tourism industry and ordered Lotte Tour to drop the brand's logo, essentially three L's in Roman Script, which is now becoming obsolete. A refusal led to an injunction against the latter, resulting in a public feud. Lotte Tour maintained its name but was ordered to relinquish the Lotte logo.

Today the two entities compete directly in the duty-free sector—where Lotte Duty Free reigns with global sales reaching $5.5 billion in 2017, according to the Moodie Davitt Report. Donghwa trailed with $280 million. *—Grace Chung*

ful of other places to enter visa-free. (Jeju has a special self-governing-province status.) Flights to Jeju from Shanghai (one hour), Osaka (one and a half hours), and Beijing and Tokyo (two and a half hours) are shorter than to Macau and less complicated for Chinese, since they need a visa to enter Macau.

There's one hitch in that appeal. In 2016, Jeju set records with 15.9 million total visitors and 3.6 million overseas arrivals, 85% of them from mainland China. But then South Korea installed the U.S.-produced THAAD missile defense system, which triggered an official reaction by Beijing that has dramatically discouraged Chinese visits—there were only 323,000 in the first seven months of 2018.

Despite those grim numbers, Shinhwa World demonstrates the financial appeal of integrated resorts. The $1.5 billion IR, developed by Hong Kong-listed Landing International, includes a theme park based on Korea's Larva cartoons, a water park, 1,450 guest rooms under Marriott, Somerset and Landing brands, plus 880 rooms under construction. Jeju's largest convention center with accommodations is onsite, plus there are condos and villas for sale that qualify buyers for Jeju residency.

Shinhwa World has 154 tables and 239 gaming machines, a quantum leap beyond typical Jeju casinos' few dozen tables and machines in leased hotel lobby space. For the first six months of this year, even with China's no-shows, Landing reported $307 million in gross gaming revenue (GGR). In contrast, during all of 2017, Jeju's eight casinos' GGR totaled barely $200 million. Shinhwa World also reported $44 million in nongaming revenue from hotel rooms, attractions, restaurants and property sales, as Korean domestic visits to Jeju picked up.

"Shinhwa World's early results help to vindicate the potential return story at Jeju Dream Tower," says Grant Govertsen, head of Asia equity at Union Gaming, a boutique investment bank and advisory.

(Landing International, the parent company, had an apparently unrelated issue beginning in August when its founder-chairman, Yang Zhihui, disappeared, reportedly into police custody, in China. A developer from Anhui Province, he had succeeded in recruiting Chinese VIP gamblers to make the crossing to Shinhwa. Yang reappeared in November, and the company stated that he'd been "assisting the relevant department of the People's Republic of China with its investigation.")

Participants at a Jeju International Casino Policy Forum last month suggested that any impact on the island's attractiveness to Chinese will prove temporary. But local attitudes the other way may be a different story.

Jeju has a dialect, culture and cuisine distinct from those of the peninsula, and its residents can be cool to tourism—even as island officials promote it—and especially casinos. Most Jeju casinos were created in the early 1990s by Seoul, as South Korea emerged from military rule but before Jeju received self-governing status. Faced with slowing export growth, Seoul expanded Jeju casinos to earn foreign currency, according to Kyung Hee University integrated-resort expert Won-Seok Seo, a Forum chairman.

The ban on Korean play makes casinos mysterious to locals, depriving them of personal experiences to offset gambling's negative image, Jeju National University sociologist Jun Pyo Kim says. Casino taxes mainly fund the promotion of tourism, isolating residents from perceived benefits, Kim adds.

The consensus among Forum participants was that Jeju needs integrated resorts to remain competitive in regional gaming, particularly with Japan expected to open the world's most expensive IRs within a decade. "We have to prepare for this situation. Rather than status quo or [business as usual], we need to set up more resort type casinos," Korea Culture & Tourism Institute researcher Kwang-min Jeong says. "We will have regulation but we have to have more lenient policies to transform casinos into integrated resorts."

PING AN GOOD DOCTOR:

HOW TO SUCCEED IN INTERNET HEALTHCARE

By integrating the internet and AI, China's biggest online healthcare platform Ping An Good Doctor is set to use advanced technology to meet growing healthcare demands at home and in the region.

Ping An Good Doctor ushered in a new era of "Internet + AI" for healthcare in November when it set up China's first unmanned clinic—a one-stop platform for medical and healthcare services—at the 2018 World Internet Conference held in Wuzhen, Zhejiang province, in November.

The online healthcare services provider, which received a US$400 million investment from Japanese tech investor Softbank at the end of 2017, was recently listed on the Hong Kong Stock Exchange. The highly anticipated offering was oversubscribed by 653 times.

Healthcare spending is expected to multiply in the next 5 to 10 years and there is strong demand for better quality healthcare services and greater convenience, says Wang Tao, Chairman and Chief Executive Officer of Ping An Good Doctor. The question is how to find enough physicians to meet market requirements.

"The traditional way won't work. We are tackling the shortage of good doctors in China by harnessing artificial intelligence," says Wang. The company's in-house medical team of more than 1,000 people accumulated data from 300 million consultations. Another team of more than 200 AI experts used the information to develop the most advanced "AI Doctor" in healthcare in order to lower the misdiagnosis rate, increase the efficiency of medical resource usage, better match doctors with patients and streamline doctors' workflow.

The AI Doctor has found its way into more than 100 hospitals, where it has made admissions more efficient as well as helped reduce operational costs. The company has also launched the Modern Physician Hua Tuo Project, which combines AI medical technology and traditional Chinese medicine.

"What is internet healthcare? It is about deploying medical resources in a patient-oriented way," says Wang. "Traditional healthcare has been hospital-and-doctor-oriented with patients trying to keep up with them."

Wang Tao, CEO of Ping An Good Doctor

At the center of the online ecosystem are the AI-empowered, in-house medical team and 4,650 external doctors who have signed cooperation contracts with Ping An Good Doctor. They provide round-the-clock assistance with diagnoses, rehabilitation guidance and medication advice. Offline, the company has partnered with more than 3,100 hospitals for triage, referral, consultations and follow-ups. The company also collaborates with more than 2,000 health institutions and 12,000 pharmacy outlets.

Ping An Good Doctor, which is a unit of Ping An Insurance Group, China's biggest insurer by market value, has developed four main drivers of revenue growth: family doctor services, consumer healthcare, health malls, and health management and wellness interaction. Revenue reached RMB1.12 billion (US$161.4 million) in the first half of 2018, up 150% year on year. By the end of June, the number of registered users reached 228 million.

The company has plans to export its technologies and services to develop a global healthcare platform. In August it announced a joint venture with Grab, a leading offline-to-online platform in Southeast Asia, to provide online healthcare services to the region. "Uneven distribution of medical resources is an international problem. We are taking overseas a model that has succeeded in the Chinese market. We are connecting with foreign medical institutions, insurance companies and pharmacy outlets. At the same time, we are bringing back advanced management experiences of healthcare from abroad to help improve China's healthcare services," says Wang.

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Pumped Up

The testimonials are touching, but the scientific proof is wanting. How did a little medical products company get to be worth $14 billion?

BY ELLIE KINCAID

Lisa Cardillo, then 36, and her husband were celebrating their 15th wedding anniversary and had just checked into a bed-and-breakfast when she felt a burning, stabbing pain in her chest. She was having a heart attack.

Cardillo's heart stopped in the emergency room when she got to the hospital in Grand Rapids, Michigan. Within minutes, doctors used a defibrillator to restart it, but her heart was too weak to push blood to the rest of her body. They put a tiny pump, 6 inches long and shaped like a bent stick, into the left ventricle of her heart. After a few days her heart recovered, and the pump, brand name Impella, was taken out. A year later, "I feel like I'm back to 100%," she says. "You would not even know what I've been through."

Stories like that demonstrate how Abiomed sells five varieties of the $23,000 Impella pumps. (The price also includes care and support.) The Danvers, Massachusetts, company reported net income of $112 million on revenue of $594 million in its March 31 fiscal year, almost all of it from Impella. Michael R. Minogue, Abiomed's chief executive, tells how in 2016, when enough patients had been treated to fill Fenway Park, a patient and his doctor threw out the first pitch at a Red Sox game.

"My best day in the office is seeing patients," says Minogue, a West Point grad with an engineering degree. "And on my worst day I pull out my book with all the patients' stories and I read it."

The stories are great. But some doctors, even ones who use the device, think the evidence the company cites to support its use isn't strong enough. For patients like Lisa, "the Impella may not be of any value," says David Brown, a cardiologist at Washington University in St. Louis. "In the history of medicine, when we've assumed things work without adequately testing them, we frequently have felt foolish because when it was ultimately tested it was found not to work so well." Robert Yeh, a cardiologist at Beth Israel Deaconess Medical Center, vividly remembers patients who he suspects would have died if not for the Impella, yet he says he lacks definitive proof of the pump's value.

Proof would require a controlled trial, with some patients randomly getting the pump and others not. Such a trial, says Minogue, has been impossible in the U.S., since doctors won't play Russian roulette with their patients. Wall Street doesn't care about trials. Abiomed's market value of $14 billion is 74 times trailing earnings.

Abiomed was founded in 1981 to develop an artificial heart. That device was approved in 2006 but was rarely used and is no longer for sale. Minogue, a Bronze Star veteran of the Gulf War, arrived in 2004 after 11 years at General Electric.

The artificial heart, Minogue says, was "a science fiction product." Another device, a partly external heart pump, generated $30 million in sales at its peak.

What he wanted was something that could help the heart pump and recover, without having to replace the damaged organ. He found it in the Impella, a device made by a German firm and used on patients in Europe. In 2005 he bought the startup, which had nearly gone bankrupt, for $2 million in cash, $45 million in Abiomed stock and $29 million in payments that would be owed if the device reached the market.

Good move. Since Minogue joined the company, Abiomed's revenue has climbed sixteenfold and its share price thirtyfold.

The Food & Drug Administration cleared Impella for the U.S. in 2008 for temporary heart support, and sales growth has been in the double digits since 2014. "I challenge you to find me a story with those same growth characteristics," says Raj Denhoy, a medical device analyst at Jefferies who has been following Abiomed for many years.

The pump looks like a striped gray pen with a pigtail on the pointed end. It is inserted into a patient's heart via a wire threaded up from the groin and remains connected to a bedside console. It's meant to pump blood out to the body continuously, not mimicking the heart's pumping motion. Once the heart recovers, the pump comes out. Different versions of the Impella can support the right or left side of the heart.

CEO Michael Minogue in Abiomed's Massachusetts headquarters.

HARRY FELLOWS FOR FORBES

About half of Impella sales are for use during procedures to open up blocked arteries with tiny metal tubes called stents. For this use Abiomed conducted a randomized study comparing Impella with another device in 448 patients and received approval from the FDA in 2015. The other half of sales is for patients who have had a heart attack and aren't getting enough blood to their bodies. For this use, the main study, comparing Impella with a balloon device, comprised only 26 patients. There was also data from hundreds of patients who had received the device as part of their care but were not part of a controlled study. That earned Abiomed an FDA approval in 2016.

Not good enough, says Will Suh, a cardiologist at the University of California, Los Angeles. "The highest-quality evidence is lacking." He still uses the Impella, because he believes he's seen it work in certain situations, but points out it can cause bleeding complications. "I'm amazed at such an expensive device being used without a little bit stronger evidence," says Martha Gulati, chair of cardiology at the University of Arizona.

If Abiomed doesn't have the data doctors want, Minogue says, it's not for lack of trying. He says the last of the seven times Abiomed has attempted a U.S. trial, in 2007, 58 hospitals participated but only one patient enrolled. "It is a very difficult, logistical and ethical thing to do," he says. "Would you want a family member randomized?" Hospitals in Denmark and Germany are enrolling patients in a randomized controlled trial, but that isn't expected to be completed until 2023.

Part of the reason it's so hard is because often patients' hearts have stopped and "you really can't get consent ahead of time," says William O'Neill, a cardiologist and Abiomed consultant at Henry Ford Hospital in Detroit who was an early adopter of Impella. His study of 104 patients treated with the Impella shows 77% survived to leave the hospital, versus a 50% historical survival rate. Clyde Yancy, chief of cardiology at Northwestern University's Feinberg School of Medicine, says it's all about selecting the patients who have the best chance of being helped. "The Impella is definitely a step forward. It's less than a perfect device, but better than what we have had before."

Minogue, as you'd expect, has an answer to complaints that his company's device is too expensive. He pulls a red plastic charity band on his wrist given to him by an Impella patient. The white lettering has come off from wear. "Jessica, she's 32," he says. "She's back home now with her own heart. In the case of Howard, he was 68 and he's five years out. I can go on. I mean, all these stories." F

TANOTO FOUNDATION:

AN EVOLVING APPROACH TO EDUCATION PHILANTHROPY

The foundation is taking a holistic view to help students realize their full potential to achieve lasting change in Indonesia's education system.

College students participating in leadership and team-building games at the annual Tanoto Scholars Gathering.

Addressing problems in Indonesia's vast and complex education system is not for the faint-hearted. The country has the fourth-largest education system in the world, behind only China, India and the United States; there are more than 50 million students, 2.6 million teachers and 250,000 schools spread across the archipelago.

Equipping this diverse population with the knowledge and skills to thrive in the country's fast-changing economy is a massive challenge. There are more students in Indonesia than there are people in Spain, and more than half of them perform below minimum levels in mathematics and reading.

Against this backdrop, philanthropic organizations such as the Tanoto Foundation have stepped up to play an important role in pursuing better education outcomes. Founded by Indonesian businessman Sukanto Tanoto and his wife Tinah, the foundation was born out of a desire to raise the standard of education in parts of rural Indonesia.

Recognizing the need to help promising students realize their potential, the Tanoto Foundation has given out more than 20,000 scholarships to provide students and teachers from diverse backgrounds access to quality education. One of its programs, National Champion Scholarship, has been running for 12 years and targets students from underprivileged families.

Holistic Development for Scholars

In recent years, the foundation's philosophy toward scholarship disbursement has evolved, and it now adopts a more holistic approach to support the next generation of scholars in Indonesia. This approach takes into account a broader view of student development—one that addresses socio-economic problems as well as geopolitical conditions. Furthermore, embedded in its various initiatives are mechanisms that more accurately monitor and report the impact of the foundation's investments on human capital.

The aim is to develop programs that are multidimensional, encompassing the non-academic and non-vocational elements of character development, leadership skills and global citizenry. For instance, Tanoto Scholars participate in national and regional programs to expose them to the daily realities of citizens who live in less-developed parts of the country. In this way, scholars gain a broader and more nuanced view of the problems they may seek to address in the future with the skills that they acquire.

The Tanoto Foundation also hosts an annual gathering that brings together hundreds of scholars, from as many as 21 universities, to impart knowledge as well as promote teamwork and camaraderie among the scholars in attendance. As a result of these and other efforts, the foundation's scholarship programs have led to their graduates enjoying improved income levels, as well as taking on prominent leadership positions in state and private organizations and social enterprises.

Partnering for Impact

With a social issue as large as education in Indonesia—the nation's primary school sector alone is home to 25 million students, 175,000 schools and 1.5 million teachers—no one party can hope to resolve it on its own. Rather, it takes an

Encouraging reading in early childhood education.

entire ecosystem of like-minded individuals and organizations to deliver effective and sustainable solutions.

To this end, the Tanoto Foundation actively seeks out partners that can complement its philanthropic efforts. As part of this mission, it actively engages governments, schools, teachers, parents, students and the wider community.

The foundation's collaboration with the Asia Philanthropy Circle (APC), which resulted in the publication of the report Catalysing Productive Livelihood: A guide to education interventions with an accelerated path, is one example. Founded in 2015, APC's mission is to accelerate private action for public good by addressing systemic challenges through collaborative philanthropy.

With input from the Tanoto Foundation, the report attempts to provide a clearer understanding of the current and future challenges faced by Indonesia's education system; to map existing initiatives and their impact; and to identify new opportunities for philanthropies to make a change for the better and to enhance their collaboration.

The foundation also regularly works with the Indonesian government to enhance the effectiveness of its initiatives. For instance, with the support of local regents and the Ministry of Religion and Culture, it developed the PINTAR program with the aim of strengthening the education ecosystems by building capacities in school management and leadership, teaching, parental education and community participation. The foundation's regional staff also works with government partners to develop and implement programs in target districts.

Another Tanoto Foundation-supported initiative, known as Project Sukacita, gathers college students of various disciplines—including those in medicine, dentistry, IT, engineering, arts and social sciences, and business management—to engage in a series of community service programs in rural communities in Pangkalan Kerinci, Riau, Indonesia. This annual student-led initiative involves Tanoto Scholars based in Singapore.

The foundation also collaborates with partners outside Indonesia to ensure it has access to global expertise and resources. It works with the Wharton Business School via the Tanoto Initiative for Indonesian and Asean (Association of Southeast Asian Nations) studies, a program that promotes studies and research on Asean, with a focus on Indonesia. This collaboration between faculties at Wharton and selected Indonesian universities aims to deepen thought leadership and business education in the region.

As it continues to refine and improve its approach to philanthropy, the Tanoto Foundation aims make a larger and longer-lasting impact on Indonesia's education sector and help students across the country realize their true potential.

The Tanoto Scholars Gathering engages hundreds of Tanoto Scholars every year.

Microsoft's New Groove

Once dismissed as a hidebound has-been, Microsoft is flying high. CEO **Satya Nadella**'s secret: a cultural reset that has lowered the gates to the software maker's fortress—and cloud, cloud, cloud.

BY ALEX KONRAD

In early 2016, two years into running Microsoft, CEO Satya Nadella needed advice from one of his newest employees, the cofounder of an app-tool maker Microsoft had just bought. Nadella was close to pulling off his blockbuster $27 billion acquisition of LinkedIn, but he wanted to talk about another company he coveted: GitHub. "Can we do it?" Nadella asked the executive. "Have we earned the trust?"

Back then, the answer was no. GitHub is the virtual watercooler of software development, a site where millions of programmers talk shop and share code across company boundaries. Microsoft had earned a reputation during its 1990s heyday as its polar opposite, an insular software belligerent, and GitHub was seen as wanting nothing to do with it. But after watching Nadella lead the Redmond, Washington-based giant for two years, GitHub made a surprise move, choosing Microsoft over Google as its acquirer this past June.

It was the latest coup for Nadella, 51, who's breaking free of Microsoft's recent past by returning it to its roots under cofounder Bill Gates.

"Bill used to teach me, 'Every dollar we make, there's got to be five dollars, ten dollars on the outside,'" Nadella tells *Forbes*, in his first sit-down interview since the $7.5 billion deal closed.

Great companies were once built on Microsoft's code, Nadella says he was reminded by Gates. Nadella's mission: Rebuild Microsoft brick by brick until it can happen again. "That's what I want us to rediscover," he says.

Signs of Nadella's progress are found everywhere. From a Microsoft voice assistant that integrates with Amazon's Alexa to a deepening alliance with Samsung and, most crucially, in its financial statements. Revenue, at $110 billion, is growing at a double-digit percentage after slumping for most of the past decade, in large part because of the hard-charging—and high-margin—cloud suite the company has built around Office and Azure, Microsoft's challenger to Amazon's cloud juggernaut. Net profits are at $16.6 billion, an increasing share of which is attributable to Azure, which is growing at 91% annually with multiyear contracts only just starting to boost the bottom line. Microsoft ended November as the most valuable company in the world, eclipsing Apple and Amazon. The consensus among analysts is that it will hit $1 trillion in market cap sometime next year.

Much of the credit belongs to Nadella, a Microsoft near-lifer who took the reins from Steve Ballmer in 2014 and immediately started knocking down walls. The former engineer says he has focused the company around a simple concept: "equitable growth."

"People are finally coming around to saying, 'It's not just the surplus you've created for yourself. What's the state of the world around you?,'" Nadella says. "That's where I feel like we're at our best."

Nadella signaled his intentions with the help of an iPhone. Weeks after his start as CEO, Microsoft opened up its Azure cloud service to make it easier for developers to create iOS apps. The following year, Nadella used an iPhone onstage at an event—unthinkable for a company that had brewed up the market-lagging Windows phone in 2010 and then blew more than $7 billion in 2014 buying Nokia's mobile division to support it. When Nadella took over, he wrote off the whole deal as a loss.

Behind the scenes, Nadella got to work on Microsoft's culture of infighting and of treating competitors as if it were "straight-up war," as a former Oracle exec puts it. With its rearward-facing obsession with Windows, the cash-cow operating system, Microsoft was caught unawares by the cloud boom (exemplified by Amazon Web Services) and by subscription software businesses like Salesforce.

Nadella, who immigrated to America from India in 1988, was an insider who led the company's nascent cloud business before taking the top job. He quickly installed new leaders and smashed the barriers between Microsoft and open-source rival Linux, which had been famously called a "cancer" by his pugnacious predecessor

Steve Ballmer. Nadella and Scott Guthrie, the new cloud boss, welcomed Linux onto Azure's IT framework, where it's now used by half of all computer systems operating on Microsoft's cloud. "When we achieved our success, with that success came out the classic hubris that I describe as being the know-it-alls," Nadella says. "I said, 'Let's shed that.'"

To chip away at Amazon's massive head start in cloud (Amazon Web Services is on track to make $27 billion in revenue a year, compared with an estimated pace of $10 billion for Microsoft's Azure and $3 billion for Google), Microsoft turned to its partners. Sales reps are now compensated when a deal with a key ally of Microsoft leads to more activity on Microsoft's cloud. And companies working with Azure find themselves brought into million-dollar deals at the one-yard line. "All of us have been stunned they are doing it," says Bob Muglia, CEO of San Mateo-based data-warehouse software maker Snowflake and a 23-year Microsoft veteran, who left in the Ballmer years. "Satya's recognized this is a service-oriented world."

Starbucks, which uses Microsoft to help power its ordering app, sent a dozen engineers to the world's largest invite-only hackathon, hosted by Microsoft—another Nadella-era idea. "It's a different approach from a traditional software company," says Gerri Martin-Flickinger, Starbucks' CTO.

But there are asterisks attached to this new exuberance. Much of Microsoft's success has come from moving existing customers onto its cloud services and its revamped Office 365 work software suite, raising concerns that the company is simply harvesting low-hanging fruit, says Dan Ives, an analyst at the Los Angeles investment firm Wedbush. And while the breadth of Microsoft's portfolio, which also includes gaming, search and devices like Surface tablets, is a great strength, it could still get tripped up again by success. "The risk is they go back to the old days," says Raimo Lenschow, an analyst at Barclays. (Both are bullish on the stock.)

Now with GitHub in the fold—following acquisitions of the maker of Minecraft ($2.5 billion, 2014), app-building-tool provider Xamarin (reported as $400 million, 2016) and LinkedIn—Nadella's team needs to avoid falling into bad habits such as restrictive long-term contracts. How the company integrates all these purchases—and history suggests it will be difficult—will also test Nadella. To navigate these challenges, Nadella relies on his broader vision that happier employees, customer and partners—even prickly coders—have to do well for Microsoft's business to flourish as well. "A successful product is one that fosters more success around it," Nadella says.

To pull it off, Nadella will need to lean on new leaders like Nat Friedman, the Xamarin cofounder whom Nadella asked about GitHub in 2016 and then tapped to run the business for Microsoft once the deal closed. As Friedman, whose new job entails evangelizing that message to GitHub's 31 million developers, puts it: "People are giving Microsoft the benefit of the doubt." F

JAMEL TOPPIN FOR FORBES

SANSIRI: A STEP AHEAD

Sansiri PCL continues to realize its global vision driving the international expansion of famed boutique hotel brand The Standard with 15 new hotels over five years and with the Asian launch of the One Night booking app.

Following on from more than 30 years of innovation in condominiums and other property developments in Thailand, Sansiri PLC invested US$80 million late last year in six international brands in the hospitality, technology and lifestyle industries. In line with its global expansion plans, in early November the company announced the introduction of The Standard Hotels and Residences to the Thai market in tandem with its launch of the One Night hotel-booking app.

The expansion of these brands into Asia was spurred by Sansiri's substantial investments last year. Standard International increased its global footprint from five to 10 hotels, with plans to double that again to 20 within the next five years, including its first Standard hotel in Asia in Phuket. One Night's reach will also be extended across the booming Asian market.

Sansiri's Chief Executive Officer Apichart Chutrakul says, "I'm delighted to share that only one year on, [Sansiri's] investment has helped to fuel impressive growth that will see two of the brands—The Standard and One Night—expand into the lucrative Asian markets, with Thailand as their first port of call."

The Standard, Miami Beach

Sansiri: An Industry Innovator

Sansiri was founded in 1984 and listed on the Stock Exchange of Thailand in 1996. From the beginning, the company has focused on developing, selling and renting mid-city condominiums. It increased its scope to include management and further expanded into landed property developments in Bangkok and around Thailand.

From the outset, Sansiri has stood out for its bold and innovative moves in the property market. Its prescient condo project in Hua Hin predated the foreign tourist boom by a decade; the mustard-yellow building was unprecedented in design and build quality. The units sold out quickly at prices high for the time and still command excellent resale value 30 years later.

The company's developments have remained on the cutting edge of the industry in design, location and quality. Its recent flagship property 98 Wireless has set a new standard in Thailand for luxury urban living and is on par with top global developments. The brand is renowned for its value and is perceived as an excellent investment by both local and international buyers.

Sansiri has grown to become one of Thailand's leading full service real estate developer with more than US$1.2 billion in annual sales and a presence in China, Hong Kong, Singapore, Taiwan and Japan.

The Standard, London

The Standard: A Powerful Brand

Having establishing itself as a unique and powerful brand among boutique hotels, The Standard has utilized Sansiri's US$58 million investment, which gave the Thai group a 35% stake in Standard International, to double its secured hotel properties to ten, with advanced plans to add ten more within the next five years in urban and resort locales starting with London early next year.

From the outset in 1999 with The Standard Hollywood on the Sunset Strip in Los Angeles, new and ambitious additions to the brand have grown in size and scope, building on its chic aesthetic and its fashionable bars and restaurants, as well as art and culture programming and community engagement.

Standard International's Chief Executive Officer Amar Lalvani says, "We create spaces that are culturally relevant to each market. The Standard hotels anchor neighborhoods and become hubs for creative energy and collaboration."

As an example, the Standard High Line in New York helped transform the city's meatpacking district, making it a sought after neighborhood, significantly boosting property values in the area and attracting big-name businesses.

"We believe the same will be true when The Standard opens its first location outside the U.S., in London's King's Cross and upcoming new locations worldwide," Lavani says.

Thailand's first Standard brand hotel will open in Phuket and include the first Standard residences in partnership with Sansiri, while the Bangkok regional office will oversee all Asian and Middle East operations.

The five-year plan is a who's who of world-class cities. Hotel projects in Paris, Milan, Berlin, Lisbon, Prague, Madrid, Chicago, Las Vegas, New Orleans, Atlanta, Dubai, Singapore, Shanghai, Hong Kong, Taipei, Bangkok, Phuket, Hua Hin, Jakarta and Bali, are all secured or in advanced discussions.

American singer Solange Knowles performing at Camp Standard in Miami.

With its current six properties comprising 1,200 rooms, The Standard generates annual revenue of about US$200 million, and has an 85% occupancy rate. The brand also enjoys a high percentage of direct bookings and repeat guests—indicators of the hotel's competitive strength.

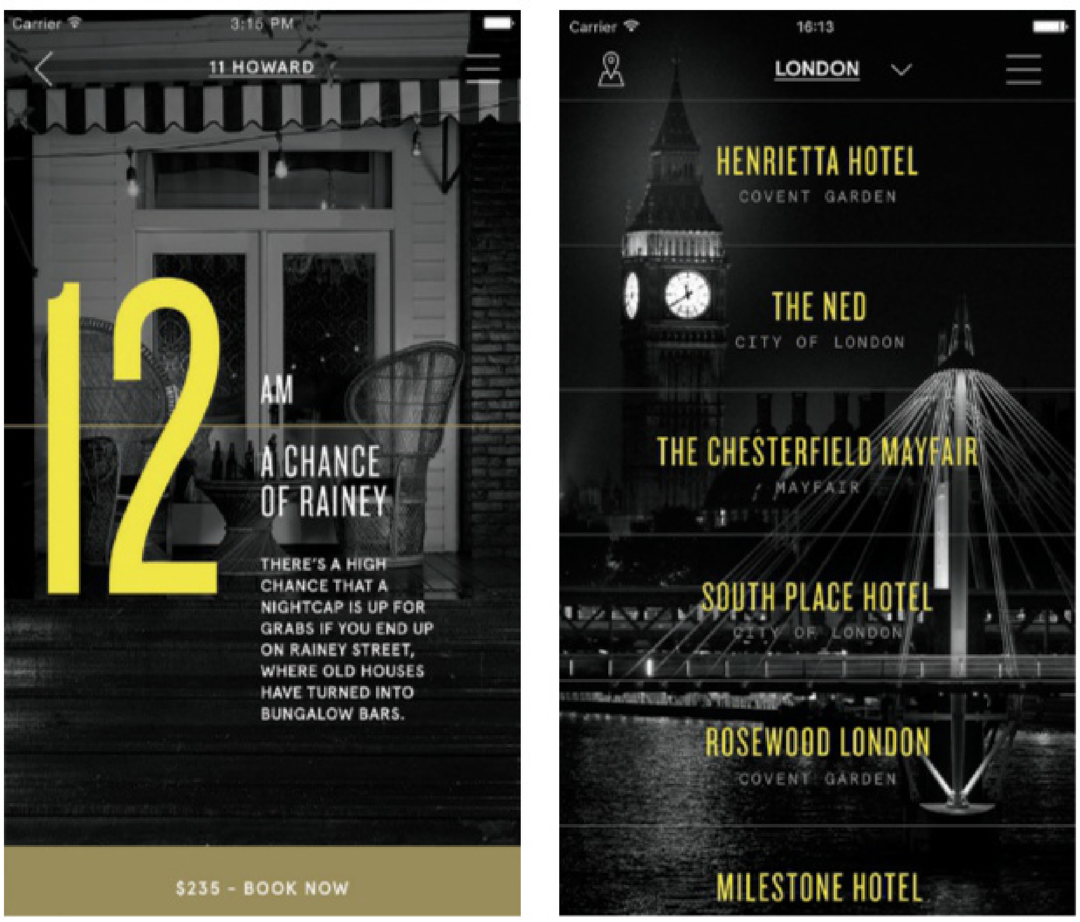
One Night: Spontaneous Booking

One Night is a simple and convenient app that travelers can use to book same day unsold rooms in a destination city. With a few taps on their phones they can spontaneously book a room at selected quality hotels. The app also provides insider tips for making the most of their stay.

President and Co-Founder of One Night, Jimmy Suh says, "One Night celebrates spontaneous living and experiential travel catering to today's on-demand service economy. Moreover, hotels are becoming increasingly popular for locals who wish to escape their daily routine with a 'staycation' in their own cities."

One Night has now launched in Bangkok, offering bookings in 16 of the city's best independent hotels, including The Okura Prestige Bangkok, The Siam Hotel, The Cabochon Hotel, Ba Hao and The Sukhothai Bangkok. One Night also operates in 15 cities in the U.S. and the U.K., and will expand to 30 cities in Asia and Europe by the end of next year.

"The strategic partnerships with such strong and exciting brands will strengthen Sansiri's core real estate business. Consumers will also benefit from having access to services provided by truly world-class leaders. The arrival of both The Standard and One Night in the Thai market marks another important step to be followed by several more in the future," says Sansiri's Chutrakul.



One Night App

The Standard

ONE:NIGHT

www.onenight.com
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THE NEXT TYCOONS
A GENERATION EMERGES

Cementing a Legacy

Third-generation Puneet Dalmia earned the go-ahead to expand in a consolidating Indian sector.

BY ANURADHA RAGHUNATHAN

In 1999—two years after joining his family cement business in Delhi, Puneet Dalmia proposed a $140 million expansion plan—with all the gusto of a management grad with a gold medal from the premier Indian Institute of Management in Bangalore.

His father, Yadu Hari Dalmia, who was running the cement outfit, didn't mince words. "He told me, 'You have no credibility. I cannot put so much money behind you,'" recalls Puneet, who also has an engineering degree from the Indian Institute of Technology in Delhi.

Instead, Papa Dalmia gave his son $500,000 of his own money and asked him to prove his mettle. Puneet cofounded a startup with a friend from IIT—getting funding from domestic private equity major ChrysCapital. The startup was a job search site, which he ran for a few years and then sold to global jobs outfit Monster.com for $9 million.

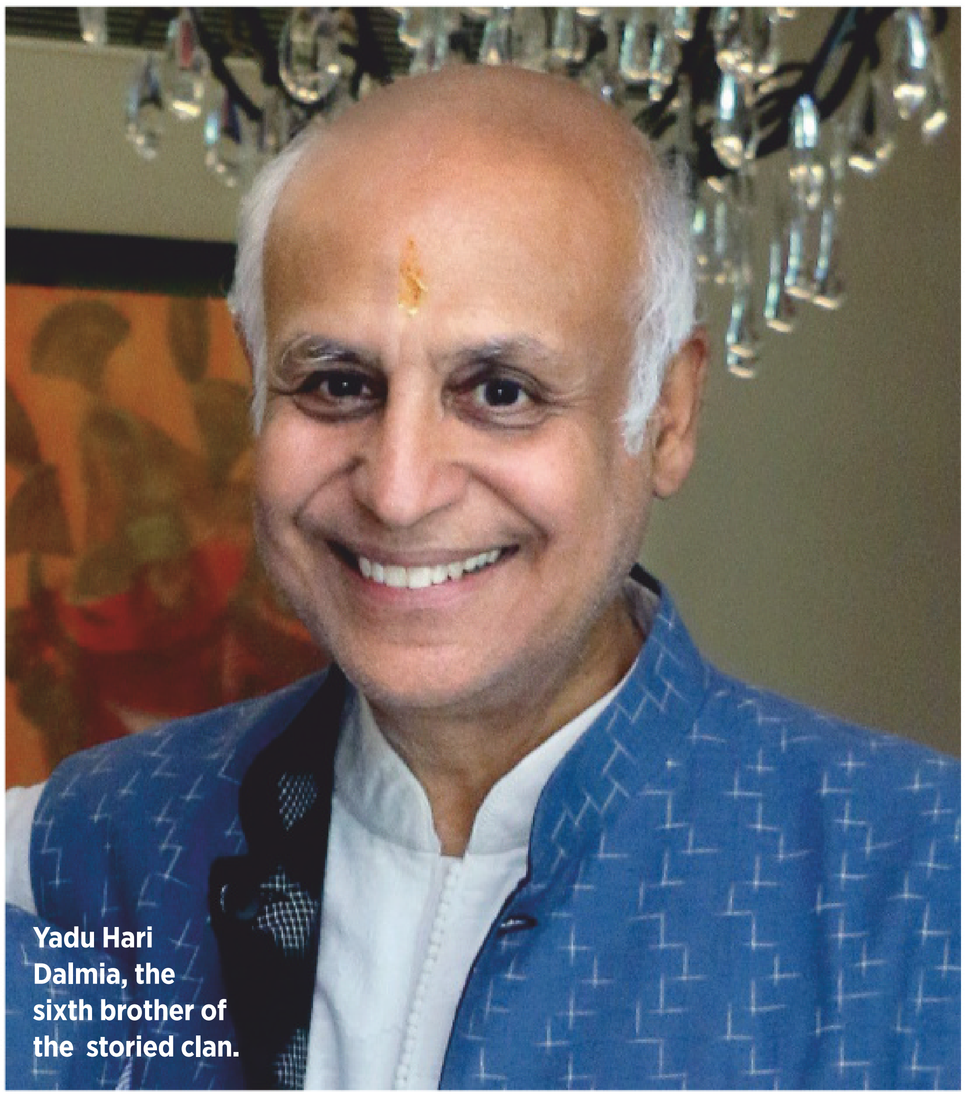
In 2004, Puneet rejoined the Dalmia Bharat Group—with interests in cement, sugar, power and refractories—and revived the proposal for cement expansion. "We had to build scale," says Puneet, now 46. "We were not even relevant in our businesses."

This time around, his father backed him, and he spearheaded two rounds of expansions for $500 million. Over the course of the next 14 years, the cement company grew from 1.2 million tons' capacity to 25 million tons—both through expansions and acquisitions—even as revenues rose from $60 million to $1.3 billion. This catapulted it to the No. 4 spot in the Indian cement industry.

In 2010 he roped in private equity giant KKR to invest in the business. Under KKR's tutelage the cement business went in for rapid expansion—taking over companies in eastern and northeastern India. (KKR exited in 2017 after nearly quadrupling its investment.)

The group is now mopping up distressed cement assets—under the new insolvency law. It's already snapped up Murli Industries in Maharashtra and Kalyanpur Cement in Bihar.

Managing director Puneet Dalmia: "We were not even relevant in our businesses."



Yadu Hari Dalmia, the sixth brother of the storied clan.

(Binani Cement, which the Dalmias bid for, went to rival Kumar Birla's Ultratech Cement in November after a legal battle.) It's looking to grow to 37 million tons in the next three years and has launched a $791 million capacity expansion plan—even as raw material prices are starting to soften and cement prices are beginning to rise.

The 79-year-old Dalmia Group—inherited from late founder Jaidayal Dalmia—is run by two generations. The second gen is represented by Jai Hari Dalmia, 73, and Yadu Hari Dalmia, 71, the fourth and sixth brothers from a set of seven brothers in the storied Dalmia clan. (The other five brothers parted ways at different points in time.) The third generation is represented by Jai Hari Dalmia's son Gautam, 50, who has a master's degree in electrical and electronics engineering from Columbia University and runs the $350 million (fiscal 2018) sugar business; and Yadu Hari Dalmia's son Puneet.

The four Dalmias across the two generations, who are all managing directors at the group, are part of a family council that makes joint strategic decisions. The Dalmias, with a combined net worth of $1.8 billion, have a written constitution, which lays down a set of 40 business decisions with clear demarcations on who has the final say on each such decision. For instance, when it comes to debt, Yadu Hari Dalmia has the deciding vote. Similarly, when it's strategy, Puneet gets the vote; for family compensation, it's Jai Hari Dalmia; and Gautam has the last word when a business needs to be shut down. Only 2 of the 40 decisions require absolute consensus—equity dilution below 51% and sale of promoter shares. The ownership is divided strictly down the middle between the two families, and professional CEOs handle all of the operational roles.

Puneet and his wife, Avantika, have also completed courses from the International Institute for Management Development in Switzerland to understand the dynamics of family businesses. "A family is a socialist ecosystem while business is a capitalist ecosystem," explains Puneet."In a family, the values are love, equality, loyalty and trust, but in a business it's meritocracy, growth and performance. If these two ecosystems collide it can explode. But if you can take the best of both worlds it can be an enabling platform."

For instance, in 2008, just when the global economic crisis hit, the group was on the verge of launching a $1 billion expansion project, with $700 million in debt. Yadu Hari Dalmia asked Puneet to pull the plug on the project. "We paid the syndication fee, but we didn't use the loan," says Puneet, who cited it as an example of how the younger generation had benefited from the wisdom of the previous generation, which had navigated a different India.

The two brothers—Jai Hari Dalmia, who has a master's degree in electrical engineering from the University of Illinois, and Yadu Hari Dalmia, who's a chartered accountant—joined the family business in 1970. They were faced with an India strangled by heavy regulation of the private sector. "That was an era of complete control by the government," says Jai Hari Dalmia. "Prices of all major inputs—fuel, power, wages, as well as products—were completely controlled. Sales and distribution were also controlled. And funding for any project was available only from public sector institutions."

Eventually, the duo diversified into sugar in the mid-1990s, putting up a plant in the northern Indian state of Uttar Pradesh.

"I REALLY WONDER ABOUT WHETHER SOMEONE IN A GARAGE IS BUILDING THE NEXT AMAZON OF CONSTRUCTION."

Then the next gen joined the group. "Their arrival gave a completely new impetus to the growth," says Yadu Hari Dalmia. "Both the cement and sugar businesses are now considered as one of the most efficiently run in their respective industries."

But as the business heads into its next phase, there are more challenges to watch out for. As Puneet puts it: "Cement is a sector that hasn't been disrupted by technology yet. I really worry about whether someone in a garage is building the next Amazon of construction."

INDONESIA:

AT THE FOREFRONT OF INDUSTRY

Indonesia's leading companies are transforming themselves to meet today's challenges and to future-proof their businesses for a changing world.

Indonesia skyline

Indonesia's economy is in the midst of a rough patch as it struggles with capital outflows as well as weaker exports and household spending. The Association of Southeast Asian Nations' largest member has also not been spared the tremors rippling from the ongoing trade dispute between China and the United States. As a result, economic growth is expected to reach 5.14% this year, lower than the government's official forecast of 5.4%, Finance Minister Sri Mulyani Indrawati told parliament in October.

The good news is that the government has announced measures to kickstart the economy's expansion. In November, it unveiled an economic stimulus package to support the rupiah and spur growth. Among other things, the package includes tax cuts for exporters of commodities in the mining, plantation, forestry and fishery sectors who keep their export revenues in the domestic banking system.

Meanwhile there are a number of Indonesian companies who have successfully navigated the sluggish environment as well as the disruption brought about by technology. These entities have built business models that are robust enough to withstand challenges on multiple fronts.

As a result, this elite group has been at the forefront of Indonesian business for many decades. Integrated real estate developer Ciputra Group, for instance, has left its signature mark of quality across the archipelago for more than 60 years. Today, the group has built more than 83 large-scale residential developments, 30 apartment towers, 16 schools, four universities, 14 hotels, 13 malls, 12 office complexes, seven hospitals and clinics, three theme parks, three villas and five warehouse developments.

Long-term success also requires an ability to adapt to changing conditions by leveraging innovation and technology. In the financial services sector, PT Bank Central Asia has introduced a host of new products and services—ranging from virtual chat assistance to mobile payments—that position it for growth over the long run.

Meanwhile, PT Adaro Energy has expanded beyond its core coal-mining operations to ensure the sustainability of its business. Over the past 25 years, it has grown from an operator of a single coal mine to an integrated energy producer with eight business segments.

Even dominant industry leaders cannot afford to stay still in today's fast-changing environment. Although it has a 90% market share in Indonesia's mass production of bread, PT Nippon Indosari Corpindo recently announced a series of game-changing initiatives to cement its leadership position. These include expanding its manufacturing capacity, entering new markets abroad and strengthening its distribution network at home.

What these companies have in common is a fervent belief that businesses need to constantly evolve if they are to stay relevant and succeed over the long term. In the following pages, you will discover the stories of how this handful of exceptional organizations are managing to do just that.

PT BANK CENTRAL ASIA TBK:

POSITIONED FOR GROWTH

With a strong balance sheet in hand, the industry leader is embracing cutting-edge digital technology to offer its customers innovative products and services.

MyBCA: An advanced banking experience that suits the modern lifestyle

Since its founding more than 60 years ago, PT Bank Central Asia Tbk (BCA) has become one of the leading commercial banks in Indonesia. Its sustained growth is owed to the trust it has built up with customers over the years as well as to the bank's commitment to delivering the best solutions to meet their financial needs.

BCA delivered a strong financial performance in the first nine months of 2018 and maintained its position as one of the banks of choice in Indonesia. It secured a solid source of current accounts and savings accounts (Casa) funding through its strength in transaction banking as well as through the growing interconnection between customers and the bank's payment system. BCA recorded stronger loan growth from debtors with proven track records.

Casa remained the main contributor on the funding side, accounting for 78% of total third-party funds at the end of September. Casa grew 11% to Rp477 trillion (US$33.25 billion) in the first nine months of the year from the year-earlier period. Overall, third-party funds grew 7% to Rp614 trillion (US$42.8 billion). BCA's well-diversified loan portfolio, which includes corporate, commercial, small and medium-size enterprises and consumer segments, grew 17% to Rp516 trillion (US$35.97 billion). Its healthy loan quality—maintained through prudent credit policies and disciplined risk management—is reflected in the low ratio of non-performing loans, which stood at 1.4%. BCA closed the first nine months of the year with net profit growth of Rp19 trillion (US$1.29 billion), up 10% year on year. Operating income as a total of net interest income and non-interest income grew 10% to Rp46 trillion (US$3.21 billion).

Ahead of the Curve

Security, convenience and reliability are top priorities for BCA in providing quality services to customers and in strengthening its banking franchise value; measured investment in banking infrastructure is a constant area of focus. BCA continuously strengthens its integrated banking service delivery networks through its branches, ATMs, m-BCA mobile banking and KlikBCA internet banking, supported by flagship products such as its debit card (Paspor BCA), credit cards (BCA Card, BCA Visa, BCA Mastercard and American Express) and e-money (Flazz and Sakuku). BCA's transaction banking networks are accepted widely by both conventional and e-commerce merchants. BCA continuously strengthens its holistic relationship with customers, implementing a customer-centric approach in offering comprehensive solutions in lending, transaction services, deposits and other banking needs.

Advancements in digital technology have caused a significant shift in customer transaction preferences as demonstrated by the high frequency of transactions through digital channels, which contributed 98% to BCA's overall transactions. In response to this, BCA continues to innovate and leverage digital technology to expand its products and services. In 2017, BCA launched Application Program Services (API), becoming the first bank in Indonesia that offers an API solution. BCA API services enable retail businesses as well as financial technology and e-commerce companies to quickly and easily connect to BCA banking services. BCA also launched the VIRA virtual assistant, a chat banking service aimed at millennials who communicate on chat application platforms. Aside from BCA Mobile, an mobile app-based service, BCA also provides Sakuku, electronic money for smartphones for payments, phone credit and split-bill transactions, among others. Most recently, BCA introduced QRku, which allows money transfers using a QR code through BCA Mobile and Sakuku. "BCA continues to adapt, embrace technological advances and capture business opportunities, all while maintaining a prudent approach to business," says BCA's President Director, Jahja Setiaatmadja.

GRUP BCA BCA

For more information:
www.bca.co.id

CIPUTRA:
VISIONARY LEADERSHIP

The 87-year-old founder of Indonesia's Ciputra property group has stayed ahead of the curve over the past six decades to help define modern Jakarta while maintaining a strong tradition of giving back.

The story of Ciputra Group, one of Indonesia's leading property developers, is intrinsically linked to Ir. Ciputra, an entrepreneur and philanthropist who was born in Parigi, South Sulawesi, on Aug. 24, 1931.

Ciputra set his sights on being a pioneer in his country's real estate industry soon after graduating from the Bandung Institute of Technology in 1960. Later that decade, he founded PT Pembangunan Jaya, or Jaya Group, and partnered with the Jakarta provincial government to build Indonesia's first modern retail outlet. The 15-hectare development was located in Senen, a commercial center in Jakarta.

This marked the start of a series of projects led by Ciputra that showcased his visionary capabilities. In the midst of the groundbreaking Senen project, Ciputra saw an opportunity to transform a 550-hectare swampland into Taman Impian Jaya Ancol, otherwise known as Ancol Dreamland, one of the largest tourism resorts in Southeast Asia today. This was followed by Jaya Group's development of a new township in Bintaro, South Jakarta. What began as a 100-hectare site eventually became a flourishing 2,321-hectare satellite city buzzing with activity and surrounded by malls, hotels and commercial districts.

Metropolitan Group

Ten years after he founded Jaya Group, Ciputra's ambitions led him to strive even higher. Together with a handful of partners he formed Metropolitan Group, whose first project involved revamping the district of Pondok Indah into one of the most prestigious residential areas in Jakarta. In the ensuing years, the 500-hectare development steadily evolved into an upscale township that featured shopping malls, a golf course, hotels and the world-class Pondok Indah hospital.

Ir. Ciputra

Ciputra's largest and most ambitious project under the Metropolitan banner was the development of a massive 6,000-hectare city in Tangerang, Greater Jakarta, called Bumi Serpong Damai. Pooling the resources of his diversified business empire, Ciputra succeeded in creating a self-sustaining city complete with a comprehensive range of public and social facilities that would cater to every resident's needs.

He expanded his portfolio further by developing the World Trade Center business district in Central Jakarta and diversified into the digital sector by establishing PT Metrodata Electronics, which has become one of Indonesia's leading information communication technology companies.

Ciputra World Jakarta

Ciputra Development

Despite decades of business successes, Ciputra did not slow his entrepreneurial endeavors. In his 50s he founded PT Ciputra Development with his family, which over the years has grown into one of the largest and most diversified property companies in Indonesia. To date, Ciputra has been involved in more than 130 projects in 44 cities across the nation.

These include the development of high-quality residential townships, apartment complexes, office towers, shopping centers, hotels, hospitals, recreational facilities and golf courses. Some of Ciputra's more high-profile projects include CitraGarden City Jakarta, CitraLand Surabaya, CitraRaya Tangerang, CitraLand City Losari Makassar, Ciputra World Jakarta, Ciputra World Surabaya, and Hotel and Mall Ciputra Jakarta. The group has also made its mark on the international stage, launching projects in Shenyang and Jiaxing in China, Hanoi in Vietnam and Phnom Penh in Cambodia.

Artist's impression of CitraLand City Losari Makassar

Driven by Values

Ciputra Group's success has largely been underpinned by three main values that are today a part of the organization's DNA: integrity, professionalism and entrepreneurship. Integrity ensures that the group remains committed to representing interests of all its stakeholders. The group's professionalism is reflected in the designs and masterplans of every township and mixed-use development it has worked to build. Entrepreneurship, meanwhile, has been key to driving the company's innovation and its ability to translate a vision into reality on the ground. These values manifest themselves not only in Ciputra's real estate business, but also in its other business units including property brokerage, agriculture, media, the arts and digital.

Ciputra is also using its dominant position in Indonesia's property sector to support the government's efforts to tackle the growing housing backlog, especially within low-income communities. For instance, one of the group's projects, Citra Maja Raya, a 2,600-hectare township in West Java, will provide affordable housing to support a government-backed mortgage housing program. Since the project's inception in 2014, the group has sold more than 13,500 housing units and 500 commercial units that have been designed to enhance quality of life within the community.

Good Corporate Citizen

Beyond its business ventures, Ciputra is committed to giving back to partnering communities. To this end, it works actively to promote and support a number of educational, social, cultural and environmental causes. Its EcoCulture program is one example, which was launched to promote awareness about the importance of preserving the environment. The program covers a range of activities from communal events and recycling programs to building-material selection and product design.

The group is also a fervent believer of the importance of education in transforming lives by equipping people with the knowledge and skills they need to raise their standard of living. Today, Ciputra's various foundations operate a portfolio of four universities and 16 schools. He is also actively involved in the arts. In 2015, he led the construction of Ciputra Artpreneur in Jakarta's central business district. The complex features the Ciputra Artpreneur Theater—a 1,200-seat, world-class venue—and the 1,500-square-meter gallery and exhibition center, which showcases artwork by both professional and amateur artists.

Despite a lifetime of business and philanthropic successes, Ciputra, at 87 years old, is fond of remarking, "My biggest project is my next project." Almost 60 years after he first embarked on his entrepreneurial journey, it is clear that the fire of ambition still burns brightly within him.

CitraRaya Tangerang Gate

CIPUTRA

For more information:
www.ciputra.com

SARI ROTI:

PT NIPPON INDOSARI CORPINDO TBK

Over the past 23 years, the Indonesian firm has set the bar in bread production. It is now expanding operations to ensure it has the capacity to accommodate growing demand.

Sari Roti, the top-selling brand of packaged bread produced by Indonesia's pioneer and largest bread company, PT Nippon Indosari Corpindo Tbk, currently has 11 factories: 10 in Indonesia and one new one in Philippines. It produces 4.5 million pieces in 25 different categories of bread and cakes a day to distribute to more than 67,000 outlets and points of sale throughout Indonesia, which has the world's fourth-largest population. It commands a dominant market share in the mass-market bread segment, and distribution is carried out through modern trade (minimarts and supermarkets) and general trade (small shops, hawkers, tricycles and direct selling to homes and schools).

Sari Roti factory in Cikarang, West Java

The company was founded in 1995 by the Salim Group, the Yap family and Pasco Shikishima of Japan. Wendy Yap—the daughter of Piet Yap, one of the founders of Bogasari Flour Mills of Indonesia—is the President Director and Chief Executive Officer of the company. It uses Japanese technology, which ensures the standard of high quality and hygiene, using Japanese machinery and formulation to produce the various types of bread. The vision of the company is to make bread available and affordable throughout Indonesia.

Sari Roti bread sold in minimarts and supermarkets.

The company, through its joint venture with Philippines-based Monde Nissin, recently started operations in the Philippines in April under the name of SariMonde Foods Corporation, and is currently producing and distributing to 1,280 outlets in the modern trade channels with only one bread category from its factory in Laguna. It will start distribution in the general trade in 2019. Monde Nissin is one of the largest distributors of noodles, snacks and consumer food in the Philippines since it started operations in 1980. It has a large distribution network through its numerous sari-sari (general trade) stores.

In 2010, Sari Roti became the only bread-producing company listed on the Jakarta Stock Exchange (ticker code ROTI). In November 2017, global private equity firm KKR became the company's third-largest shareholder through a rights issue. The proceeds of the rights issue is being used to fund the expansion of five new plants over the next five years throughout Indonesia. It is expected by the end of 2019, four new plants will be completed. This will bring the total number of factories in operation to 15, ensuring higher capacity to meet the country's growing demand for bread in the next few years.

SARI ROTI
Rotinya Indonesia

For more information:
www.sariroti.com

PT ADARO ENERGY TBK:

FROM COAL MINING TO ENERGY SOLUTIONS

The Indonesian energy company is on track to become one of the country's leading providers on the back of sustainable growth.

Over the past 25 years, Indonesia's PT Adaro Energy has transformed from an operator of a single-site coal mine into an integrated coal and energy producer to drive its growth over the long term. The group embarked on this evolution when it purchased logistics companies in 2008 and 2009 to support the efficient operation of its various businesses.

In 2010, it established PT Adaro Power as its primary vehicle to engage in the development of power plants in Indonesia. Adaro aims to become a major player in the country's power sector as a way to capitalize growth opportunities, generate a stable revenue stream and mitigate the impact of the coal sector's inherent volatility.

Today, the group is comprised of eight key pillars: Adaro Mining, Adaro Services, Adaro Logistics, Adaro Power, Adaro Land, Adaro Water, Adaro Foundation and Adaro Capital. As a result, the group's main engines of growth—coal mining, energy and infrastructure—are able to leverage the enhanced resources of Adaro Energy.

Adaro's transformation is driven by the company's belief that disruptive innovation is key to growth and success in today's business world. "We need to be nimble as well as consistent with our underlying business strategies to achieve our vision of becoming a leading Indonesian mining and energy group," says President Director and Chief Executive Officer of Adaro Energy, Garibaldi Thohir.

The strategy is already yielding results for the group. In the third quarter of FY2018, Adaro continued to maintain strong liquidity and a healthy balance sheet on the back of improved operations and strong cashflow generation.

In the first nine months of FY2018, the company recorded an Ebitda of US$1.06 billion, a 5% increase over same period the previous year, and maintained a strong operational Ebitda margin of 40% because of sustained favorable coal prices. As a result, Adaro is on track to achieve its operational Ebitda guidance of between US$1.1 billion and US$1.3 billion for the fiscal year.

"We are pleased with our performance, highlighted by year-on-year growth in operational Ebitda and core earnings driven by solid performance across our business pillars. We remain positive on the long-term coal market fundamentals and continue to execute our strategic priorities to ensure sustainable value creation while maintaining a healthy balance sheet and delivering strong profitability," says Thohir.

Adaro's business transformation into eight business pillars has laid a solid foundation for the group's sustainable growth in the long run. While the coal-mining segment remains at the core of the company's operations, Adaro is committed to further developing its portfolio of non-coal businesses to provide a more stable earnings base and build a more resilient and competitive company for the future.

Adaro Energy's first power project, a 2x30 MW mine-mouth power plant in Tanjung, South Kalimantan

adaro

For more information:
www.adaro.com

Cryptopia's Last Hope

Crypto mania made Joseph Lubin a billionaire, and he set out to build a utopian business empire. Then reality got in the way.

BY JEFF KAUFLIN WITH SARAH HANSEN

A year ago, Joe Lubin seemed like one of the most prescient people on the planet. Cryptocurrencies like ether were in midst of a hockey-stick ascent, and Lubin, a cofounder of the Ethereum blockchain and one of its most articulate pitchmen, was scheduled to speak at events from Davos to SXSW. At his firm's "Ethereal Summits," it was standing room only, with crowds hanging onto his every utterance, no matter how bizarre.

At one event in San Francisco in October 2017, he scolded attendees for hitting their television sets and for being rude to Siri, Apple's digital assistant. "We designed Ethereum to enable machines and bots to be first-class citizens," Lubin said with straight-faced sincerity as he espoused visions of decentralization, self-sovereignty and a democratized global society. "So be nice to the machines of this generation, lest some future artificial general intelligence who feels that you have been disrespectful to her ancestors decides to turn your carbon into something more useful to the future machine economy."

Lubin's quip drew laughter, but in the autumn of 2017 the idea that blockchain—the distributed database technology underlying virtually all cryptocurrencies—would usher in a new world order didn't seem far-fetched at all. The price of a single ether token, a digital representation of money that's similar to bitcoin, had just pierced $300, up from about $10 at the beginning of 2017. It was on its way to a peak of $1,389 within the next three months. *Forbes* would soon name Lubin the second-richest person in crypto, worth as much as $5 billion, based largely on reports that he owned between 5% and 10% of all the ether in circulation, which by the beginning of 2018 had a market value exceeding $100 billion.

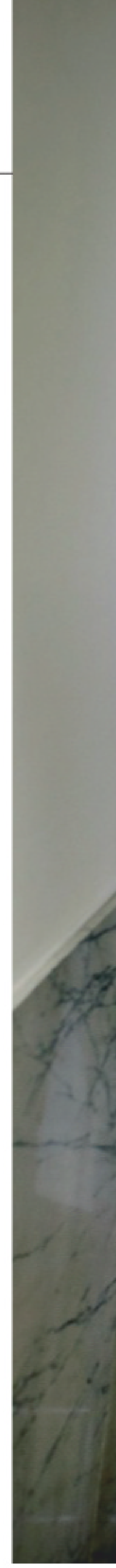
"The potential of this technology is just enormous," Lubin, 54, tells *Forbes* in a recent interview. "It's many orders of magnitude more valuable than [where the tokens] are sitting right now, because it's going to permeate all aspects of society. We're going to build everything on this technology."

Back in late 2014, a few months after ether launched via crowdsale at 30 cents per token, Lubin created ConsenSys, a holding company he grandiosely describes as a global "organism" to build the applications and infrastructure for a decentralized world. In actuality, it is the first crypto conglomerate, comprising a network of for-profit companies supporting bitcoin's biggest blockchain rival, Ethereum. More than 50 businesses were quickly spawned out of its Brooklyn headquarters, ranging from a poker site and a supply-chain company to a prediction market, a healthcare-records firm and a cybersecurity consultancy. But there were no fundraising rounds or debt offerings. In Lubin's version of the decentralized future, he is the architect, CEO and central banker, funding all of ConsenSys' "spokes" from his personal cryptocurrency stash.

Lubin has yet to veer significantly from this master plan, despite serious cracks in its foundation. For one thing, the Ethereum blockchain faces strong headwinds. Thanks to its perceived technical superiority—largely because it allows apps to be "embedded" in the blockchain—Ethereum became the launching pad for hundreds of initial coin offerings (ICOs), many of which in aggregate resulted in billions in losses for their supporters. The crypto landscape is littered with the carcasses of ill-fated Ethereum-based ICOs, and now the SEC and other regulators are targeting some of them for enforcement action. In November, the SEC settled actions against two Ethereum-based startups, Airfox and Paragon, which had effectively sold $27 million in unregistered securities when they issued their ICOs in 2017. Both tokens are now basically worthless. Meanwhile, rival app-supporting blockchains like EOS, which processes nearly ten times as many transactions a day, and Dfinity, which recently raised $102 million from investors such as VC firm Andreessen Horowitz, are challenging Ethereum. But almost all blockchain technologies remain glacially slow. Ethereum can process only about 20 transactions per second. By contrast, Visa can handle 24,000.

Yet Lubin's organism keeps growing. ConsenSys has 1,200 employees, and some 200 job openings are posted on consensys.net. Though ConsenSys declined to comment, *Forbes* estimates that almost all of its businesses are in the red, some with little hope of profitability. Lubin's global organism appears to be burning cash at a rate of more than $100 million a year.

When worried staffers have questioned Lubin about ConsenSys' sustainability, Lubin has always had a pat reply: "Joe would say, 'This is definitely not something you



On the hunt for new blockchain projects from ConsenSys' San Francisco office, CEO Joe Lubin is certain the sun will come out tomorrow for crypto, despite its current dark days.

TIMOTHY ARCHIBALD FOR FORBES

need to worry about. We can go on at this pace for a very, very long time,' " recalls Carolyn Reckhow, a former director of global operations who left ConsenSys in May.

With the price of ether in free fall, down from $1,389 to just over $100 today, Lubin's fortune may have dwindled to less than $1 billion, calling into question how long he can fund his dream. It all depends on how much ether he sold—and when.

LIKE ETHEREUM'S OTHER cofounders, Vitalik Buterin and Anthony Di Iorio, Lubin grew up in Canada. A self-described computer nerd whose father was a dentist and whose mother was a Realtor, he attended Princeton in the mid-1980s, where he played squash and was roommates with future billionaire hedge fund star Mike Novogratz, who, like Lubin, would ultimately pivot toward blockchain and crypto. After graduating in 1987 with a degree in electrical engineering and computer science, Lubin started in tech at Princeton's robotics lab, but he made his way to finance, building software for Goldman Sachs and later running a successful quant hedge fund.

Lubin's office was not far from Ground Zero during the September 11 attacks, and the harrowing experience threw him into an existential crisis. Over the ensuing decade he became deeply depressed about the state of the world.

"It was folly to trust all those structures that we implicitly felt had our best interests at heart. … I felt we were living in a global society and economy that was figuratively, literally and morally bankrupt," he said at ConsenSys' Ethereal Summit in May 2017. "I was confident that our economy and society were in a slow, cascading collapse." Lubin foresaw two equally catastrophic outcomes: Central bankers would eventually debase currencies to pay off mounting debts, stifling growth for decades, or some unexpected "nonlinear" event would create great hardships and send the world into the worst economic depression it had ever seen. So distraught was Lubin that he traveled to Peru and Ecuador looking for land he could escape to.

Then in early 2011, Lubin read the bitcoin white paper and had an epiphany: "Decentralization was a game changer."

Reading all he could on bitcoin, Lubin was eventually introduced by Di Iorio to Vitalik Buterin, Ethereum's then 19-year-old creator and boy genius of crypto. Having read Buterin's November 2013 Ethereum white paper, Lubin got in on the ground floor of the Ethereum project and attended the group's foundational meeting in Miami in January 2014. He continued as part of the core group through Ethereum's $18 million initial coin offering in July 2014 and was rumored to be one of the biggest buyers during the token's initial crowdfunding, at prices estimated to be well below a dollar. Ultimately, Ethereum's founding team bickered and parted ways. Buterin continued to focus on the technology, while Lubin hatched his plan to create a business ecosystem around Ethereum.

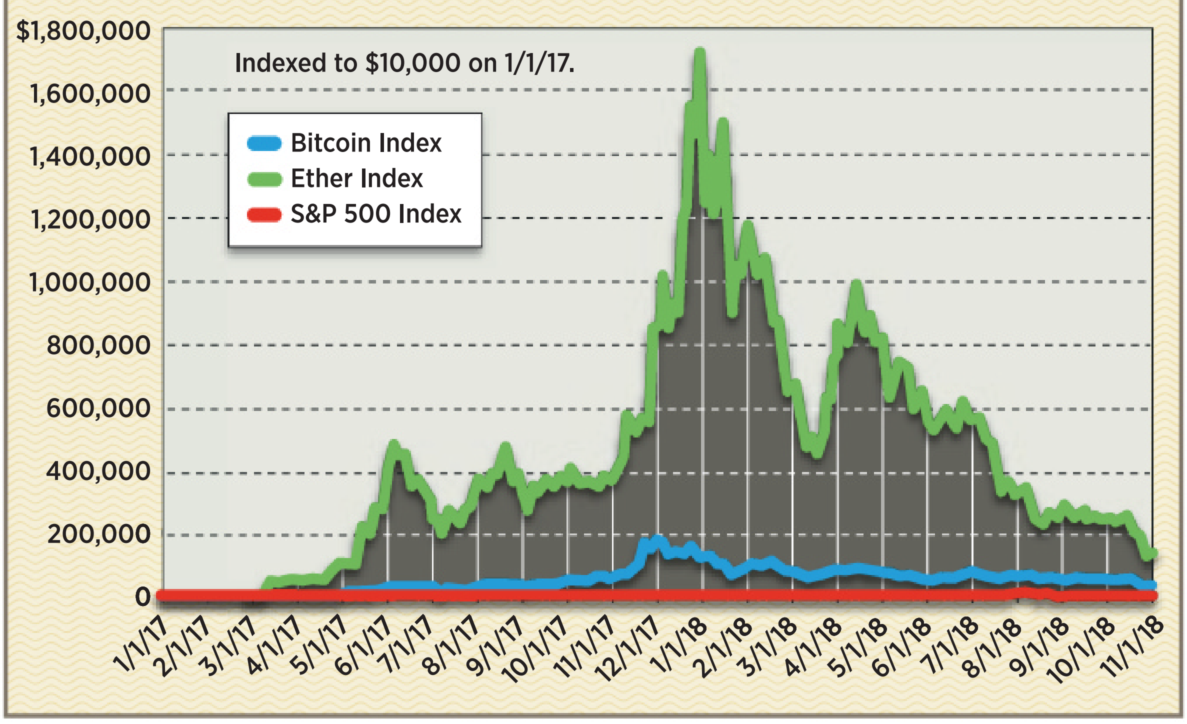
For ConsenSys' headquarters, Lubin chose the Bushwick neighborhood of Brooklyn. From the outside, 49 Bogart Street looks dingy: The door is covered with stickers and is surrounded by graffiti. The interior isn't all that different. ConsenSys occupies multiple lofts alongside residential apartments.

When it came to organizational structure, Lubin wasn't having any of the typical corporate hierarchy. His ConsenSys would be a so-called holocracy—no managers or reporting structures. Decision-making would be decentralized, and employees could choose their own titles. Few had permanent desks. "Every day, it was so lax that I'd walk in and didn't know if I had a seat. Literally, it was like *Game of Thrones,*" says Jeff Scott Ward, who joined ConsenSys in June 2015 and left the company in early 2018. There was one toilet for 30 people on the floor, Ward says. The company didn't hire a human resources person for almost a year and a half.

ConsenSys' first projects, or spokes, included accounting software for cryptocurrency transactions and a blockchain-based digital-rights platform for musicians. Most of the ideas for spokes came from ConsenSys employees, and once a project was approved, Lubin would give the startup between $250,000 and $500,000 to get it off the ground.

FROM BUBBLE TO BEAR MARKET

$10,000 INVESTED IN ETHER TWO YEARS AGO WOULD BE WORTH $144,000 TODAY. BUT IN THE LAST YEAR, $10,000 IN ETHER WOULD HAVE SHRUNK TO $1,500.



The goal was for the spokes to become self-sustaining businesses, and in an effort to foster this, they would occasionally be spun out into their own legal entities. Lubin's broader goal is to turn his Ethereum ecosystem into what he calls a mesh, whose strength is derived from the spokes' interconnectivity.

Only a few of the spokes ConsenSys has launched have gained traction. Balanc3, the accounting software project, says it has more than 25 business customers (though it won't specify any), each paying at least $25,000 a year. Another, Kaleido, helps companies implement blockchain technology. It has 1,900 users and says it just began charging for its services. Amazon Web Services recently announced that its ubiquitous hosting platform is compatible with Kaleido's blockchain offerings. ConsenSys has built technical tools for Ethereum that programmers have downloaded millions of times, but the company doesn't charge for them.

Lubin has been less rigorous than traditional venture capitalists in approving projects. "Joe is the kind of person who tends to want to keep his options open and say 'Yes, why not?,'" says Reckhow, who's now head of client services and operations at Casa, a crypto-wallet company. "He's lucky to be in a position where that works well, but he's not as good at prioritizing. He'd rather say yes to everything."

BEING THE DADDY WARBUCKS of the Ethereum blockchain is fine when digital money is trading at stratospheric levels, but as cryptocurrency enters another bear market *(see chart),* Lubin, who admits to periodically selling crypto to fund operations, may need to start pulling some plugs.

In 2017, Mark Beylin, a student at the University of Waterloo in Canada, came to Lubin with the idea for Bounties Network, a marketplace for freelance jobs that's similar to the popular website Upwork but uses Ethereum's smart-contract technology, which helps with billing. After one year in operation, Bounties Network has seven people working on it and just $250,000 in total "bounties," or offers for jobs, which range from $171 for an 800-word blog post on the future of work to $67.30 in exchange for translating a white paper into Portuguese. Bounties Network has generated revenues

PETER AND MARIA HOEY FOR FORBES

of less than $50,000 so far.

In October 2016, Jared Pereira, an 18-year-old high school graduate living in Dubai, pitched Lubin on Fathom, which aims to somehow disrupt the higher-education business by crowdsourcing academic evaluations and grading. Lubin gave the go-ahead, but two years later the project has six people working on it and no launchable prototype. Its website is nothing more than a few pages stating high-minded ideals: "If individuals were free to build their experiences tailored to their unique aims, and were able to communicate those experiences reliably to any entity in the world, there would be an order of magnitude shift in the efficacy of social organization at every scale."

Other projects that have been staked by Lubin seem even flakier. Cellarius is a "transmedia cyberpunk franchise" aimed at collaborative storytelling on the blockchain. What exactly is collaborative storytelling, and why will the blockchain make it better or more profitable? Its website's explanation is far from clear.

Lubin insists ConsenSys is getting more selective in picking projects. But old habits die hard. In October it bought a nine-year-old asteroid-mining company called Planetary Resources. "We see it as a group of amazingly capable people who are interested in exploring how blockchain could ramify on space operations," Lubin says abstrusely. Civil, a spoke that aims to put journalism on the blockchain and is supposed to somehow increase the level of trust in news, recently had to cancel its ICO because it failed to raise its minimum target of $8 million. Some of the journalists in Civil's 18 newsrooms say they have yet to receive compensation in the form of tokens they were promised. (Disclosure: *Forbes* recently announced a partnership with Civil.)

ConsenSys also offers consulting services, essentially assisting companies in becoming blockchain-literate. To date, this is the best business ConsenSys has. In the short run, these services will succeed—until companies wake up and realize that blockchain isn't necessarily better for most things and is sometimes worse than other technologies. ConsenSys consultants helped create Komgo, for example, a consortium of 15 big banks that includes Citi, BNP Paribas and ABN AMRO. Komgo wants to use the blockchain to bring efficiency to the financing of goods shipped around the world, like oil. ConsenSys consultants are also working with UnionBank in the Philippines to speed up money transfers.

In the past year, ConsenSys' consulting arm has grown from 30 employees to more than 250 and, according to Lubin, is bringing in "tens of millions of dollars" in the form of cash and equity stakes.

As for ConsenSys' spokes, which are mostly applications and developer tools, *Forbes* estimates the whole lot of them won't generate more than $10 million in revenues in 2018.

So far, ConsenSys' biggest non-consulting successes are its tools for Ethereum programmers. Its MetaMask product, which lets users log in to Ethereum from a Web browser, has more than one million downloads (all of them gratis). Truffle, which helps developers manage and test parts of their code for building Ethereum applications, has also cleared one million free downloads. It can be difficult to charge real money for these tools because of the communal, quasi-anarchist nature of the blockchain developer community. ConsenSys claims it will soon start charging for Infura, a tool that facilitates access to Ethereum.

"ConsenSys has done more for the Ethereum ecosystem in its first five years of development than any other firm," says Meltem Demirors, chief strategy officer at CoinShares, a crypto-asset-management company.

None of this seems to phase Lubin, who is clearly not launching projects to make profits. "The intention isn't to create companies and send them out and make money," he says. "The intention is to create an ecosystem. It really is very family-like." However, Lubin also acknowledges that changes are in order and recently sent a memo to his staff about becoming more focused. "In ConsenSys 2.0," Lubin says, "we'll pay more attention" to the market-based hurdles that traditional startups have to clear.

THE BIGGEST PROBLEMS at ConsenSys may have less to do with plunging crypto prices and Lubin's dwindling fortune than with his conglomerate's weird operating structure.

ConsenSys would like to believe that it's reinventing the future of work and business. As you enter ConsenSys' hacker-chic Brooklyn digs, there are lots of antiestablishment touches, including a large banner on the wall that reads, "Welcome to the decentralized future."

In fact, CEO Lubin tries not to tell people what to do. "He wants to be like the anti-CEO or the anti-founder," says Jeff Scott Ward, a former employee who thinks this is partly because Lubin is a nice guy who wants to be democratic.

But there are some not-so-nice consequences of having Mr. Nice Guy in charge. At ConsenSys, there's less incentive to meet deadlines and make fast progress. "In a lot of ways, there still isn't pressure to generate revenue or hit targets that normally Silicon Valley VCs and businesses would be looking for," says Griffin Anderson, who leads the Balanc3 spoke. One Glassdoor commenter describes ConsenSys as a place with "unlimited funding and no pressure to actually deliver anything."

LUBIN'S GLOBAL "ORGANISM" APPEARS TO BE BURNING MORE THAN $100 MILLION A YEAR, YET CONSENSYS IS STILL EXPANDING.

The lack of traditional structure has also spawned ugly politics. "It feels a little like *Survivor*," says Lucas Cullen, a former employee. ConsenSys staffers who are close to Lubin get faster access to resources, says a former employee, and accountability varies widely from team to team.

ConsenSys does have Resource Allocation Committees, which are charged with deciding whether spokes will continue to receive additional engineers or funding.

Vitalik Buterin's 2013 Ethereum white paper gave Lubin a new lease on life.

But the committees are in a constant state of flux. "There's always one person from finance, but they're generally made up of people who have an interest in your area," says Thomas Hill, a cofounder of Truset, a ConsenSys spoke that's building a crowdsourced business data platform. "Anyone can sign up for an RAC."

According to Ward, who spent three years at ConsenSys, "There were too many cooks in the kitchen. It was like, Whose ego is the strongest? It was exhausting," he says. UPort, a tool aimed at letting users log in to Ethereum applications, had three project managers, who couldn't align on a single vision. Today there are just 15 applications using UPort, and the project is splitting in two.

Many describe ConsenSys' culture as chaotic, and the company seems to have trouble keeping track of its projects. ConsenSys' homepage says it has "50+ spoke companies," but during the reporting of this story, the number ranged from "more than 30" to, most recently, 42. It's a "fluid number," says a company spokesperson.

Lubin acknowledges some of these difficulties. "[Accountability] has been an issue at ConsenSys," he says. "We've been working to put in place various mechanisms to make it clearer who's responsible for what and to ensure crisp accountability." But he also cites real benefits to his mesh architecture. Projects are collaborative, and silos are easily breached. Employees report that there is little stigma attached to questioning others' assumptions. And some insiders report feeling empowered by the autonomy—especially the opportunity to move laterally among projects.

According to Hill, the Truset cofounder, "ConsenSys will end up in the *Harvard Business Review* as a case study, either as a lesson on how you change corporate organizational structure or as a disaster."

IF THERE IS a paradox in Lubin's quest to reinvent business for the coming age of decentralization, it's that ConsenSys is actually much more centralized than Lubin would like to admit.

When ConsenSys spokes have spun out and become separate businesses, for example, Lubin has retained ownership of 50% or more. Thus, like John Pierpont Morgan and Andrew Carnegie during America's Gilded Age and tech magnates Jeff Bezos and Mark Zuckerberg of the internet age, Lubin is setting himself up to become one of the controlling titans of the blockchain era.

"This is where the whole mesh-and-decentralization thing falls apart," Ward says. "It was never clear who had what stake." In the case of Grid+, one of the projects ConsenSys spun out through an ICO, *Forbes* estimates that Lubin walked away with no less than 20% of its tokens, in addition to half of its equity.

"I don't think they even have the slightest idea what decentralization is," says Demirors of CoinShares.

And the issue of sharing ConsenSys' equity among its 1,200 employees has become a running joke. Former employees report that for a long time Lubin was evasive and the plan was always "six weeks away," if you asked him. In fact, the first set of 100 employees or so received their equity in early 2017, and nearly two years later, ConsenSys says, it's still working on a plan to give its larger workforce a stake in the company.

Lubin doesn't think ConsenSys' structure presents contradictions. "If you can build a system that serves many people and they're all delighted with the system, then the originating structure doesn't necessarily have to be equally owned by lots of people," he says, in a response that could have just as easily been uttered by Zuckerberg on the eve of Facebook's lopsided public offering.

In 2017 ConsenSys was able to use ICOs as an easy and lucrative way to spin companies out and reward internal staff. But now that the SEC is cracking down on ICOs, that window is much smaller. "As we look to make more external investments, there are specific deals where we need to map to a traditional VC model," says Ron Garrett, head of ConsenSys Labs, the division responsible for deciding which projects become spokes. "In those deals, we'll take less equity." He adds that other startup incubators like Betaworks are known to take majority stakes in the companies they incubate. So much for democratization and decentralization.

For now, Joe Lubin's grand experiment in the future of business is racing against a clock: Will blockchain applications achieve mainstream success before Lubin's largesse is exhausted?

Even the most successful applications on Ethereum have tiny user bases. The most widely used application is a decentralized exchange for trading crypto called IDEX, which is unaffiliated with ConsenSys. After more than a year in operation, it has a pitiful 1,000 daily users. "We knew that it was going to be a lot of work and take a long time before you enable massive evolution on a planetary scale," Lubin says.

If Lubin is still a billionaire, he may be able to sustain ConsenSys for several years—even at its $100 million-plus annual burn rate. "As it stands, ConsenSys is stable and healthy," he insists.

At what point will Lubin throw in the towel? "I have no exit plan, and I've never had an exit strategy for anything I've done," he says from ConsenSys' San Francisco offices, where he just hosted a "demo day" for 16 startups eager to join his bankroll. "I'm all in." F

ETHAN PINES

Forbes CEO

FORBES GLOBAL CEO CONFERENCE

THE WORLD REBOOTS

October 30-31, 2018 • Bangkok, Thailand

Group photo at a private welcome reception before the start of the conference

GLOBAL BUSINESS LEADERS CONFRONTING CHALLENGES AND SEIZING OPPORTUNITIES AS THE WORLD REBOOTS

Now in its 18th year, the prestigious Forbes Global CEO Conference was held in Bangkok, Thailand from October 30-31, 2018. Under the theme of “The World Reboots”, this year’s conference focused on how CEOs, companies and countries are confronting challenges and seizing opportunities arising from accelerating disruption.

Gathering some 470 of the world’s top global CEOs, tycoons, entrepreneurs, investors and thought leaders, the annual event served as a high-level platform to discuss and debate key issues of global concern, and to build new partnerships.

Forbes CEO

KEYNOTE ADDRESS

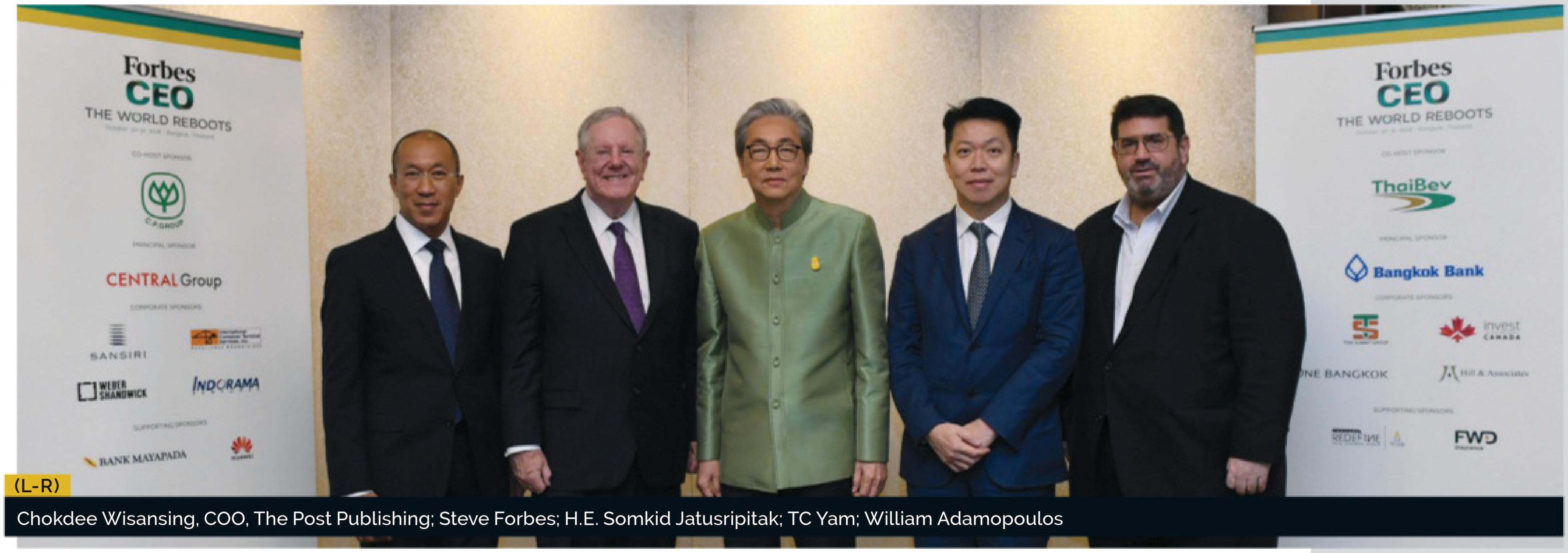
by H.E. Somkid Jatusripitak, Deputy Prime Minister, Thailand

H.E. Somkid Jatusripitak, Deputy Prime Minister of Thailand, delivered a keynote address in front of an audience of global business luminaries and thought leaders on the second day of the conference.

He spoke about Thailand's success in developing the country as an ideal place for investment, including an improving economy, political stability, developing infrastructure and its critical location in the center of the ASEAN region. He noted Thailand's moves to enhance its digital and technological prowess to better compete in a global economy filled with disruption and change.

(L-R)

Enrique K. Razon Jr., Chairman & President, International Container Terminal Services, Inc.; William Adamopoulos, CEO, Forbes Media Asia; Tos Chirathivat, Executive Chairman & CEO, Central Group; Suphachai Chearavanont, CEO, Charoen Pokphand Group, Chairman of the Executive Committee, True Corporation; H.E. Somkid Jatusripitak; Steve Forbes, Chairman & Editor-in-Chief, Forbes Media; Chartsiri Sophonpanich, President, Bangkok Bank; TC Yam, Chairman, Integrated Capital Holdings; Huynh Thanh Phong, Group CEO, FWD Group



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Chokdee Wisansing, COO, The Post Publishing; Steve Forbes; H.E. Somkid Jatusripitak; TC Yam; William Adamopoulos

(L-R)
Tos Chirathivat; Suphachai Chearavanont; H.E. Somkid Jatusripitak; Steve Forbes

(L-R)
H.E. Somkid Jatusripitak; William Adamopoulos; Tan Hooi Ling, Cofounder, Grab

Throughout the two-day conference, some 50 speakers gathered from around the world, generating insights on topics such as the world economy, technology, disruption, innovation, and investment opportunities in sectors such as finance and real estate. The panels also highlighted the best strategies for leadership, entrepreneurship, family business, philanthropy and sustainable development.

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WHAT'S NEXT

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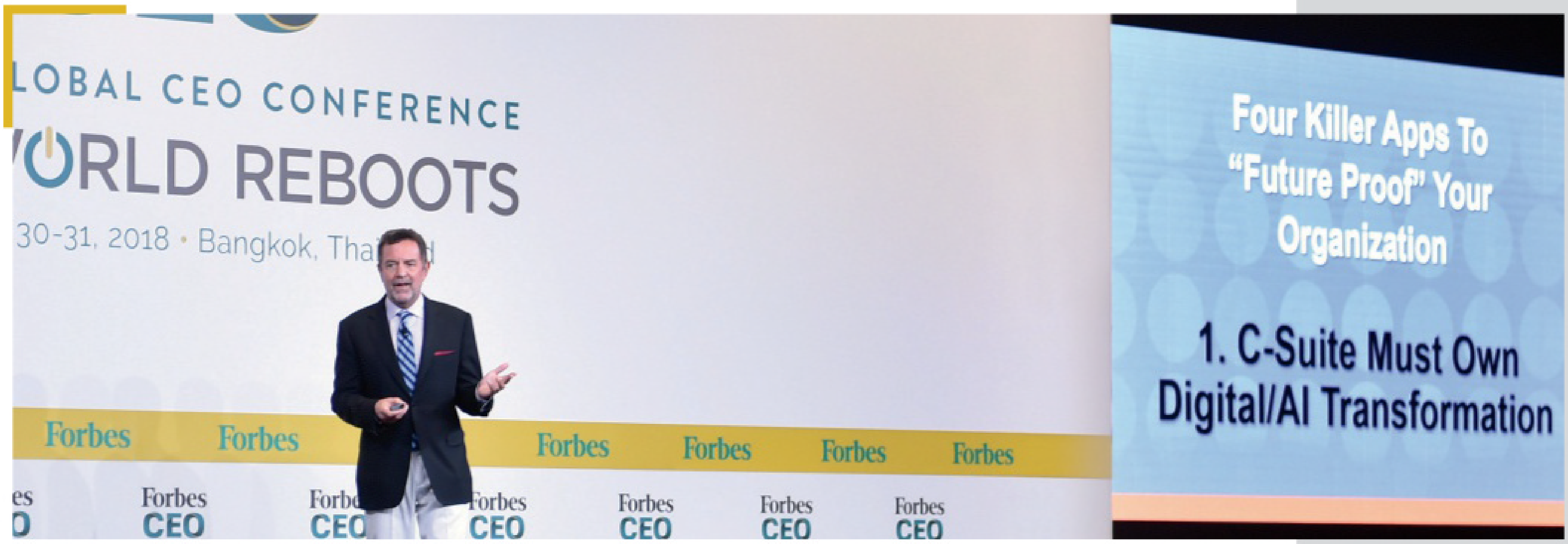
FACT & COMMENT

by Steve Forbes, Chairman and Editor-in-Chief, Forbes Media

At the opening night gala dinner, Steve Forbes delivered his “Fact & Comment” speech, where he gave an overview of the U.S. and global economies. He also shared his analysis of the impact of the recent trade disputes between the U.S. and China.

THRIVING IN THE AGE OF SMART MACHINES

-- What CEOs Need To Know



Rich Karlgaard, Editor-at-Large and Global Futurist of Forbes Media, provided an overview on what CEOs need to know about the Great Reboot. He spoke about cloud computing, AI and 5G wireless that will drive the next phase of digital transformation -- and accelerating disruption.

SPECIAL ANNOUNCEMENT

on the 2019 Forbes Global CEO Conference

Steve Forbes announced that the 2019 Forbes Global CEO Conference will be held in Singapore, with Singapore Economic Development Board (EDB) as the Host Sponsor. In a conversation with Steve Forbes, Beh Swan Gin, Chairman of EDB, spoke about Singapore's economic and tourism landscape, and welcomed delegates to Singapore.

Forbes CEO

The conference also provided excellent opportunities for prominent business leaders and powerful tycoons to engage and network exclusively within the Forbes community.

(L-R) Suphachai Chearavanont, CEO, Charoen Pokphand Group, Chairman of the Executive Committee, True Corporation; William Adamopoulos, CEO, Forbes Media Asia; Rose Damen, Non-Executive Board Member, Damen Shipyards Gorinchem, Commercial Director, Amels

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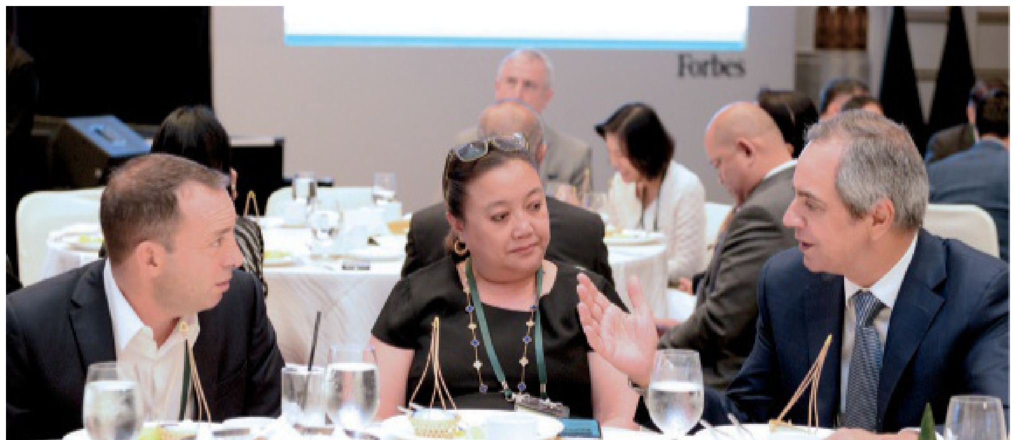
(L-R) Peter Moore, CEO, Liverpool FC; TC Yam, Chairman, Integrated Capital Holdings



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(L-R) Vikrom Kromadit, CEO, Amata Corporation; Moira Forbes, Executive Vice President, Forbes Media, President & Publisher, ForbesWomen; Catherine Forbes, Forbes Media

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(L-R) Vikram Hora, Chairman & CEO, YTY Group; Sagar Chordia, Director, Panchshil Realty; Raj Kumar, Group Chairman, Royal Holdings

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"The goal is to have fresh and clean food for all": Deepinder Goyal, cofounder of Zomato.

AMIT VERMA/ FORBES INDIA

Betting the Farm

How Indian food-tech Zomato is making an audacious bid to transform itself into a farm-to-fork company.

BY RAJIV SINGH

Welcome to Bengaluru, a destination for farmers eager to sell their produce to food-tech major Zomato, which is making an audacious bid to transform itself into a farm-to-fork company with HyperPure. A supplies platform for restaurants, HyperPure sells practically everything that a hotel needs: from vegetables and fruit, poultry, groceries and spices to dairy beverages and even eco-friendly packaging.

The goods are procured directly from the source. Vegetables, for instance, are sourced from small independent farmers and FPOs (farmer producer organizations) that don't use pesticides. Poultry is procured from farms that ensure that the chicken is antibiotic-residue-

Produce being checked at HyperPure's Bengaluru warehouse.

AMIT VERMA/ FORBES INDIA

free. Big-ticket grocery items come directly from the big consumer companies. To ensure that quality standards are adhered to, Zomato has roped in Equinox Labs, an independent food-quality auditing firm, with the mandate to regularly test samples.

"We are trying to transform Zomato into a foods company, much on the lines of a farm-to-fork model," says Deepinder Goyal, cofounder of Zomato, which started in 2008 as a food discovery and ratings platform. The intent, he lets on, is not only to supply "clean" and "fresh" produce to the restaurants but also to make a strong business proposition out of it.

Goyal explains how. What HyperPure sells to merchants, he stresses, is not just antibiotic-residue-free poultry, pesticide-free vegetables and high-quality groceries but also the proposition that the restaurants get certified on Zomato's Web page for using such ingredients. "Consumers will buy food for the sticker that assures high quality and safety," he reckons, adding that it's a win-win for restaurants and consumers.

The Gurugram-headquartered company is betting big on the high level of awareness among Indians about abuse of antibiotics by poultry producers. Early this year, the Centre for Science & Environment (CSE) reiterated that antibiotic use in the poultry sector is rampant in India. "They [producers] are even using lifesaving drugs like colistin to fatten chicken. There seems to be no genuine attempt by the industry to reduce antibiotic misuse," Chandra Bhushan, deputy director general at CSE, reportedly said.

Goyal senses a business opportunity. "Why would people not eat antibiotic-residue-free chicken?" he argues. "You eat to live, not to die, right?" he asks, pointing out how global companies have made big fortunes in the business of sourcing and supplying clean and healthy products for restaurants.

"Look at Sysco," says Goyal, dishing out an example he would love to emulate. The world's biggest distributor of food and related products such as fresh and frozen meat, fruits, vegetables, dairy, beverages and paper products, Sysco clocked sales of $59 billion and a gross profit of $11.1 billion in the fiscal year ended June 2018 by selling to restaurants and other business establishments. "The opportunity on the supply side of the food business is massive," he asserts, adding that HyperPure is a perfect mix of B2B and B2C.

What gives Goyal the confidence is the demand experienced during the first month of the pilot rolled out in August this year. With 300 restaurants on board, HyperPure managed an order book of $5 million a month but ran out of farms within two weeks. The company had to stop supply temporarily as it couldn't meet the demand. "It's a flywheel. Demand pushes the supply, which in turn creates demand," Goyal smiles.

Zomato is trying to fix the supply side by reaching out to farmers and guaranteeing them that it will buy their produce if it's clean. A lot of farmers, Goyal reckons, are ethical. Financial pressure and lack of predictability of demand force them to go lax on quality. "Nobody wants to produce bad stuff. People do it because they have to, not because they want to," he argues. Taking care of the demand side fixes a large part of the problem.

What might also be a comforting factor for Goyal is the American trend of spending more on restaurants than on groceries. Restaurants are fast becoming the preferred choice for people to get their three meals a day. "It has been happening in the U.S. I don't see why it can't happen in India," Goyal maintains.

In a December 2017 report titled "What's Cooking With Indian Diners," Nielsen maintained that affluent Indians—those with an annual income of over 1 million rupees—spend approximately twice as much as their middle-class counterparts on eating out every year. Millennials in the middle-income segment—earning between 300,000 rupees and $1 million rupees per annum—spend 10% of their total food expenditure on eating out. "On an

VoguePay

CEO Michael Femi Simeon discusses how the global online payments company is bridging the financial services gap between frontier markets, emerging markets and beyond.

Michael Femi Simeon, CEO Voguepay

VoguePay is known as an innovator in the individualized financial market. How did the idea for the company come about?

We started VoguePay in 2012 to address what we saw was a need in the online payment sector, and that was to make it easy to collect payments online from anyone, anywhere in the world. The idea grew out of the frustration that two of our founders residing in London had when trying to send money for purchases made in Africa. After meeting with our now Global Chief Technology Officer Leke Ojikutu, who was working on a similar payment gateway prototype to serve local markets in Nigeria, the five of us decided to bootstrap the business with no external venture capital. VoguePay has since grown to employ more than 50 people operating out of offices in the United Kingdom, Nigeria and Estonia. Today, the company manages payments for more than 70,000 merchants in multiple markets throughout Africa, North America, Europe, Asia and the Middle East.

Asian-owned businesses are prevalent throughout Nigeria. What kind of services does VoguePay offer to this client base?

VoguePay is positioned to be a leading payment gateway for digital-focused Asian businesses. We currently process more than 50,000 transactions a month in excess of US$15 million, with transactions growing by a monthly average of 7%. Our ability to allow buyers to pay in local currency and settle funds to merchants in their preferred currency of choice is an attractive feature for many of these businesses. This turnkey payment solution has a suite of free integrations that make it ideal for business-to-business and business-to-consumer companies that want to launch to a global audience at an affordable cost.

What do you see as VoguePay's competitive advantage?

Security is of paramount importance at VoguePay. Therefore we would say our major competitive advantage is understanding both local and international security frameworks. Our focus on optimized security has helped businesses that operate with a high degree of risk to reduce their volatility. We have also shared our knowledge with our clients to assist them in improving their operations.

We are a PCI DSS Level 1 compliant payment-service provider. By starting first in Nigeria, we were able to deploy fit-for-purpose technology that strengthens the security of payment channels. Beyond the typical security checks, every VoguePay transaction passes through five levels of assurance for Know Your Customer (KYC) and a sophisticated algorithm to detect fraud to manage risk as well as address chargebacks to keep both merchants and customers secure.

What is next for VoguePay?

In order to fulfill our mission to assist our customers in sending and accepting payments easily and securely anywhere in the world, we have decided to further disrupt the financial services market. Thus, the focus is the development of our digital financial platform called VoguePay Digital (VPD). It will deliver borderless, multicurrency financial transactions and services for businesses, consumers and private clients, and enable account owners to validate their profiles across multiple partner banks with VPD as the source of data. CTO Ojikutu calls this "transportable financial identity."

The solution will be provided in association with partner banks and card-service providers and use blockchain technology and artificial intelligence programming that we are currently developing. We expect to serve more than 10 million users by the first quarter of 2019.

average, urban Indians spend 6,500 rupees per year on eating out," the report pointed out.

Eating out is complemented by a heady rise of another trend: food delivery. Those who are not stepping out are eating at home, but not a home-cooked meal. The food delivery market in India is likely to grow sevenfold in seven years—from $1 billion in 2018 to $7 billion by fiscal year 2025, according to an August report by Goldman Sachs. What's fueling the growth are convenience, ease of ordering, live tracking of delivery, increasing penetration of smartphones and the growing number of working women in India. "The online food market can grow to 100 million orders per month in FY23," projects the report.

The changing dynamics of food delivery and eating out are reflected in the way Ant Financial-backed Zomato has been growing over the last three years. Delivery, which made up just 4% of revenue in FY16, surged to 65% by the end of September this year and is pegged to be the biggest growth driver for Zomato; it's expected to climb to 72% by FY21.

"IT'S NOT EASY FOR SOMEBODY WHO HAS BEEN SELLING BISCUITS TO A SHOP TO GO AND TELL THEM THAT YOU WILL NOW ALSO SUPPLY MILK, VEGETABLES, RICE AND GROCERIES."

The surge has put the food-tech company on a hypergrowth trajectory. While consolidated revenue jumped from $26 million in FY16 to $66.5 million two years later, losses have dipped from $84.2 million to $15.1 million. "We forecast Zomato revenues to grow by 500% in three years," Goldman Sachs predicted in its report.

The pace of growth has only gathered steam this year. From being present across 15 cities for food delivery this January, Zomato expanded its reach to 38 cities by September. The target is 100 cities by the end of November. A fleet of 5,400 delivery riders in January swelled to 74,000 riders by September. The strength of restaurant delivering partners almost doubled from 28,000 to 54,000 during the same period.

Back in Bengaluru, Dhruv Sawhney is busy signing on restaurants for Zomato's new venture. The head of procurement and sourcing operations for HyperPure, Sawhney was the founder of WOTO. "Sourcing is an operational nightmare for restaurants," he points out. From inconsistency in quantity and quality of ingredients to unreliability in delivery of the products to wastage and pilferage, operational challenges—which are not even related to cooking—take up most of the time of restaurants. HyperPure, he claims, has been streamlining the supply chain by getting everything under one shop. "We even forecast demand for restaurants using machine learning. This eliminates the need for overstocking," Sawhney says.

Lokesh Krishnan agrees. Owner of the online-delivery biryani brand Potful, Krishnan is one of the first clients of HyperPure. "It's convenient. Everything that we need is available on one platform," he says, listing out other benefits: insulation from price fluctuation, ample choice in terms of assortment of chicken and predictability of demand.

Sourcing, reckon food experts, is a massive opportunity yet to be tapped by any organized player in India. "It's a timely move by Zomato," says celebrity chef-cum-entrepreneur Sanjeev Kapoor, "which will help it differentiate from others." Though sourcing of food and ingredients for restaurants is a big business globally, in India it is still at a nascent stage. "HyperPure is the best way Zomato has spent money so far," he says.

The challenges for Zomato, though, are daunting and manifold. Kapoor starts with the biggest one. "The business itself is the biggest challenge," he says. The complexity of the task is huge, it's not a business that Zomato has any experience in, and there is no guarantee that leveraging its existing strength of food discovery and delivery will work in food sourcing as well. "It's not easy for somebody who has been selling biscuits to a shop to go and tell them that you will now also supply milk, vegetables, rice and groceries," he cautions.

Operational issues notwithstanding, what might turn out to be the biggest challenge for Zomato is the threat from archrival Swiggy. Zomato is locked in an intense battle for supremacy with the Naspers-backed food-delivery company headquartered in Bengaluru. With over 45,000 restaurant delivery partners, 100,000 active riders across 45 cities and over $465 million funding raised so far, Swiggy has been breathing down Zomato's neck.

What makes the fight interesting is the pace at which Swiggy is growing, from an operating revenue of $19 million last fiscal to $63 million in the March-ended 2018 fiscal—a threefold jump. Though losses, too, have almost doubled, it's not something that Swiggy needs to worry about. Reason: The backing of South African media conglomerate Naspers, which has a 22% stake in Swiggy, as of March.

Back in Gurugram, the competition doesn't appear to be on Goyal's radar. "We would rather focus on our work than think of what rivals are doing," he says, as he takes a sip from a glass of fresh tomato juice and points to a poster plastered on one of the walls of his corporate headquarters. "July 10, 2008. We were born. July 10, 2013. We started walking. July 10, 2018. Now is when we start running," it reads. "It's time to put on the running shoes," Goyal signs off.

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A SAGA OF **SUCCESS**

K.P. Basheer, Chairman of Western International Group, remembers the company's start and reveals his goals for the future.

K .P. Basheer - Western International Group

Can you tell us about the early days of Western International Group?

The journey can be traced back to 1983 when a toy shop was opened in Bahrain. Over the next 35 years, the tiny shop grew into a multifaceted conglomerate that we now recognize as Western International Group (WIG). Now headquartered in Dubai, we employ over 12,000 personnel at business centers in the U.A.E., Bahrain, Saudi Arabia, Qatar, Kuwait, Oman, Hong Kong, China, India, Ethiopia and the U.K.

WIG is the holding entity of diverse verticals with a presence across half the globe. We own and manage some of the most recognized and respected brands in electronics, retail, household goods, garments, travel accessories, fashion, footwear and more.

We always feel duty-bound towards our stakeholders in providing full value to their trust and investment in our businesses by producing and marketing products that meet or even exceed the expectations and aspirations of global buyers.

The Geepas brand has one of the largest electronics portfolios in the world. Can you tell us more about the making of the brand?

The launch of Geepas was the biggest challenge we had ever faced. It came at a time when it was a seller's market for electronic goods globally, with multinational brands dominating and dictating terms through aggressive positioning, huge marketing spends and established supply chains.

Geepas had to survive the onslaught of the big players before making inroads into their territories. WIG pulled this off by focusing on customer needs instead of being distracted by competition. We built a unique business model for the brand, which eventually made it a multinational brand with products sold in 82 countries. It is particularly successful in Africa and the Middle East.

Today, Geepas is one of the world's largest electronics brand portfolios with over 1,500 products in consumer electronics, entertainment, home appliances, white goods, lighting and personal care gadgets. For example, the Geepas flashlight is the largest rechargeable LED flashlight brand in the world, having sold over 50 million flashlights in 20 years.

Geepas thrives on its phenomenal after-sales support, with an extraordinary three-day service turnaround time, virtually overshadowing every other brand in the world. Globally, it has retained its customers, with figures showing up to 74% of repeat purchases, which amounts to each customer buying three or more products from the brand.

It is a constantly evolving brand and its success can be attributed to the long-term vision of its the team that manage it daily. It has been classed a "super brand" for four years now.

What about Nesto, another feather in WIG's cap?

A relatively new entrant in the retail space, Nesto was incorporated in 2004. We recognized the demand for a retail chain that could give customers the best value for money. We achieved this by sourcing products directly from the producers—no matter where in the world they originated. We passed on the price benefits from this to the customers. That is the key to its success.

Headed by Siddique Pallolathil and K.P. Jamal in the U.A.E., Oman and Kuwait, and K.P. Noufal in Saudi Arabia, Nesto is now one of the most renowned names in the retail industry in the Gulf Cooperation Council (GCC) region. It is rapidly evolving by adding to its chain of 63 outlets and delivering more value-for-money products.

Nesto today operates across department stores, supermarkets and hypermarkets. With 63 stores in operation and another 10 large-format hypermarkets in the pipeline, Nesto is set for an aggressive expansion across the GCC and India.

Could you shed some light on some of your other iconic brands?

Most of our brands have achieved icon status in their respective categories. We have Royalford, offering kitchen and home accessories; Younglife, which has evolved to become the pulse of modern and comfortable fashion in the GCC; Clarkford, a watch brand representing exquisite craftsmanship and technology; Parajohn with its range of travel accessories, computer and school bags, and the premium Parajohn Plus trolleys; Olsenmark with products covering kitchen appliances, household appliances, entertainment solutions, personal gadgets and lighting; and Baby Plus, which has become one of the most successful baby-product brands in the Middle East.

We strive to provide the best value for money for customers for both our conventional bricks-and-mortar stores as well as our online marketplaces. Brandzone fashion and lifestyle stores across the GCC currently are growing at the rate of 20% annually. The Day N Day concept store— launched in 2016—now has eight outlets across Saudi Arabia. Online stores WIGme.com and jazp.com guarantee genuine products.

Did you foresee the business growing to this extent?

Of course, and that is why we are in such a dominant position in the marketplace. We started with the intention and confidence to succeed. The success of our group has always been in understanding the needs of customers and exceeding their expectations. That will never change.

What do you still hope to achieve?

We hope to be a global leader and touch the lives of over five billion people. The new generation of leaders—executive director T.N. Nizar and directors Nawas Basheer and Fayiz Basheer—and the rest of the team at WIG are raring to realize this dream and take it further.

What are your short- and long-term plans for WIG?

We have devised a two-pronged approach for the future. We will strengthen the group's foothold in existing markets while also setting foot in newer territories. And we will continue to add new brands and divisions to our portfolio.

In the coming years, we are planning to mark our presence in the American Peninsula, Far East Asia, Africa and Europe while consolidating our position in the Indian subcontinent.

Our immediate plan is to be the dominant name in Asia. We are foraying into new markets, mainly India and Africa, by opening up manufacturing facilities, warehouses, malls, retail outlets as well extending the reach of jazp.com.

Social Shopping

How Poshmark transcended secondhand clothing to become a $625 million fashion marketplace, complete with its own homegrown entrepreneurs.

BY BIZ CARSON

Manish Chandra, 51, dresses the part of a Silicon Valley engineer turned fashion app CEO, pairing his Louis Vuitton belt and Tommy Bahama dress shirt with Adidas NMD sneakers. They're all items he purchased on Poshmark, the social shopping app he cofounded with Tracy Sun (now in charge of expanding into new markets), Gautam Golwala (CTO) and Chetan Pungaliya (engineering chief). "My first job was working for Intel building databases for semiconductors, and today I help men and women sell shoes," Chandra says. "Only in Silicon Valley can you have that journey over the course of 30 years."

It's an increasingly lucrative trip, largely because of Poshmark, in which Chandra holds an estimated 15% stake. Poshmark started seven years ago as a way for women to make money offloading extra items from their closets—an eBay for used clothing. It's now becoming more than that, selling new clothes too, complete with its own wholesale market and homegrown fashion entrepreneurs who are selling their own clothing lines. The company has carved out a niche that feels like window-shopping on a phone instead of the search-to-buy purchasing experience you get on Amazon. People follow each other's virtual closets full of clothes for sale—often preworn items with a mix of boutique items bought wholesale—and share items they find interesting. It's a social network of 40 million people that's a combination of influencers and your friends, akin to Instagram or Pinterest. The difference is: Everything you see is for sale.

Of those 40 million users, about 5 million, or 12.5%, are also sellers on the app. Poshmark, which is based in Redwood City, California, doesn't hold any inventory; its users sell directly to each other. À la Etsy and eBay, the app has spawned a flock of small-scale entrepreneurs who have built businesses around selling on Poshmark, whether as professional resellers or bootstrap fashionistas who have designed and launched their own private clothing labels. Poshmark takes a 20% cut from each sale, and revenue is expected to hit $140 million in 2018. The company, which has over 300 employees and plans to hire 100 more, remains unprofitable as it focuses on expanding deeper into new categories (think menswear and makeup) and internationally (Canada will be first). Poshmark has raised $160 million in venture financing at a recent valuation of $625 million, and the company is anticipating 70% revenue growth over 2017 (which matches its growth from 2016 to 2017).

Poshmark makes up only a fraction of a sliver of the $600 billion U.S. e-commerce market. But the demand for discount clothing is huge. Offline, nine in ten shoppers buy from discount stores, and 75% are looking specifically for deals on clothing, according to the National Retail Federation. With online retail growing about $4 billion every quarter, Chandra thinks he's finally timed his idea of building a social shopping network right.

His first startup, Kaboodle, in 2005, was Chandra's initial attempt to combine social and shopping. At launch, the theme was home décor. A so-called "bookmarking" site, after the popular feature on early versions of internet browsers, Kaboodle let people collect links to items they wanted to buy and share them with friends. Kaboodle was moderately successful: Chandra sold it to Hearst for a reported $30 million in 2007. But real social shopping would have to await the mass adoption of social networks.

Poshmark was his next idea, built on a pop-culture junkie's belief that the way you could introduce people to new fashions is through people, not brands. "I am probably more in tune with pop culture as a 51-year-old guy than many people would realize," Chandra says. "I could tell you the latest lines to Drake's song, but I probably couldn't tell you what's happening in enterprise software right now."

His career started, nevertheless, in enterprise software. Chandra grew up in Vrindavan, Uttar Pradesh, India and spent the first 15 years of life moving every 2 to 3 years to follow his father's career as a judge. He applied to the elite Indian Institute of Technology Kanpur to study computer science and was the last person admitted to his class. He got his master's at the University of Texas at Austin, taking up an incidental interest in Mexican folk dancing. After graduating in 1989, he went to Intel to work on databases. He stayed for a year before leaving to work at a series of database startups in northern California and got his M.B.A. from UC Berkeley in 1995.

CEO Manish Chandra at Poshmark's headquarters in Redwood City, California: "Our goal is to make shopping personal, not just personalized."

TIMOTHY ARCHIBALD FOR FORBES

At his daughter's preschool he ran into Pungaliya, whom he had worked with at an earlier startup, and shared with him the idea for Kaboodle. The pair recruited a third cofounder to help with engineering, put in $10,000 each and launched it from his garage—the same one Chandra would return to when he started Poshmark. Kaboodle took some time to get off the ground. Poshmark proved to be an easier sell to investors, at least at first. "It was a different journey because of my reputation and that I'd already had a successful exit. I had a term sheet even before I started my company," Chandra says.

From the company's founding in 2011, Chandra wanted the focus to be on individual buyers and sellers, whether they were Midwestern moms or L.A. fashion stylists. The market tailwinds were in his favor. Poshmark launched with only an iPhone app at a time when the mobile phone was starting to replace cameras and computers. And a few years after the Great Recession, people were searching for ways to make some extra pocket change.

Poshmark and a cohort of other startups, like luxury reseller the RealReal and secondhand marketplace ThredUp, tried to take advantage of the shift in consumer sentiment. Both competitors went for a digital take on consignment, in which people part with their things and get paid when they sell online. While ThredUp and the RealReal handled the pricing and selling, Poshmark went the eBay route, letting individuals do the selling. "It's a totally different customer," says ThredUp founder and CEO James Reinhart.

Manish Chandra (center left) and his team at Poshmark's offices. The company has paid out more than $1 billion to sellers on its platform.

TIMOTHY ARCHIBALD FOR FORBES

Poshmark's difference was building a social network not as much around who you know but around whose taste in clothes you like. People follow each other and share listings they find interesting for their own followers to see. Daily "posh parties" within the app let people browse a certain theme, like shopping only ankle booties or prom dresses. Each listing has a comment section for anyone to ask questions about items up for sale, and shoppers can ask sellers to style them by combining looks from their closet into a bundle.

Most e-commerce giants today rely on search-based shopping, but humans don't necessarily shop like that in the real world, instead browsing a store or asking their friends about cute clothes they're wearing. "Amazon and Alibaba shouldn't be the only game in town," says Hans Tung, a managing partner at GGV Capital and an investor in both Poshmark and Alibaba. "Discovery-based shopping is the best way to be differentiated from them."

The company had 1,000 users in 2012, but they spent a lot of time on the app, opening it at least seven times a day for a total of 20 to 25 minutes. People still spend that much time on Poshmark, but now, of course, it's millions of users. The rapid growth almost killed the company in 2013 after it grew ten times bigger in one year. Now, after scaling its servers, Chandra is less worried about the technical challenges—and more about finding enough buyers and sellers to rival eBay.

Entrepreneurs like Suzanne Canon are both the by-product of Poshmark's growth and the key to its future. The 39-year-old from Gainesville, Texas, started selling her used clothes on the app in December 2012. After running through her own closet, she started buying clothes wholesale and reselling them. She then launched her own clothing brand, Infinity Raine, with her business partner, Tiffany Kroeger, and started selling to other Poshmark sellers through the company's wholesale market. In April, after six years, Canon became the first seller on Poshmark to reach $1 million in total sales, and the duo opened their first brick-and-mortar retail store in Gainesville in May. "It's a blessing, really, that it's all happened as it has, because we both got on it just trying to get rid of some of our clothes," Canon says.

Next up for Poshmark: deeper expansion into menswear, kid's clothing, plus sizes and luxury goods. Already, one in five new users is male, and the company is eyeing new markets like makeup and home décor. "We think of Poshmark as a social-commerce platform where fashion was the beginning," Chandra says, "but certainly not the only place we will go." F

CURRENT AFFAIRS

THE BIGGEST GRIPE I have with the new iPhone has nothing to do with its performance, but with what happens when I'm not even touching it. The new iPhone XS can support fast charging up to 30 watts, but the charging brick included with it is a putrid 5-watt plug that takes over three hours to fully charge. Every big-brand Android I've tested this year can fill up in one third of the time it takes to charge my iPhone. While Huawei and Qualcomm offer pretty speedy top-ups, none are as amazingly fast as what I get from Oppo's and OnePlus' phones.

The special Lamborghini edition of Oppo's Find X can go from 0 to 100 in 35 minutes. Even my less-premium standard Find X can fully charge in 45 minutes. My OnePlus 6T, likewise, can top at similar speeds. And when you consider that the Oppo Find X and OnePlus 6T both have larger batteries (around 3,700 mAh) than the iPhone XS (around 3,100 mAh), that makes the difference in charging speed even more pronounced.

Let's clear up one thing: To the outside world, Oppo and OnePlus are separate brands. That they cater to different regions (until recently, Oppo was mostly China-centric, while OnePlus has been popular in the west from the start) means very few consumers have access to both brands. So for the most part, each brand had been advertising its fast-charging tech as a separate entity. Oppo calls its tech VOOC (Voltage Open Loop Multi-Step Constant-Current); OnePlus initially called its version Dash, until copyright issues with another company led to scrapping that name. But make no mistake: VOOC and the Charger Formerly Known As Dash are almost the same thing. The open secret in the phone industry is that Oppo and OnePlus share the same parent company and components.

In electricity, voltage is the cause, current the effect. Voltage pushes current from point A to point B—like the horsepower of an engine pushing a car forward. Current, meanwhile, is the rate at which an electric charge flows through a circuit point—like the speed of the aforementioned moving car. Oppo and OneP-lus are able to achieve best-in-class charging speeds because the tech used is an anomaly: Most other fast-charging technology uses high voltage and low current to pump juice into devices. Oppo and OnePlus phones go in the opposite direction: low voltage, high current. And it was all one quirky man's idea.

In 2012, Zhang Jialiang, a 35-year-old engineer at Oppo, had his light bulb moment. "High-voltage charging is inherently constrained by the laws of physics," says Zhang, affectionately known as Jeff to English-speaking colleagues. "Because there's only so much power you can push through before the current bottlenecks while entering the phone, resulting in heat buildup."

Instead, Zhang decided to use smart solutions to help the flow of electricity gain speed and efficiency. To do so, he and his team built a "smart" charging head to keep voltage in check before entering the phone's circuit board. The excessive current was then solved by using a thicker, wider charging cable. This is like increasing the lanes in a highway to ease traffic jams instead of asking cars to just drive faster.

Zhang's idea initially was rejected by everyone else at the company. But the lack of official support or access to resources didn't deter Zhang. Having been with Oppo since 2004, Zhang had built up enough clout with the company to work freely. So he began developing his low-voltage, high-current technology after work hours at Oppo's research center in Dongguan. A year later, Zhang and his team showed off a prototype of VOOC to the same colleagues who initially rejected the idea. Impressed with the results, Oppo's COO and Zhang's direct boss, Mac Zeng, approved the tech to be implemented into Oppo's 2014 flagship, the Find 7.

The at-the-time unrivaled 50-minute-from-0-to-100 charging speeds of the Find X drew immediate praise from reviewers, but it wasn't until OnePlus—which has a cult following in the U.S. and Europe—adopted the tech in 2016 on the OnePlus 3 that it got widespread acclaim. F

Tinkering with the laws of physics: Oppo's voltage wizard, Zhang "Jeff" Jialiang.

THOMAS KUHLENBECK FOR FORBES (TOP); BEN SIN

BEN SIN IS A HONG KONG-BASED CONTRIBUTOR TO FORBES.COM WHO WRITES ABOUT CONSUMER TECH.

No Company Is an Island

The Cha family is recognized for developing a signature variation on Hong Kong living. Now it's ramping up other business interests.

BY RON GLUCKMAN

Two of Shanghai's hottest new hotels, Middle House and the Sukhothai, are bundled in spiffy Taikoo Hui. This mall and office complex sprawls nearly 3.5 million square feet and includes a Tesla dealer and the world's largest Starbucks Roastery. Like Willy Wonka's chocolate factory, the latter showcases the entire process: Beans circulate overhead in a maze of metal tubes before being roasted in massive two-story copper vats etched artistically with Chinese characters. And it's not just targeted at java fans. Upstairs is a lavish tea laboratory with glass beakers brewing premium leaves.

Taikoo Hui offers the gamut of hip-luxury brands, the commercial glitz contrasting with the sole relic, a meticulously restored century-old mansion used to commemorate long-ago textile merchants. With memorabilia on view inside, it represents a homecoming of sorts for Cha Chi-ming, who, after his dyeing factory was destroyed by bombs in the run-up to World War II, remade his fortune from Africa to Hong Kong.


The Taikoo Hui Shanghai complex sprawls over nearly 3.5 million square feet and features hotels, offices and even a coffee roastery.

LUCAS SCHIFRES FOR FORBES

It is in Hong Kong where his sons run the far-flung enterprises of HKRI (Hong Kong Resort International). That's also where the elder Cha, who died in 2007 at age 93, was known for both his political influence and his signature development: Discovery Bay.

Cha rebuilt his textile business in unusual fashion, but in its subsequent development mode his clan has had another distinction in Hong Kong. In a city renowned for its hypercharged and showy can-do spirit, the low-key Chas have been happy to move at a snail's pace.

"We have heard the criticism," con-

"We will make a big splash": Victor Cha in the White Chapel, part of HKRI's flagship development Discovery Bay.

'DISCO BAY': THE ILL-FATED RESORT THAT WENT RESIDENTIAL

Discovery Bay's pioneering Headland Village during its construction in the 1970s.

For over two decades since the British left Hong Kong in 1997, there has been one country, two systems. And then, locals sometimes joke, there is Discovery Bay.

Set on Lantau Island, the development has always seemed an oddity, an island upon an island. That was the intention in the 1970s, when the Hong Kong government authorized an unusual plan for what essentially was to be a self-contained resort community, or wealthy retreat, cut into the hills of what was then the remote and largely undeveloped Lantau, nearly twice the size of Hong Kong Island.

Instead, Discovery Bay became more mainstream, and has grown through over a dozen phases to include a population of 20,000 people living in apartment towers or townhomes, commuting to Hong Kong by ferry, and driving around in golf carts (cars are not allowed) in a setting that seems straight out of some Arizona suburb or a satirical movie like *The Truman Show*.

Love it or hate it, there has never been any middle ground for Discovery Bay, or Disco Bay, as it's often called. Residents rave about the space and serenity, while critics call it a soulless bubble, offering inconvenience with little real charm. Especially in the early going but even more recently as closer-in living has become stratospherically expensive, it has been a cheaper-by-the foot, green alternative in a congested megalopolis.

"It's been popular with expats with families, people working at the airport, retirees," says David Faulkner, a Colliers International managing director with 34 years in town. "It's only 30 minutes from central Hong Kong, and then you are at this kind of holiday resort destination, with good services, pools, shops, golf course. They don't have everything. There is no hospital, for example, but pretty much everything else is there."

The project almost never got off the ground, bankrupting the original developer and nearly doing the same to the Cha family. But over the past 40 years, it has become a keenly valuable asset to its operators, even more so after the government backtracked on the original mandate that Discovery Bay should be served only by ferries. After the new airport opened near Lantau in 1998 and Disneyland opened in 2005, a road was cut through to connect Discovery Bay to those hubs as well as to Lantau proper.

The initial plan for Discovery Bay came from Edward Wong, a Hong Kong merchant who proposed setting up a holiday enclave with hotels and a cable car system. Following two years of negotiation, a master plan was signed in 1975 between the Hong Kong government and Wong's Hong Kong Resorts company. Wong signed over property in the New Territories in exchange for the much larger Lantau land grant.

This was a great experiment in private, planned development, and it nearly failed disastrously. Wong was responsible for everything at Discovery Bay, from the water, sewage and power lines to main-

Cha Chi-ming with colonial official David Akers-Jones and Tung Chee-hwa, H.K. first chief executive.

tenance of roads and fire crews. He borrowed heavily and almost immediately was headed to default.

Next came a rescue operation that was considered controversial but wound up not only guaranteeing the survival of the project but transforming the lifelong textile business of Cha Chi-ming.

Victor Cha recalls that his father had no development experience relevant to Discovery Bay. Nonetheless, with connections in Beijing and the ear of colonial officials such as Sir David Akers-Jones, he wound up with the title to the project and, as Cha tells it, a decades-long to-do list, with escalating expenses and little initial cash flow. "It nearly bankrupted him."

Much mystery still surrounds the process by which Cha took over Discovery Bay. But what is clear is that Wong's major debts included $7 million owed to Moscow Narodny Bank—Soviet-owned, of course—which filed a writ to seize the collateralized land in Hong Kong on April Fool's Day 1977.

This was no joke to the British authorities in Hong Kong, nor to the Chinese. It set off a frantic race to find an alternate buyer rather than have a strategic chunk of Hong Kong fall into Russian hands. Media accounts from the time mention numerous local negotiations. "The government had gotten around to asking every single reputable developer to take Discovery Bay until they got to my father," Cha says. "And he took it!"

Nothing happened overnight. "We knew that it was not going to be an easy project, because it had nothing, literally zero. We had to build the reservoir and do everything else," Cha says. "It was tough. That was understood from the get-go." The worst times, he says, came in the 1980s, when the real estate market collapsed in one of Hong Kong's periodic dips, leaving the company with huge debt.

Yet Discovery Bay's potential for profitability was apparent from the start. The first phase of flats went on the market in 1980 and sold out in a day. The attraction became clearer as enormous wealth accrued to the city from which Discovery Bay has always been a respite—today a centrally located home can be three times as expensive. *—R.G.*

cedes Victor Cha, 69, deputy chairman of HKRI, when we meet at Taikoo Hui. "Even our shareholders have expressed some concern, but we just prefer to operate at our pace, with slow but steady growth." And who can question the results? *Forbes Asia* estimates the family's wealth at $2.6 billion. Yet that pace may be picking up, as the hubbub around him suggests.

The soft-spoken Cha details the history of China Dyeing Works, founded by his father 70 years ago. But the roots go back further, to Zhejiang Province, where Cha Chi-ming was born. He worked at his in-law's Changzhou Dacheng Textile & Dyeing until constant raids in the Sino-Japanese War forced him to evacuate the plant, along with 100 looms, to Chongqing and later move to Hong Kong.

Fast forward to the splendid Shanghai of 2018: HKRI spent a decade and a half developing this $2.48 billion mall in a prime Jing'an site. Moving the restored Cha House (actually that of another dye family) and relocating all the residents took time. Hence, by the time Taikoo Hui opened last year, the 50-50 partner, Swire Properties, had already completed two similar mixed-use developments in China launched after this one. With Swire now identified with its San Li Tun in Beijing and Taikoo Li in Chengdu, many think Taikoo Hui is another of its solo projects. Not that HKRI minds.

"We are quite happy to operate out of the spotlight," says Victor Cha. "That has always been our style." But back home the Cha name is inescapably associated with Discovery Bay. For decades, Hong Kong's largest privately planned community has been the cash cow and driver of the company *(see sidebar)*. It has given HKRI, with revenue exceeding $284 million in the year ending in March, and the Chas the foundation for entering a new phase of expansion. And, perhaps, recognition.

"We are going to make a big splash, no doubt," vows Victor, who runs the firm with his older brother, CEO Payson Cha. He is referring to HKRI's next project, another homecoming, in Bangkok. He shares plans for a lavish waterfront hotel on a 400-meter stretch of Bangkok's Chao Phraya River designed by starchitect Bill Bensley. "It will be small, maybe 200 units in the hotel," Cha says. But behind will rise thickets of towers, perhaps 1,500-2,000 residences.

"We're still juggling the total number, so that's not cast in concrete," Cha notes cautiously. Bangkok's River of Kings is in the midst of a building boom, with a slew of five-star properties on the way from Four Seasons, Capella, Langham and Six Senses. Still, this would be one of the biggest projects in Thailand, putting HKRI back on Bangkok maps. Again.

One of central Bangkok's most beloved properties is the Sukhothai Hotel, whose Thai design is widely credited with redefining boutique hotels in Thailand and across Southeast Asia. In an era where grandeur was measured in massive marble lobbies and chandeliers, the Sukhothai took a different tack, with traditional Thai wooden buildings set on flower-filled ponds, kitted out with Thai art and artifacts. Even today, few Thais know that this local landmark was actually built by Hong Kong's HKRI.

"The Sukhothai really defined luxury in Bangkok," says Bill Barnett, managing director of Asia consultancy C9 Hotelworks. "It is still considered one of the top hotels in Bangkok." Leveraging that success clearly hasn't been a pressing priority for HKRI. The new Sukhothai Grand on the river would become just the third Sukhothai in nearly three decades. The original debuted in Bangkok in 1991. The second opened in Taikoo Hui this year, 27 years after the original.

Look for the rollout to pick up speed. "We have several other projects in discussion, for different cities in China," says Cha. Why now, after so many years? "Hotels really don't make money," he explains. At least, not as much as real estate, and therein lies an explanation for a seeming change of course.

"They had seemed to be retreating from hotels," says Robert Hecker, managing director of the Singapore office of hospitality consulting firm Horwath HTL. "They sold the Sentosa [Resort & Spa] in Singapore and everything else overseas" except Sukhothai. In the 1990s, HKRI claimed two small hotel brands, Beaufort and Rafael, with properties in Asia, Europe and the U.S. For a time,


Discovery Bay now has some 20,000 residents (no cars allowed, just golf carts)—and ferry isn't the only way in.

HKRI planned to expand, but with the father aging and the sons taking hold, the family eventually disposed of the inns. "We're real estate developers," Cha says, and there was a continued buildout at Discovery Bay to manage as well as other Asian projects. (The Chas still have a small textile operation, but the China Dyeing Works building in Tsuen Wan has become a commercial complex comprising a shopping mall and office tower.)

Today the Sukhothai name has additional currency as the real estate market centers on upscale properties. Barnett notes that mixed-use developments nowadays are often anchored by a name-brand hotel. "All the big projects mix residential towers with luxury hotels. They get a premium, maybe a 30% boost in the price if they add a luxury hotel."

Actually, that was how it worked with the original Sukhothai in Bangkok, which was designed by an all-star team including Asian hotel guru Adrian Zecha, founder of Aman Resorts. HKRI developed the hotel and, equally important, adjoining residences, which sold briskly to Hong Kong buyers. Cha says HKRI is also planning to add a second phase of residences at the first Sukhothai and has other projects in mind for the sizeable Bangkok land bank they have assembled—quietly, of course. "The time is right," he says.

Timing has figured in the Cha clan's opportunistic rise before. As Cha Chi-ming had reestablished the textile business in Hong Kong, rivals there were gradually moving production to China. He took a different approach, expanding to Africa. Cha House in Shanghai shows pictures of him being feted in Africa, where he opened 14 factories in Nigeria, Ghana and Togo. His workforce numbered 25,000, and Victor Cha says he laid claim to be the largest employer in sub-Saharan Africa.

Victor wound up liquidating most of the family textile business soon after returning to Hong Kong in 1985, following his studies at Stanford and years working in venture capital in Silicon Valley. By then his father had already staked the family's fortune, and future, on Discovery Bay, and all available cash was needed to develop that 6.5-square-kilometer site.

Official hearings later looked into the decision to grant development rights to the elder Cha, which was spearheaded by David Akers-Jones, secretary for the new territories and a proponent of developing new towns in Hong Kong. No wrongdoing was determined. A lifelong Hong Kong civil servant, Akers-Jones later joined the board of Mingly Corp., a development company controlled by the Chas.

Cha Chi-ming may have had to depart the earlier textile business on the mainland, but in his later years he also enjoyed strong connections to Beijing and helped draft the Basic Law governing Hong Kong after its return to China. He worked on other advisory committees and in 1997 became one of the first to win the Grand Bauhinia medal, Hong Kong's highest honor. Pictures at the Cha house show him in meetings with many Chinese officials, but in keeping with the family's modest approach to publicity, he was rarely seen at Hong Kong society events. Chief Executive Donald Tsang spoke at his funeral, where pallbearers included tycoons like Li Ka-shing and officials from Hong Kong, China and Africa.

Since his death, Payson, the oldest of three sons, and Victor have worked to diversify HKRI. As Discovery Bay reaches a mature buildout—still with occasional controversies—they have pursued the other developments in Asia (as well as the U.S.) while expanding into health services in Greater China and the Philippines. With most projects, like in Taikoo Hui, they seek out partners, not only for expertise but also to mitigate risk.

Hedging bets is simply smart business, says Victor Cha, especially with the volatility of exchange rates and global crashes. That's also a reason for the expanding and ranging portfolio itself.

But little else has changed for this turtle-like company from Hong Kong. "We're going to continue on this same path," he promises, "with steady development." Just a bit more of it.

Additional reporting: Alex Fang

Forbes Asia

Best Under A Billion

Forum and Awards Dinner

November 19, 2018 • Tokyo, Japan

On November 19, 2018, some 300 guests gathered in Tokyo, Japan, to attend a forum and awards dinner to celebrate and honor the success of Forbes Asia's *Best Under A Billion* companies.

These *Best Under A Billion* companies are 200 of the most exceptional companies in Asia Pacific with annual revenue under $1 billion, have positive net income and have been publicly traded for at least a year. The complete list can be found on **www.forbes.com/BUB**.

Lawrence Ho

Christopher Forbes

Makoto Takano

Joining the forum and awards dinner as Guest-of-Honor was Hiroshige Seko, Japan's Minister of Economy, Trade and Industry. Lawrence Ho, Founder, Chairman and CEO of Melco Resorts & Entertainment, Presenting Sponsor of the event, Christopher Forbes, Vice Chairman of Forbes Media and Makoto Takano, CMA, CEO & Editor-in-Chief of Forbes Japan delivered welcome remarks to mark the start of the event.

REMARKS by Hiroshige Seko, Minister of Economy, Trade and Industry, Japan

In his speech, Minister Hiroshige Seko commended Forbes Asia's *Best Under A Billion* companies on their success, and outlined how Japan aims to create more outstanding small and midsized companies by supporting innovation, entrepreneurship and startups in Japan.

(L-R) William Adamopoulos, CEO, Forbes Media Asia; Kotaro Tamura, Asia Fellow, Milken Institute; Lawrence Ho, Founder, Chairman & CEO, Melco Resorts & Entertainment; Minister Hiroshige Seko

(L-R) Minister Hiroshige Seko; Geoff Davis, CEO, Melco Resorts & Entertainment Japan, Executive Vice President & CFO, Melco Resorts & Entertainment

(L-R) William Adamopoulos; Christopher Forbes, Vice Chairman, Forbes Media; Minister Hiroshige Seko; Makoto Takano, CEO & Editor-in-Chief, Forbes Japan; Lawrence Ho; Akihiro Fujiwara, Board Director, Publisher & Acting Editor-in-Chief, Forbes Japan

Top executives from selected *Best Under A Billion* companies as well as distinguished thought leaders from the region also participated in panel discussions to share their insights on best practices for growth and leadership.

BEST PRACTICES FOR GROWTH

(L-R) Melvin Ang, Executive Chairman, mm2 Asia; Au King Lun, CEO, Value Partners Group; Krishna Kumar Bangur, Chairman, Graphite India; Tim Ferguson, Editor, Forbes Asia

LESSONS ON LEADERSHIP

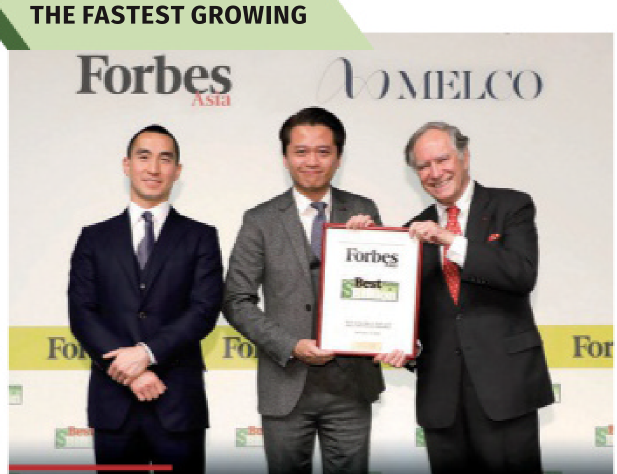
(L-R) Lawrence Ho, Founder, Chairman & CEO, Melco Resorts & Entertainment; Yoshito Hori, President, GLOBIS University, Managing Partner, GLOBIS Capital Partners; Rana Wehbe, Senior Editor-Special Projects, Forbes Asia

Selected Awards Recipients of Forbes Asia's *Best Under A Billion*

THE MOST PROFITABLE

(L-R) Lawrence Ho, Founder, Chairman & CEO, Melco Resorts & Entertainment; Au King Lun, CEO, Value Partners Group; Christopher Forbes, Vice Chairman, Forbes Media

THE FASTEST GROWING



(L-R) Lawrence Ho; Ronald Tam, CFO, Chong Sing Holdings Fintech Group; Christopher Forbes

(L-R) Lawrence Ho; Yasuhiro Wakebayashi, Chairman, Nihon M&A Center; Christopher Forbes

(L-R) Lawrence Ho; Doreen Tan, Founder, Co-Chairman & President/Group Executive Director, Best World International; Christopher Forbes

(L-R) Lawrence Ho; Wang Guang-Shiah, Chairman, Machvision; Christopher Forbes

(L-R) Lawrence Ho; Mohammad Abdul Karim bin Abdullah, Group CEO, Serba Dinamik Holdings; Christopher Forbes

(L-R) Lawrence Ho; Lee Dae Yeoul, President & CEO, Neopharm; Christopher Forbes

(L-R) Lawrence Ho; Wiboon Utsahajit, President, Siam Wellness Group; Christopher Forbes

(L-R) Lawrence Ho; Ahmad Kuli Khan Khattak, CEO, Ghandhara Industries; Christopher Forbes

(L-R) Lawrence Ho; Asako Horikawa, Executive Director, Kitanotatsujin Corporation; Christopher Forbes

(L-R) Lawrence Ho; Shikhar Aggarwal, Joint MD, BLS International; Christopher Forbes

(L-R) Lawrence Ho; Nguyen Quoc Phong, Vice-General Director, Binh Duong Minerals and Construction; Christopher Forbes

The forum and awards dinner provided excellent networking opportunities for all award recipients and guests.

Front Row (L-R) **Geoff Davis, CEO, Melco Resorts & Entertainment Japan, Executive Vice President & CFO, Melco Resorts & Entertainment; Yoshito Hori, President, GLOBIS University, Managing Partner, GLOBIS Capital Partners; Miwako Date, President & CEO, Mori Trust**

Back Row (L-R) **Au King Lun, CEO, Value Partners Group; Makoto Takano, CEO & Editor-in-Chief, Forbes Japan; Lawrence Ho, Founder, Chairman & CEO, Melco Resorts & Entertainment; Christopher Forbes, Vice Chairman, Forbes Media; William Adamopoulos, CEO, Forbes Media Asia; Kotaro Tamura, Asia Fellow, Milken Institute**

(L-R) **Michio Hayashi, Executive Officer, Insource; Bruce Kim, CEO, Surplusglobal**

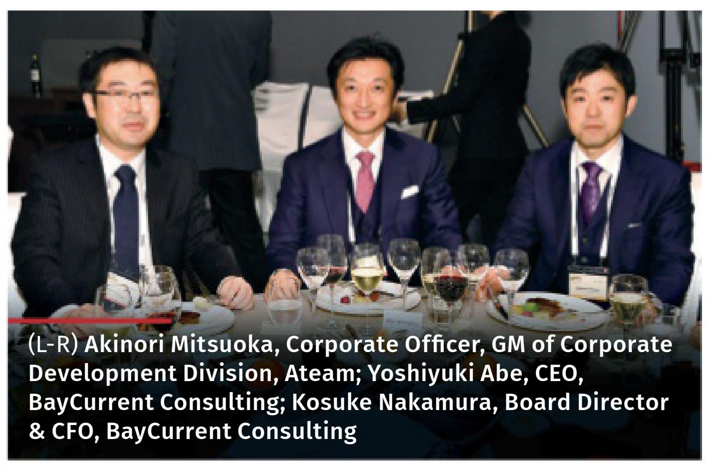
(L-R) **Sophia Chang, Executive Deputy GM, TCI; Yasuko Matsui, President & CEO, Papyless; Haru Sung, Sales Manager, TCI**

(L-R) **Tang Chi Fai, Chairman, CEO & Executive Director, Union Medical Healthcare; Emily Tang, Union Medical Healthcare; Fang Junyun, Board Chairman, Zhejiang Jiemei Electronic & Technology; Yu Zhengmin, Sales Manager, Zhejiang Jiemei Electronic & Technology**

(L-R) **Yasutaka Yanase, President, Giga Prize; Takeshi Terada, Director, Business Headquarters, E-Guardian; Yoshiko Umikawa, Managing Executive Officer, Giga Prize; Rowland Kirishima, CEO, Avatta; Shigeru Ishizaka, CEO, IBJ**

(L-R) **Hiromi Sugiyama, PR Director, PR Times; Takumi Yamaguchi, CEO, PR Times; Christopher Forbes, Vice Chairman, Forbes Media; Yusuke Hara, GM, Jooto, PR Times**

(L-R) **Jill Cai, VP, Wuxi Biologics; Yu Zhuokun, MD & Board Secretary, Guangdong Yizumi Precision Machinery**



(L-R) **Akinori Mitsuoka, Corporate Officer, GM of Corporate Development Division, Ateam; Yoshiyuki Abe, CEO, BayCurrent Consulting; Kosuke Nakamura, Board Director & CFO, BayCurrent Consulting**

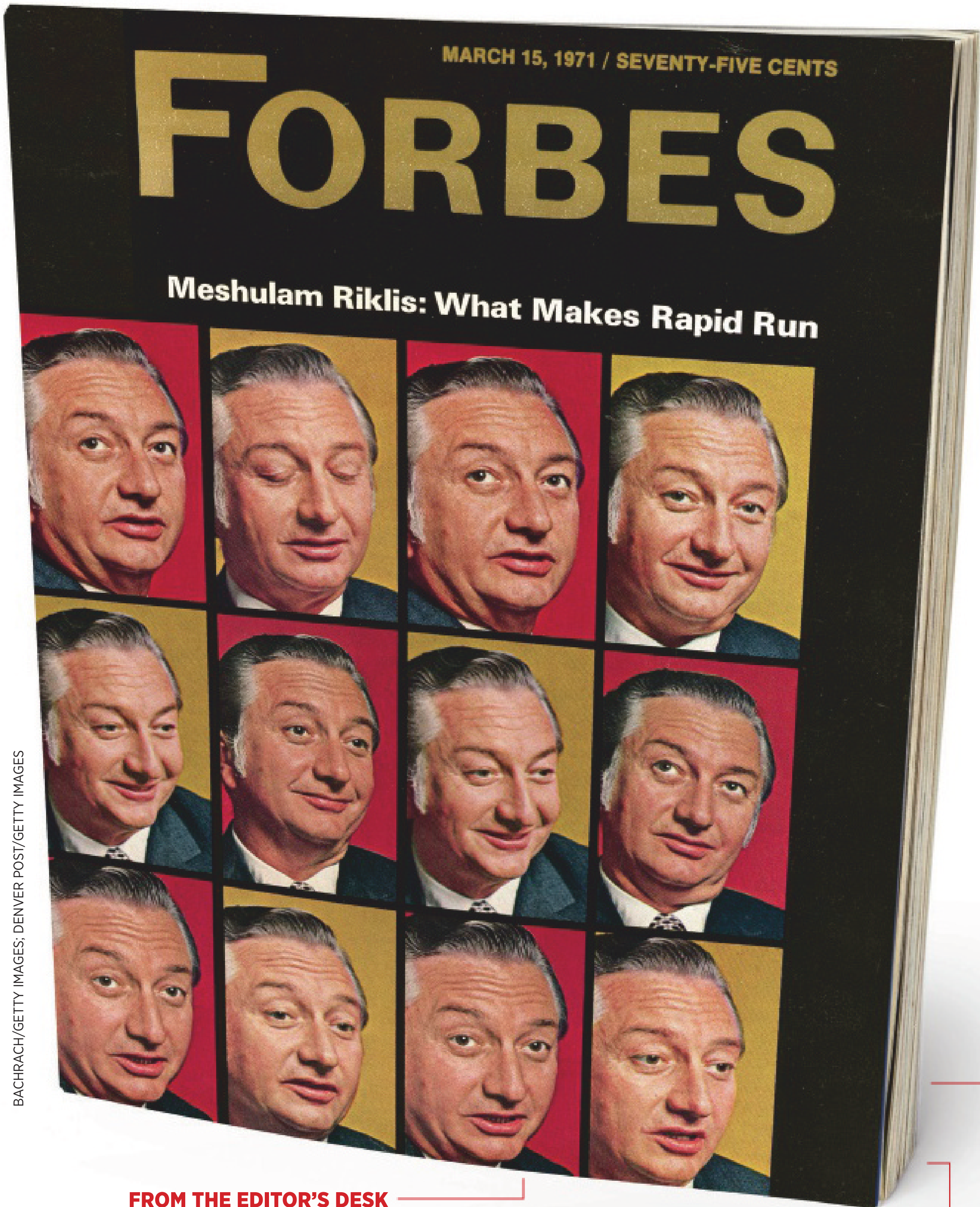
A special thanks to all award recipients, guests and sponsor of the
Forbes Asia *Best Under A Billion* Forum and Awards Dinner.

Presenting Sponsor

MELCO

Something Borrowed, Something New: March 15, 1971

BY ABRAM BROWN



AT 47, MESHULAM RIKLIS lived in a six-story Fifth Avenue townhouse that once belonged to the Sulzberger family, owners of the *New York Times*. He rode in chauffeured limousines, accompanied by bodyguards. He possessed a chameleonlike charm and an offbeat sense of humor. (Heard the one about the fish, the restaurant and "the big schnook"?) Born in Turkey, raised in Israel and having lived for a time on a kibbutz, Riklis counted his net worth in the multimillion-dollar range. How multi? "Plenty multi," he replied. The source of his wealth: Rapid-American, a wide-ranging conglomerate built on a pile of debt. This leverage-driven tactic was novel in the 1970s. A decade later, a group of rather more hostile capitalists would employ it with great success, becoming the infamous corporate raiders of the booming '80s.

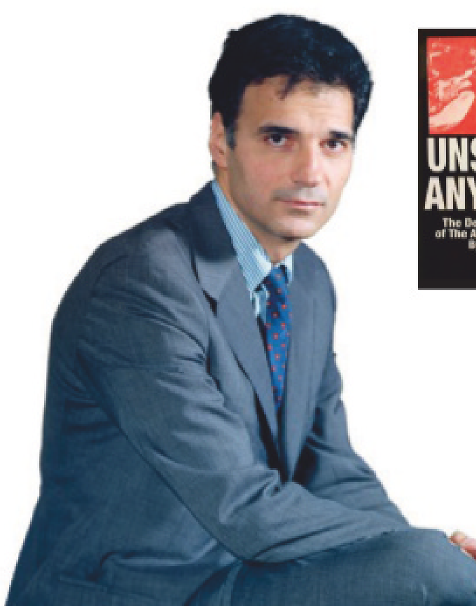
Riklis was a pioneer, picking up companies such as Elizabeth Arden and Fabergé. By 1984 he was worth $150 million (some $350 million today), a figure that would more than double over the next five years. But neither his fortune nor his empire would survive the end of the leveraged-buyout era, and after he siphoned out cash and assets, many of his companies collapsed into bankruptcy. He largely vanished thereafter; one of his only recent surfacings came via the 2016 announcement of a grandson's wedding—a notice that described the then 92-year-old Riklis as, simply, a "financier."

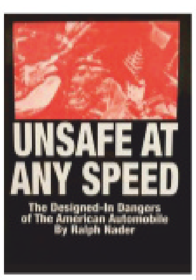
BACHRACH/GETTY IMAGES; DENVER POST/GETTY IMAGES

FROM THE EDITOR'S DESK

The Cost of Concern

In the years after Ralph Nader's landmark book *Unsafe at Any Speed,* Malcolm Forbes lamented that "businessmen who suggest that any proposed safety measure be weighed in terms of its cost are assumed to be ogres indifferent to human life."





AMAZING AD

Dog's Breakfast

Greyhound Lines' ambitions were growing beyond mere interstate travel. A year earlier, in 1970, the bus company had entered the meat business, buying Armour & Co. for $415 million (about $2.7 billion today).

PLUS ÇA CHANGE . . .

In the Rough

"Private country clubs . . . are changing with the times. Maybe even dying." The number of such clubs had fallen from a high of 5,500 in the 1920s to 4,500. The industry is in decline today, too: Nationwide, the number of clubs and golf courses is down 10% over the past decade.

EDITED BY KERRY A. DOLAN & LUISA KROLL

Waves of Change in the Archipelago Nation

The total wealth of the top 50 hits a record $129 billion.

It's been a mixed year for Indonesia. On the surface, the world's fourth most populous nation looks to be humming. Amid continued economic growth, the stock market index rose 4.4% in the past 12 months. But as our annual list of Indonesia's 50 richest shows, there was a grab bag of winners and losers.

Six of the ten richest are wealthier than a year ago, including the **Hartono** brothers at No. 1—their tenth year in that spot. They were buoyed by the strength of their Bank Central Asia, which accounts for 70% of their $35 billion fortune *(see p. 89)*. **Susilo Wonowidjojo** climbs to the No. 2 spot—up one rank—thanks to a rise in shares of its kretek (cigarette) maker, Gudang Garam. The difference between the net worths of No. 1 and No. 2 is 280%, the biggest gap of any *Forbes* wealth list this year. **Sri Prakash Lohia** also inches up, to No. 4 this year, in large part due to a higher value for his stake in Bangkok-listed petrochemicals producer Indorama Ventures. The fortune of **Bachtiar Karim** (No. 21) and family rose 61% since last year due to a significant rise in revenues of palm oil firm Musim Mas.

Overall, Indonesia's tycoons are wealthier: The total net worth of the country's 50 richest climbed to $129 billion, a record high and up from $126 billion a year ago. Impressively, the minimum net worth needed to make the list rose to $600 million—a significant $150 million jump since 2017 and the highest cutoff since 2013.

Four newcomers joined the ranks, most following upticks in shares. **Danny Nugroho** (No. 38) debuts after his stake in listed finance and insurance firm Capital Financial Indonesia nearly doubled in value in the past year. **Sabana Prawirawidjaja** (No. 47) was a founder of Ultrajaya Milk Industry, which has become one of the country's largest makers of "shelf stable" dairy products.

Arifin Panigoro (No. 46) returns to the list after a one-year absence due to new information in his shareholding in oil and gas firm Medco Energi. On the flip side, half of those on the list are poorer than a year ago. The rupiah is 5% weaker vs. the U.S. dollar. And some stock prices were anemic. The biggest loser in percentage terms was **Soegiarto Adikoesoemo** (No. 39), whose fortune dropped 42% on weakness of AKR Corporindo, his petroleum and chemicals trading firm.

Among the five who dropped off since last year's list is Purnomo Prawiro. Shares of his family's taxi firm, Blue Bird, fell more than 25% amid competition with ride-hailing firms like Grab. (Fortunes were calculated based on stock prices and currency exchange rates as of November 30, 2018.)

Reporting by Naazneen Karmali, Pudji Lestari, Anis Shakirah Mohd Muslimin, Linh Nguyen, Anu Raghunathan, Sheela Sarvananda, Ariel Shapiro.

Palm oil moguls, like our listees overall, had a year of ups and downs.

JOSHUA PAUL/BLOOMBERG

AHMAD ZAMRONI

TERESA WIBOWO: ACING IT

The 36-year-old daughter of retail billionaire Kuncoro Wibowo (No. 18) joined Ace Hardware Indonesia, her family's main business, a decade ago, and soon ran their marketing department. But by 2016 she'd launched e-commerce site **ruparupa.com**, with Ace Indonesia taking a 30% stake. It is still part of her clan's privately held Kawan Lama Group. She won't confirm financials but cites rapid growth from targeting young families and linking to Kawan Lama goods: "This enables people to buy online and pick up the goods at the nearest store, or we deliver directly to them from the nearest store." These days ruparupa.com sells 30,000 products to ruppers (what it calls its customers), including all items from Kawan Lama's Ace Hardware and Toys Kingdom.

THE LIST

1. R. BUDI & MICHAEL HARTONO
$35 BILLION
BANK CENTRAL ASIA
AGES: 78, 79

2. SUSILO WONOWIDJOJO
$9.2 BILLION
GUDANG GARAM
AGE: 62

3. EKA TJIPTA WIDJAJA
$8.6 BILLION
SINAR MAS
AGE: 95

4. SRI PRAKASH LOHIA
$7.5 BILLION ▲
INDORAMA AGE: 66

5. ANTHONI SALIM
$5.3 BILLION ▼
SALIM
AGE: 69

6. TAHIR
$4.5 BILLION ▲
MAYAPADA AGE: 66

7. CHAIRUL TANJUNG
$3.5 BILLION
CT CORP AGE: 56

8. BOENJAMIN SETIAWAN
$3.2 BILLION ▼
KALBE FARMA
AGE: 85

9. JOGI HENDRA ATMADJA
$3.1 BILLION ▲
MAYORA AGE: 72

10. PRAJOGO PANGESTU
$3 BILLION ▲
BARITO PACIFIC AGE: 74

11. LOW TUCK KWONG
$2.5 BILLION ▲
BAYAN RESOURCES
AGE: 70

12. MOCHTAR RIADY
$2.3 BILLION ▼
LIPPO AGE: 89

13. PUTERA SAMPOERNA
$1.75 BILLION
SAMPOERNA STRATEGIC
AGE: 71

14. PETER SONDAKH
$1.7 BILLION ▼
RAJAWALI CORPORA
AGE: 68

15. MARTUA SITORUS
$1.69 BILLION ▲
WILMAR INTERNATIONAL
AGE: 58

16. GARIBALDI THOHIR
$1.67 BILLION ▲
ADARO ENERGY AGE: 53

17. THEODORE RACHMAT
$1.6 BILLION
ADARO ENERGY AGE: 74

▲UP MORE THAN 10% ▼DOWN MORE THAN 10%
★NEW TO LIST ↻RETURNEE

KIRANA BROTHERS

The October Incident

The Lion Air tragedy in October took a significant human toll. Weaker Asian budget-airline shares diminished the estimated fortune of the Indonesian carrier's founders, the Kirana brothers.

Rusdi Kirana (second from right) inspects recovered debris from flight 610.

Early on the last Monday of October, a Lion Air flight crashed into the Java Sea near Jakarta, killing all 189 people on board. It was the country's worst airline accident in decades.

The plane was a new Boeing 737 Max 8 that had experienced minor issues on prior flights but had been deemed safe to fly that day. Reports point to possible problems with the plane's flight-control system, but the exact cause of the crash is still not known. In addition to the human tragedy, the crash must have dealt a blow to Lion Air and the founders of the budget airline, brothers Rusdi and Kusnan Kirana. The former travel agents launched Lion Air with one plane 18 years ago. It is now the largest private airline in Indonesia, with 226 flights a day to 36 destinations. Rusdi Kirana reportedly said he feels betrayed by Boeing and is considering canceling some of the airline's order for 188 airplanes.

Lion Air revenues reached $1.65 billion last year, estimates aviation publication *Flightglobal*. As a private company it does not publish revenues or hold calls with analysts, so it's unclear how bookings have fared in the wake of the crash. *Forbes Asia* estimates that due to lower values for the Asian budget airlines sector, the brothers' fortune, which lies in their ownership of Lion Air, dropped to $800 million, down from $970 million last year. —*Linh Nguyen*

ULET IFANSASTI/GETTY IMAGES

MICHAEL HARTONO: CARD SHARK

For years, Michael "Bambang" Hartono advocated to get the game of bridge included in the Asian Games. He succeeded in making that happen at this year's event, held in August in Indonesia. Then he took home a medal in the competitive card game. Hartono, 78, has been playing bridge since he was a child. He and his five Indonesian teammates took a bronze in bridge at the Games, with teams from China and Hong Kong winning gold and silver, respectively. Hartono was the oldest and the richest champion in the tournament. Hartono and his brother Rudi are together worth $35 billion, making them No. 1 among Indonesia's richest for ten years running. The roots of the family fortune stem from kretek-cigarette maker Djarum, started by their father, but more than two thirds of their fortune comes from their investment in **Bank Central Asia**, which they snatched up from the Salims (No. 5) during the 1998 Asian economic crisis. His hobby has played a role in his success. "If you want to be a good business person, play bridge. It trains you to collect data, analyze the strategy and make a risky decision in order to win," he told the BBC. —*Shintya Felicitas*

LOW TUCK KWONG: BIGGEST GAINER

Mining magnate Low switched roles at his coal outfit **Bayan Resources**, stepping in as president director in January. It was good timing: Revenues are up thanks to strong demand and higher coal prices. Additionally, the low-cost producer reported some of the highest margins in the industry. In the past year, Bayan's shares have jumped 82%, helping boost Low's fortune by 63%, more than any other rich lister. Low, who also has investments in shipping and real estate, is now backing SEAX Global, a Singapore-based company that is building a submarine sea-cable system to provide internet connectivity linking Singapore, Indonesia and Malaysia.

DIMAS ARDIAN/BLOOMBERG; AHMAD ZAMRONI/KHV FOR FORBES INDONESIA

THE LIST

18. KUNCORO WIBOWO
$1.58 BILLION
ACE HARDWARE INDONESIA
AGE: 62

19. ALEXANDER TEDJA
$1.5 BILLION ▲
PAKUWON JATI
AGE: 73

20. HUSAIN DJOJONEGORO
$1.46 BILLION ▲
ORANG TUA AGE: 69

21. BACHTIAR KARIM
$1.45 BILLION ▲
MUSIM MAS AGE: 61

22. MURDAYA POO
$1.4 BILLION ▼
CENTRAL CIPTA MURDAYA
AGE: 77

23. EDDY KATUARI
$1.35 BILLION ▼
WINGS AGE: 67

24. DJOKO SUSANTO
$1.33 BILLION
ALFAMART AGE: 68

25. SUKANTO TANOTO
$1.3 BILLION ▲
ROYAL GOLDEN EAGLE
AGE: 68

26. EDDY KUSNADI SARIAATMADJA
$1.29 BILLION
EMTEK AGE: 65

27. CIPUTRA
$1.2 BILLION ▼
CIPUTRA AGE: 87

28. CILIANDRA FANGIONO
$1.19 BILLION ▼
FIRST RESOURCES
AGE: 42

29. HUSODO ANGKOSUBROTO
$1.15 BILLION ▼
GREAT GIANT PINEAPPLE
AGE: 63

30. HARJO SUTANTO
$1.1 BILLION
WINGS AGE: 92

31. HARY TANOESOEDIBJO
$980 MILLION
MNC LAND
AGE: 53

32. SUDHAMEK
$920 MILLION ▲
GARUDAFOOD AGE: 62

33. LIM HARIYANTO WIJAYA SARWONO
$910 MILLION ▲
HARITA AGE: 90

34. OSBERT LYMAN
$900 MILLION ▲
LYMAN AGE: 68

▲UP MORE THAN 10% ▼DOWN MORE THAN 10%
★NEW TO LIST ↻RETURNEE

BENNY TJOKROSAPUTRO: NEWCOMER

In each of the past four years, property developer Tjokrosaputro has just missed the cut for our list of Indonesia's richest. This year he joins the ranks for the first time at No. 43. Tjokrosaputro, 49, got a boost from the July initial public offering in Jakarta of **Sinergi Megah Internusa**, a travel and leisure firm that manages the Lafayette Boutique Hotel in Yogyakarta. He owns nearly 84% of the newly listed company, worth about $225 million as of late November. Sinergi Megah has much bigger plans ahead, with the goal of developing a 20-hectare plot in the Riau Islands east of Kuala Lumpur into 180 luxury villas that it wants to start selling in 2019. Funds raised in the offering were intended to help construct the villas. Tjokrosaputro, who also has stakes in three other listed property firms, got more good news in July. That month an Indonesian court rejected the appeal by investment bank Goldman Sachs over whether it should return shares in listed property developer PT Hanson to Tjokrosaputro. He had earlier sued the bank, saying that it had made unlawful trades with shares he claimed were his. In November 2017 an Indonesian court ordered Goldman Sachs to pay Tjokrosaputro $22 million in damages. No comment from Tjokrosaputro. Goldman Sachs has appealed the decision to Indonesia's Supreme Court.

MARTUA SITORUS: IN TRANSITION

Sitorus stepped off the board of Wilmar International, the world's largest palm oil trader, in July. The announcement came just days after a Greenpeace report alleged that plantation companies owned by him and his brother's firm, Gama Corp, had cleared thousands of acres in Indonesia. Sitorus and Kuok Khoon Hong, the nephew of well-known Malaysian billionaire Robert Kuok, cofounded Wilmar in 1991. Sitorus stepped back from daily operations in April 2017, when he gave up his post as executive deputy chairman; months later he sold a bundle of shares to U.S. agribusiness Archer Daniels Midland. In August, a consortium that included Sitorus sold a 95% stake of Agincourt Resources, the owner of Martabe Gold Mine, to a subsidiary of carmaker giant Astra International for nearly $930 million; that sale helped boost by 20% the fortune that Sitorus and his brother Ganda share. The brothers also have investments together in cement and property. In partnership with the Ciputra group, Gama Land is building a project in Jakarta that should entail total investments of $620 million. Dubbed East Jakarta City, it is to have 15 apartment towers and a shopping complex when completed.

AHMAD ZAMRONI (TOP)

MOCHTAR RIADY

Driven to Diversify

SAM KANG LI/BLOOMBERG

With roots in banking, Mochtar Riady, founder of the $8 billion (annual revenue) Lippo Group, became an accidental property developer in 1990 when a borrower of his erstwhile Lippo Bank went under and three large tracts of land outside central Jakarta that had been given as collateral came into his possession. In a recent first-person account, Riady narrates how he turned what was essentially wasteland into thriving townships, inspired by booming Shenzhen, a fishing village that became China's first special economic zone.

The family's property ambitions scaled a new peak in 2017 when they launched Meikarta, a sprawling $21 billion township east of central Jakarta. Dubbed as Indonesia's Shenzhen, Meikarta was envisioned to house more than 1 million people and to be "more beautiful than Jakarta" as elaborated in the 2017 annual report of Lippo Karawaci, the listed unit behind the project. The company claimed it had created a record with 16,800 residential units, worth $517 million, presold.

But earlier in 2018, reports of a liquidity crunch at the property developer, caused by slowing sales, began to surface, making investors nervous. To boost its cash flow, Lippo Karawaci, faced with downgrades by rating agencies such as Fitch and Moody's, sold stakes in affiliated units to Singapore-listed OUE, a group company controlled by Riady's younger son Stephen. But more trouble was brewing.

In October, Riady's Meikarta showpiece was embroiled in a corruption scandal when several people, including a Lippo director, were arrested for allegedly bribing officials to obtain permits for Meikarta. In an ensuing twist, Indonesia's antigraft agency raided the home of Riady's older son and Lippo's deputy chairman, James Riady. A statement by Lippo said James Riady denied any knowledge of or involvement in the alleged incident and added that neither he nor any Lippo employee had been charged or named as suspects in the case.

Nonetheless, ratings agency Fitch downgraded Lippo Karawaci's credit rating in November to a potential default, citing the company's weakening cash flow and the possibility of a large financial liability as a consequence of the bribery case. The property firm's shares have fallen by more than half since we last measured fortunes 12 months ago, and shares of some other group companies have also taken a knock in what Wong Hong Wei, credit research analyst at OCBC in Singapore, calls "a contagion effect." While Riady claims the rest of his private holdings have held steady, *Forbes Asia* took a more conservative estimate. Consequently, Riady's fortune is down by more than one fifth after discounting for the overall impact on his broader holdings.

For the Riady patriarch, the current setback is one more in a series he has faced in his long career, including, as he recounts, a spate of bank runs that forced him to diversify into other businesses.

—N.K.

35. HASHIM DJOJOHADIKUSUMO
$850 MILLION
ARSARI
AGE: 64

36. SJAMSUL NURSALIM
$810 MILLION
MITRA ADIPERKASA
AGE: 77

37. KUSNAN & RUSDI KIRANA
$800 MILLION ▼
LION AIR
AGE: 59 & 55

38. DANNY NUGROHO
$790 MILLION ★
CAPITAL FINANCIAL INDONESIA
AGE: 43

39. SOEGIARTO ADIKOESOEMO
$780 MILLION ▼
AKR CORPORINDO AGE: 80

40. AKSA MAHMUD
$775 MILLION ▼
BOSOWA AGE: 73

41. IRWAN HIDAYAT
$750 MILLION ▲
SIDO MUNCUL AGE: 71

42. ACHMAD HAMAMI
$725 MILLION
TIARA MARGA TRAKINDO
AGE: 88

43. BENNY TJOKROSAPUTRO
$670 MILLION ★
SINERGI MEGAH INTERNUSA
AGE: 49

44. ARINI SUBIANTO
$665 MILLION ▼
ADARO ENERGY
AGE: 47

45. EDWIN SOERYADJAYA
$660 MILLION
SARATOGA INVESTAMA SEDAYA
AGE: 69

46. ARIFIN PANIGORO
$655 MILLION ↻
MEDCO ENERGI
AGE: 73

47. SABANA PRAWIRAWIDJAJA
$640 MILLION ★
ULTRAJAYA MILK INDUSTRY
AGE: 78

48. KARDJA RAHARDJO
$625 MILLION ★
PELAYARAN TAMARIN SAMUDRA
AGE: 57

49. KARTINI MULJADI
$610 MILLION ▼
TEMPO SCAN PACIFIC
AGE: 88

50. ABDUL RASYID
$600 MILLION ▼
SAWIT SUMBERMAS SARANA
AGE: 60

▲UP MORE THAN 10% ▼DOWN MORE THAN 10%
★NEW TO LIST ↻RETURNEE

Racing Ahead

What do Inner Mongolia, New Zealand, horses and wolves have in common? Colorful businessman Lin Lang. His company, Rider Horse Group, is boosting the Kiwi equine industry.

BY JENNIFER WELLS

His first encounter with Manchurian entrepreneur Lin Lang was back in 2012. Andrew Birch, head of New Zealand Thoroughbred Marketing, was sitting in his office in Hamilton when a woman walked in off the street. She worked for a local veterinary-supply company, she said, and was making enquiries on behalf of a gentleman in Inner Mongolia keen to import horses from New Zealand.

Birch loaded her up with information, but "the minute she left I had to look on Google Maps to see where Inner Mongolia was," he says. Within the month, Lang was in New Zealand, and armed with a stud-and-stable directory, he traveled around the country buying 65 horses privately. That was June. In December he was back to buy more.

Since then the chairman and chief executive of Rider Horse Group, which owns China's largest horse farm, has become one of the most consequential players in New Zealand racing and breeding circles. He's expanded mainland Chinese interest and investment in the sector, aggressively buying privately and at auction to become the biggest importer of New Zealand horses in China, while bringing wealthy mainland buyers to New Zealand to view what's on the block. He's chartered 15 planes since 2012 to transport 1,484 horses. "About 90% of our clients buy New Zealand horses," Lang, 50, says through an interpreter.

Australia remains the top overseas purchaser of New Zealand bloodstock, capturing 70% of total exports last season, followed by Hong Kong and Singapore. But China is coming up fast on No. 3 and is the industry's biggest emerging market, says Andrew Seabrook, managing director of New Zealand Bloodstock, a bloodstock-sales leader in Karaka, south Auckland. Last year Chinese buyers made up 5% of the buying bench at NZB sales, spending $3.9 million, up from zero six years ago. "We took the first Thoroughbreds up to China in 1993," he says. "At that time we thought [the market] was going to take off. But it wasn't until Mr. Lang came that it really started to happen." Following Lang's first purchase, the Chinese

The horse whisperer: "It's natural to ride," says Lin Lang.

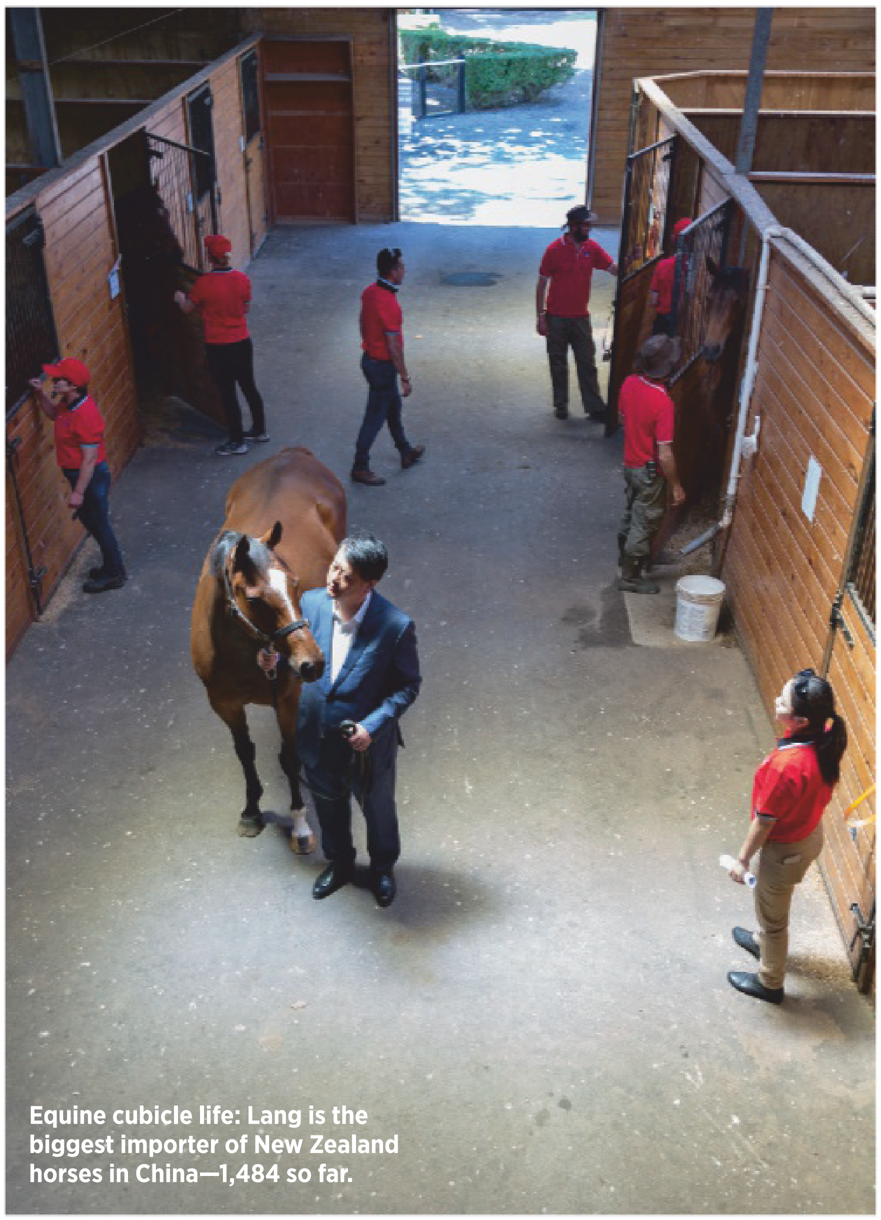
JESSIE CASSON FOR FORBES

flag was added to the international array at the auction house. "There is no doubt his influence in helping to open the Chinese market has been significant."

It's a day's journey from Rider Horse's waterfront office in Auckland to the company's headquarters in the waving grasslands of Inner Mongolia, an autonomous region in northern China where a deep cultural affinity for horses goes back thousands of years. In addition to a hotel and a restaurant, the complex includes a 2,000-acre farm with stables, a racetrack and a grandstand, a feed mill, a breeding center and livestock trading, veterinary and quarantine facilities. It's also home to Lang's favorite pets—two wolves and a falcon. His surname has the same pronunciation as wolf in Chinese, giving rise to his widely used English moniker, Mr. Wolf.

Hailing from Jilin Province, Lang got a job after college working for a state-owned truck maker. "But this was the 1990s in China, and you had this atmosphere," says Victoria Wang, bloodstock manager at Rider Horse. "A lot of people jumped out of government jobs to start their own businesses." He launched a number of small ventures; one sold ice cream and another made furniture. He made real money with a hot pot restaurant, which he expanded into a chain of ten (there are four now), reinvesting the profits in property and eventually establishing a riding club to indulge his passion for horses. He began racing half-bloods to compete against other horse owners and have some fun.

In 2006 Lang got a phone call from officials in the prairie town of Khorchin in Inner Mongolia, promising land and subsidies in exchange for shifting the club's operations there to build up the local equine industry. Today Rider Horse employs 700 people in Khorchin involved with the care and trade of more than 4,500 horses—including 900 Thoroughbreds—and is the largest horse importer and supplier in China. The group also owns a track-and-stables complex in Hunan for year-round training and racing. Rider Horse says it posted \$31 million in sales last year, up 300% from four years ago, while net profit has doubled to \$6.1 million over the same period.



Equine cubicle life: Lang is the biggest importer of New Zealand horses in China—1,484 so far.

Lang holds the biggest stake among 21 shareholders. The company became the first in China's nascent horse sector to receive venture capital, and it's secured \$72 million in five rounds of funding. He has long talked of a public offering on Shenzhen's ChiNext—though he says the timing still isn't right—and that would make Rider Horse the country's only listed equine company. Gambling remains illegal in China, but rising wealth, accompanied by increased awareness of equestrian sports following the 2008 Summer Olympics in Beijing, has led to renewed interest in the horse sector. Besides meeting the recreational demand for horses, the company is one of China's biggest race organizers; horses compete for limited prize money.

After building a small racing team in Khorchin, Lang branched out, buying several horses in the U.S. to race in Macau. Then he turned to New Zealand, with the country's free-trade agreement with China, an advantageous exchange rate, a ready infrastructure for livestock export and the market's reputation for quality fuelling his interest. He saw a niche in buying a mix of horses at the bottom end of the market, including Standardbreds and ponies, helping Kiwi breeders offload excess stock while filling the demand for horses in China. Says New Zealand Thoroughbred Marketing's Birch, "They have certainly cast the net far and wide, and it created a market for stock that might otherwise have been viewed as noncommercial."

Lang has spent \$9.5 million on Kiwi-bred horses since 2012 and leaves his larger purchases in New Zealand to be trained. The watershed was his "very lucky" 2013 auction purchase of an outstanding Thoroughbred named Mongolian Khan for \$180,000. Two years later it became the first Chinese-owned racehorse to win an international Group One event and the first horse in nearly 30 years to win both the New Zealand and Australian derbies, drawing cheering spectators from China to the events and raising Lang's profile at home. He has brought some 190 clients and friends to New Zealand, and one is Zhang Yuesheng, the head of Chinese conglomerate Yulong Investment Group and owner of three horse farms in Australia and a racetrack and stables in China. He's been a significant investor in New Zealand bloodstock since 2015.

Chinese investment in New Zealand horses has doubled over the past few years, says Alan Fu, managing director of New Zealand Chinese Jockey Club. But this year New Zealand slipped from its position as the second-biggest supplier of horses to China, with Australia coming in at No. 2 behind Europe. The primary reason is Australia's capacity to outspend New Zealand in marketing and sponsorships, he says, but he also cautions that New Zealand has become heavily reliant on Rider Horse. The key is to extend the market, he adds. "We are starting to form relationships with multiple parties and make it more open for Chinese buyers."

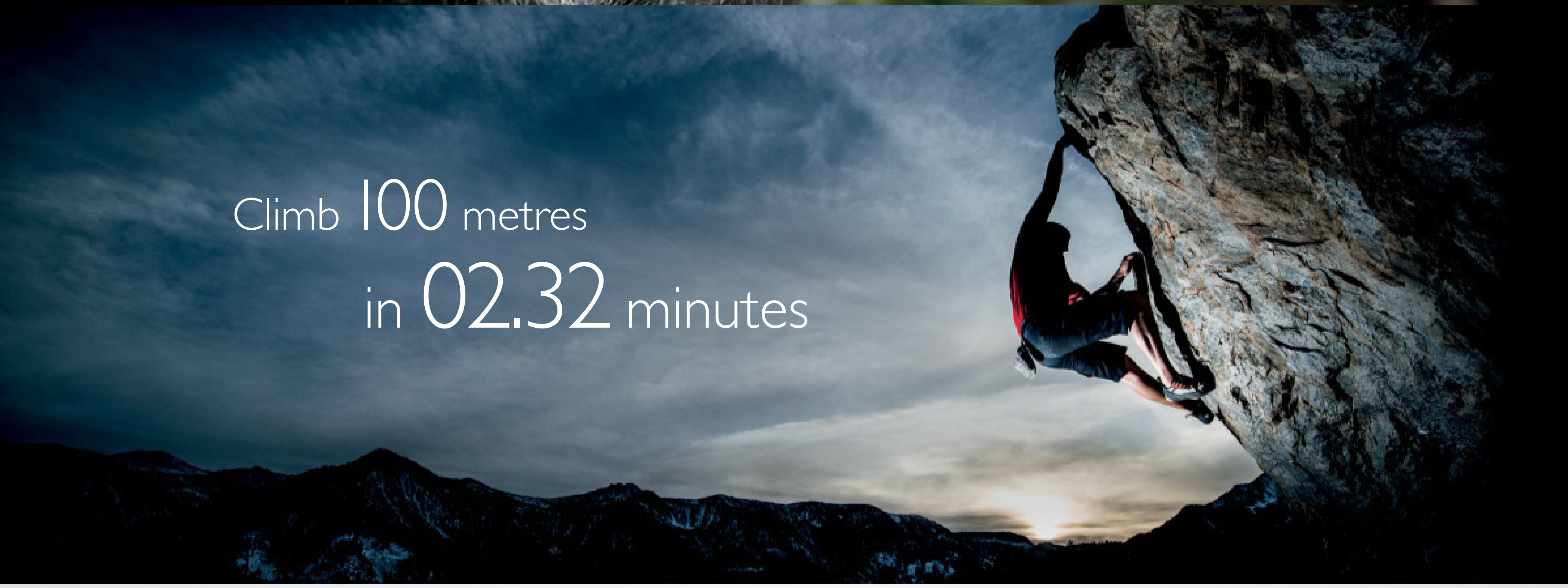
In August, Lang took over a 300-acre horse stud in Hamilton, where he will house some of the 150 Thoroughbreds he keeps in New Zealand. It will also underpin the group's strategic shift to breeding, where Lang sees the most profit. Rider Horse has just added a third stallion to its lineup in New Zealand and has purchased 110 broodmares to support them. The progeny of now-retired Mongolian Khan will go on sale next month for the first time and are widely expected to be popular. In a boost for broodmare owners in the South Island, where the industry is in decline, Lang is offering to buy healthy foals sired there by his stallion Mongolian Falcon for \$6,800, a potentially hefty return on the \$2,000 service fee.

For the immediate future, Rider Horse's focus is firmly on New Zealand, but further down the track, the plan is to sell top-selected progeny not only in New Zealand but also in Australia and the northern hemisphere. For Lang, it's all about the horses. "It's natural to ride," says the married father of four, adding, a touch wistfully, that he's now too busy. F

JESSIE CASSON FOR FORBES


Travel 1000 miles
in 03.20 minutes


Trace 4 million years
of evolution
in 03.57 minutes


Climb 100 metres
in 02.32 minutes

The Accidental Caviar King

The most coveted fish eggs in the world aren't produced in Russia. They're made in China—by Bill Holst, a Wisconsin scrapyard operator.

BY CHLOE SORVINO

Along State Road 35 on the Wisconsin side of the Mississippi River, there's a junkyard filled with old boats, cars and refrigerators, where 20,000 pounds of aluminum gets melted down every day. A handwritten sign tacked onto the front door reminds all those who enter: Put Shirts On. Inside sits Bill Holst, the 69-year-old blue-jeaned, third-generation corn farmer who started this scrap-metal business 12 years ago. "I see value in things that other people don't see value in," he says. "I'm more of a risk-taker."

All of which explains one of Holst's more exotic businesses: Hangzhou Qiandaohu Xunlong Sci-Tech, a sprawling sturgeon farm and caviar-processing company based 7,000 miles away at a man-made lake in eastern China. Hangzhou is now the largest caviar company in the world: It controls 30% of the global market and will bring in an estimated $35 million in revenue this year. That scale, combined with low labor costs and high retail prices—an ounce can cost upwards of $150—gives the company an estimated 25% profit margin. Holst owns about 24% of the joint venture and is its single largest (and only American) investor.

What makes Holst one of the most successful caviar entrepreneurs in the world is that he also owns some of Hangzhou's competitors. For two decades he has operated farms in Hunga-

Lovin' spoonfuls: Kaluga Queen eggs are served at 22 of the 28 three-Michelin-starred restaurants in France.

Roe, roe, roe: Bill Holst samples his goods at one of his quarries in Wisconsin—though he's not a big fan of caviar.

TIM PANNELL FOR FORBES

ry and Germany and sold the caviar under the brand Desietra. With more modest prices, his European businesses brought in $8 million last year.

But Hangzhou is his jewel. In the two decades since the sale of wild Iranian and Russian caviar was banned worldwide, the farm has become the most sought-after caviar producer in the world. Marketed under the name Kaluga Queen, the eggs are now served at hundreds of award-winning restaurants, including 22 of the 28 three-Michelin-starred establishments in France and Eleven Madison Park in New York City. Famed chef Alain Ducasse has stocked the caviar at his 30 restaurants around the world since he visited the farm three years ago. Vladimir Putin tried some at the 2016 G20 summit.

Hangzhou is also a key wholesale supplier to luxury brands such as Petrossian and Caviar House. And even tins of chef Thomas Keller's retail brand, Regiis Ova, are packed with Holst's eggs. "That farm in China has the best-quality caviar," says chef Eric Ripert, whose $160 seafood tasting menu at Le Bernardin offers an ounce of the caviar as a $155 supplement. "They're not too salty. They're not bitter. They're not nutty. It's almost as good as wild caviar, when it was on the market. I'm talking about the best wild caviar that you could find 20 years ago."

Holst himself had a wild ride that brought him to the caviar industry. He dropped out of college in 1968 to work the midnight shift in an insulation factory for $2 an hour. At 22 he started a remodeling business. That led him to buy a quarry in the late 1970s to dig for sand and gravel. By 1995 he owned 11. One site had a spring-fed lake that he stocked with fish so his two children could go fishing. A friend in St. Paul, whose hobby was raising sturgeon in his garage, introduced Holst to a Native tribe in Canada that sold him the fish. Holst discovered he had a knack for keeping the fish healthy. In 1999 the friend learned about an opportunity to buy a bankrupt sturgeon farm in Hungary.

Holst had never tasted caviar and had rarely been outside the United States. But he flew to Budapest, holding a briefcase filled with $10,000 in cash to convince officials to meet about buying the company. The Hungarian government agreed to $200,000. Holst paid it all in cash.


Swimmingly: Qiandao Lake in China, where the sturgeon that produce Kaluga Queen are born and raised.

Rebuilding began immediately. (Holst was flush with funds after selling his Wisconsin excavating business for $14 million up front and $32 million in royalties that would be paid out over 30 years.) "[The previous owner] wasn't a farmer," he explains. "Five percent one way or another in the business is the difference between being profitable or bankrupt. You have to pay attention to all of the little things." That can be as specific as how a female sturgeon is fed: If she gets even slightly too fat, her ovaries won't produce eggs. Because sturgeon take 4 to 12 years to mature, one misstep can wipe away years of work. While Holst was turning the farm around in Hungary, he bought a bankrupt German caviar company, which he renamed Desietra. Within four years it was back to making a profit.

A group of Chinese investors then approached him about starting that country's first caviar company. They already had a small sturgeon farm that sold the fish as meat but needed funds and expertise to expand into caviar production. In 2004, Holst invested roughly $2 million for a 49% stake. "I'm what you call an impulsive buyer," he says. "I look at something and I don't take ten years to look it over. If it's a good deal, I do it now because it will be gone tomorrow."

But today the sturgeon are raised about 200 miles east of Shanghai, in floating steel pens set up inside a 220-mile-wide manmade lake. The five species swim freely within the cages, recreating a wild environment. Holst designed the processing plant, where every fish is tracked so closely that each tin has a QR code which can trace the entire life of the fish that the caviar comes from. All the equipment was modeled after Holst's other farms and custom made in Germany. The plant workers (there are 350 employees) were even sent to Germany for training at Holst's facility. "We sent them calculations on how to feed them, what percent protein and fat and oil content and everything for their feed because they were just used to feeding them for meat," Holst recalls. "When you're feeding them for caviar production, it's a whole different feed, a higher protein with less fat. Then we showed them how to make the caviar."

Adds Hangzhou's VP of global markets, Han Lei: "The quality of the caviar is decided by the quality of the fish. They give the fish a very good environment for 7 to 15 years in the lake. It's very similar to the wild environment, like the wild sturgeons live in the Caspian Sea. You have the very deep and clean water, and full of oxygen, right temperature."

The first tin shipped from China in 2006. Volume increased quickly from there. "We started getting enough inventory that we didn't have to take the fish in the first ovulation," Holst says. "If you wait for the second, you get 3% or 4% more caviar. Your profit goes up 30% to 40%. Boom, just like that." By 2016, Hangzhou had become the largest caviar company in the world, with the next-biggest being a quarter of the size. Last year production rose 40%. It has already increased 30% this year.

All that growth could play well on the stock market, but Hangzhou plans to stay private. Over the past few years, the company had tried to get government approval for a Shenzhen IPO. Holst even sold back half his stake to meet Chinese regulations that a public company cannot be more than 25% foreign-owned. But after months of site visits, regulators denied the petition, which still irks Holst. "They do not like to do farming operations because fish can die, fish can disappear, people can steal. The government physically counted and weighed every fish on our farms. It took them three months," Holst says. "We were sure we were going to get approved, but one of the rejections was that we really didn't have a good way to keep track of the inventory. So we didn't get it done."

As a result, Holst is focused on building up his other companies. He plans to reduce his interest in China and invest more in his European businesses. He's looking at new farms in Hungary, Italy and Greece. Such a move would make Holst one of the biggest caviar producers in Europe.

"When I went over and started this caviar business, people thought I was the goofiest guy in the world," he says, adding that he doesn't eat much of what he produces. There's not a single tin inside his house, a modest five-bedroom nestled close to his row crops where he lives with his longtime girlfriend, Nancy. "We're not elaborate people," he says. "We like the simple things." F

Sound and Vision

A music school in Tokyo blends acoustic innovation with glorious light.

BY KARL SHMAVONIAN

Tubas, violins, pianos, harps, trumpets, all playing simultaneously in one building. That's a lot of noise, beautiful though much of it may be. At the Toho Gakuen School of Music in Tokyo, created by Japanese firm Nikken Sekkei, not only are the sounds managed brilliantly, but the school is awash in natural light. As a result, the school was one of four finalists for the 2018 Royal Institute of British Architects Prize announced in late November. (The winner was Children Village, a school in Brazil that was a collaboration of firms Aleph Zero + Rosenbaum.)

A challenge for music schools is to keep the Brahms from spilling over into the Ornette Coleman in the room next door. Tomohiko Yamanashi, deputy head of architectural design at Nikken Sekkei—which has been in existence since 1900 and has designed, among other projects, the Tokyo Tower and Tokyo Sky Tree—explains the firm's solution: "In a regular music school, lesson rooms tend to be surrounded by thick concrete walls, which don't allow sound out into corridors, and also block them from sight, creating a prison-like atmosphere." Nikken decided to create a "wall-void-wall" technology between the rooms. "The walls can thus be thinned and large glass openings can be inserted, which make rooms visible from the corridor and allow them to fill with soft natural light, reducing the prison-like atmosphere."

That abundance of natural light is what makes Toho Gakuen School a multisensory treat. Yamanashi invokes the concept of synesthesia: "Kandinsky, the painter, confessed that sounds of instruments were visible for him as colors. Composer Erik Satie, in his work '4 Ogives,' expressed as music the light that illuminates old stone architecture. I think an environment of comfortable natural light is necessary for musicians."

Toho Gakuen is a symphony of the senses. F

Young artists at work at the Toho Gakuen School of Music in Tokyo: "An environment of comfortable natural light is a necessity for musicians."

THOUGHTS ON

Rules

“What is a rebel? A man who says no.”

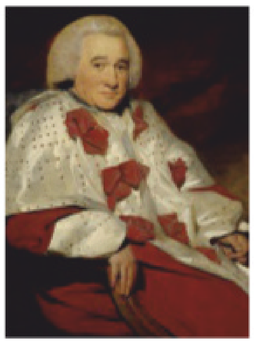
—ALBERT CAMUS

“The first rule in opera is the first rule in life: See to everything yourself.”

—NELLIE MELBA

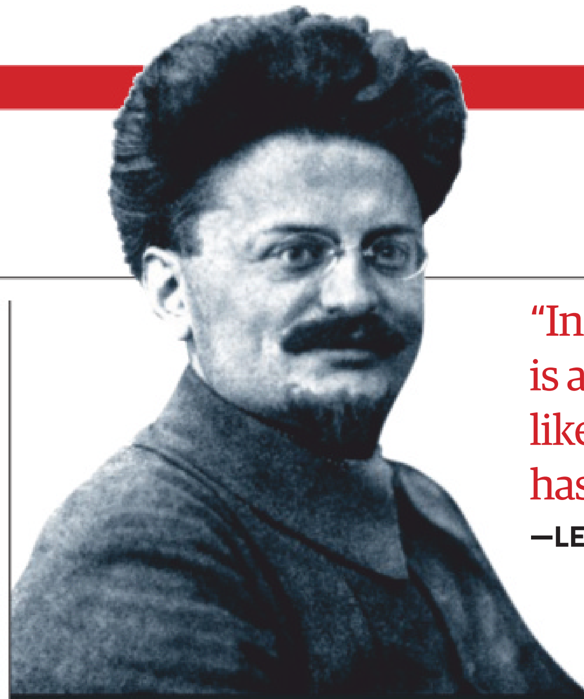
“Remember: All men would be tyrants if they could.”

—ABIGAIL ADAMS



“Let them bring me prisoners, and I’ll find them law.”

—LORD BRAXFIELD

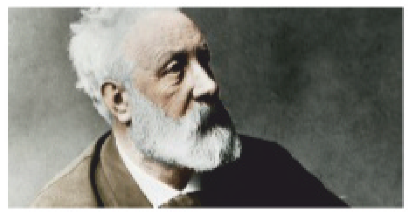


“Insurrection is an art, and like all art it has its laws.”

—LEON TROTSKY

“The people heard it, and approved the doctrine, and immediately practiced the contrary.”

—BENJAMIN FRANKLIN



“We may brave human laws, but we cannot resist natural ones.”

—JULES VERNE

“I am willing to take life as a game of chess in which the first rules are not open to discussion. No one asks why the knight is allowed his eccentric hop.”

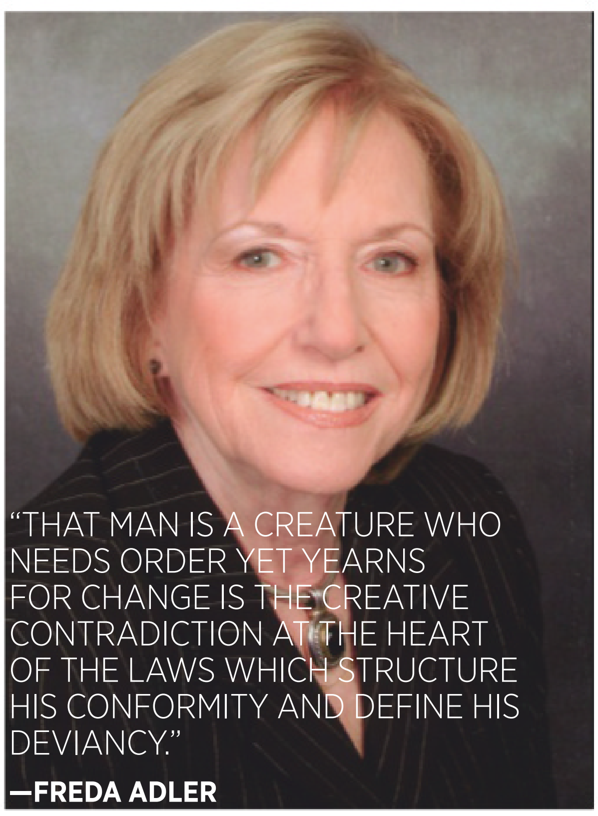
—W. SOMERSET MAUGHAM

“IT IS THE BEGINNING OF WISDOM TO RECOGNIZE THAT THE BEST YOU CAN DO IS CHOOSE WHICH RULES YOU WANT TO LIVE BY, AND IT’S PERSISTENT AND AGGRAVATED IMBECILITY TO PRETEND YOU CAN LIVE WITHOUT ANY.”

—WALLACE STEGNER

“It is not so much that we are too bold to endure rules; it is rather that we are too timid to endure responsibilities.”

—G.K. CHESTERTON



“THAT MAN IS A CREATURE WHO NEEDS ORDER YET YEARNS FOR CHANGE IS THE CREATIVE CONTRADICTION AT THE HEART OF THE LAWS WHICH STRUCTURE HIS CONFORMITY AND DEFINE HIS DEVIANCY.”

—FREDA ADLER

“He who tries to determine everything by law will foment crime rather than lessen it.”

—BARUCH SPINOZA

“UNHEARD-OF COMBINATIONS OF CIRCUMSTANCES DEMAND UNHEARD-OF RULES.”

—CHARLOTTE BRONTË

“FOLLOW MY DECREES AND BE CAREFUL TO OBEY MY LAWS, AND YOU WILL LIVE SAFELY IN THE LAND.”

—LEVITICUS 25:18

FINAL THOUGHT

“The best regulation is self-regulation.”

—B.C. FORBES

SOURCES: MELODIES AND MEMORIES, BY NELLIE MELBA; THE REBEL, BY ALBERT CAMUS; HISTORY OF THE RUSSIAN REVOLUTION, BY LEON TROTSKY; SISTERS IN CRIME, BY FREDA ADLER; WHAT’S WRONG WITH THE WORLD, BY G.K. CHESTERTON; ALL THE LITTLE LIVE THINGS, BY WALLACE STEGNER; THE WAY TO WEALTH, BY BENJAMIN FRANKLIN; JANE EYRE, BY CHARLOTTE BRONTË; 20,000 LEAGUES UNDER THE SEA, BY JULES VERNE.

CLOCKWISE FROM TOP LEFT: ALBERT CAMUS BY MARTINIE/ROGER VIOLLET/GETTY IMAGES; ABIGAIL ADAMS BY BETTMANN/GETTY IMAGES; MANSELL/THE LIFE PICTURE COLLECTION/GETTY IMAGES; POPPERFOTO/GETTY IMAGES; THER PICTURE ART COLLECTION-ALAMY; BOYER-ROGER VIOLLET/GETTY IMAGES; ERIC SCHAAL/THE LIFE IMAGES COLLECTION/GETTY IMAGES; HULTON-DEUTSCH-CORBIS/GETTY IMAGES