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KOREA'S 50 RICHEST

BEAUTY BONANZA

GP CLUB'S KIM JUNG-WOONG BECOMES A BILLIONAIRE ON CHINA'S FACIAL MASK CRAZE

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▲ PAGE 52

"I RODE THE WAVE WELL, BUT IF YOU ASKED ME TO DO IT AGAIN, I PROBABLY COULDN'T."

—**Kim Jung-woong,**
CEO and founder of GP Club

COVER PHOTOGRAPH BY
JUN MICHAEL PARK FOR FORBES ASIA

▲ PAGE 18

"IN JUST ABOUT A YEAR MORE, THE COMPANY WILL ALREADY BECOME A STRONG ADULT."

—**Edgar Sia II,** chairman and chief executive of DoubleDragon

▲ PAGE 30

"OUR BUSINESS IS MOVING, EXCITING, THRILLING PEOPLE."

—**Genki Shiota,** CEO and cofounder of Akatsuki

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Korea's **Quandary**

This issue's cover story profiles Kim Jung-woong, founder and CEO of Korean cosmetics firm GP Club. Kim started modestly as the owner of a single small videogame store, then pivoted into cosmetics and focused on selling into the China market. He benefited from the popularity of Korean products in China, such as K-Pop and K-Beauty, finding a way to profit off it.

In so doing, he was able to grow GP Club into a major cosmetics firm—largely on the sales of his facial masks, of which he sold one billion units in about two years. Though his might seem an overnight success, it took years for Kim to achieve, including learning to speak Mandarin, studying the buying habits of Chinese consumers, and astute networking with the mainland influencers who helped build this brand. It's a classic entrepreneurial story that we love to publish in *Forbes Asia* (and was written by our ace staff journalist, Associate Editor Grace Chung, who also edited the Korea rich list).

Kim's story aptly dovetails with the accompanying essay by Forbes Asia's chief economics commentator, Yuwa Hendrick-Wong, on the challenges facing Korea's SME sector. Kim's story is to some extent the proverbial "exception that proves the rule." While Kim is a newly minted billionaire, many of his compatriots who own and run SMEs are being held back by burdensome regulations and other roadblocks to growth.

It's a truism that the SME sector is the backbone of most economies, providing the lion's share of jobs and incomes for a country's workforce. While the big companies grab the spotlight, they are in the overall scheme of things only minor contributors to a country's employment and economic growth. Korea, moreover, has long held a big-company, export-led bias in shaping its economic policies. Exports from a rising China are now eroding Korea's competitive advantage in the global economy and, with them, the fortunes of Korea's 50 richest.

What then should Korea do to regain its edge? Kim's story in building GP Club offers some lessons. Rather than be threatened by the rise of China, he found an opportunity to grow rich from it. While other Korean cosmetics makers have done well there, he took risks—in true entrepreneurial fashion—that others were unwilling to take. He understood how to brand and market his products in a way specifically tailored to Chinese tastes. When his products started to become popular, he grew his firm to handle the demand.

While Korean bureaucracy continues to tilt the playing field in favor of the chaebols and big firms, it should be remembered that many of these big companies started as Kim did with GP Club—small and nimble, yet ready and willing to grow big. If Korea wants to see more big firms emerge that can stand alongside a Samsung or LG, a good place to start would be to help entrepreneurs like Kim and innovative companies like his GP Club.

Justin Doebele
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WHAT EXPERTS MISS ABOUT POWER

BY STEVE FORBES, EDITOR-IN-CHIEF

HISTORIANS AND PUNDITS routinely overlook the fundamental importance of monetary policy and taxation in the rise and fall of great powers. They churn out countless books on strategy, growing or declining economic strength, weapons systems, diplomatic machinations and the like. But rarely do they examine the critical role of money and taxes in the fate of nations. Proposed appointments to the Federal Reserve and the Treasury Department, for instance, never prompt the media to elicit comments from national security experts.

Keep this basic truth about money and taxes in mind as the White House focuses on the necessity of rebuilding our rundown military and countering the aggressive, anti-American thrusts of Russia, China and Iran.

If the U.S. is to constructively play a keep-the-world-stable role, it must have a sound dollar and a sensible, low-tax-rate system. These beget the innovation and economic muscle necessary for such responsibilities. They generate the benign conditions for expanding prosperity around the world. Our robust success would spawn policy imitations everywhere.

History has demonstrated this time and time again.

- Rome's decline eerily parallels the decay of its currency and the relentless rise of taxation.
- Holland, a small speck of Europe, literally underwater, successfully broke away from the powerful Spanish Habsburg monarchy to become a globe-girdling empire, as well as the financial capital of the world, based on its twin polices of rock-solid money and low taxes. When Amsterdam fell into the trap of raising taxes, its relative prosperity and influence waned.
- Britain, once a second-tier state, followed the Dutch example but did it better. The Industrial Revolution and history's largest empire followed, even after England had lost the 13 colonies when it temporarily forgot the principle of low taxation.
- The U.S. achieved independence from London but followed its example when it came to money and taxes and achieved the highest long-term growth rates in history—until it went off the gold standard in the 1970s. Our average annual expansion then declined more than 25%.

Whenever we have strayed from the true path of power and prosperity, we and the world have paid the price, most dramatically with the Great Depression and the terrible inflation that took place during the 1970s and the early 1980s. In both periods U.S. power and prestige sank, and the world suffered. We almost lost civilization in the 1930s and early 1940s. Hard as it is to believe, in the 1970s the soon-to-die Soviet Union was seen to be the ascendant power.

We strayed again on the money front in the early 2000s, when we deliberately let the dollar weaken. We shouldn't underestimate the damage the 2008–09 economic crisis did to the reputation of free markets in China and in Russia and among "thinkers" and pontificators everywhere. Beijing and Moscow concluded that we were in a terminal decline punctuated by intermittent rallies. Economists declared that we were doomed to "secular stagnation." Dirges about capitalism's flaws abounded. Government errors were the villains, but free markets got the blame.

Those who doubt the pivotal importance of taxation and monetary policy should read The Magic Formula (Canyon Maple Publishing, $13), written by one of world's foremost monetary experts, Nathan Lewis. Why policymakers stubbornly stay oblivious to this formula is a mystery worthy of the talents of Sherlock Holmes.

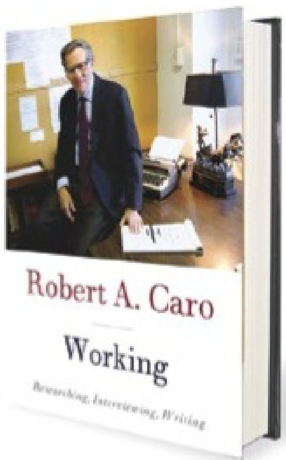
Our military academies and those who train our foreign service officers should take note.

Working: Researching, Interviewing, Writing

By Robert A. Caro *(Knopf, $25)*

JAMES BOSWELL'S The Life of Samuel Johnson is generally considered to be the finest biography in the English language. Boswell spent years by Johnson's side, taking voluminous daily notes of the great man. But Boswell, wherever he is now, shouldn't be sitting or lying on his laurels. Robert Caro's monumental works on the life of Robert Moses, the man who built virtually all of the bridges, causeways, highways, parks and playgrounds of 20th-century New York City and its environs, not to mention numerous impressive housing projects, and on the life of Lyndon Johnson, our 36th President (Caro is working on the fifth and final volume), are every bit as impressive as what Boswell achieved. Even more so, actually.

Of course, Caro didn't get to spend his days shadowing his subjects, as Boswell did Johnson, but you would think he had. He conducted countless interviews with just about anyone who might shed light on his subjects. In many cases Caro had numerous conversations and held multiple Q&A sessions with the same person. He continuously probed at what was actually said in particular situations, the way in which it was said, what the surrounding environment was, what the moods of the persons involved were and what was happening around them, such as what the demonstrators were chanting outside the White House. Many a time interviewees would exclaim, "You already asked me that several times before!" But Caro knew what he was doing as he extracted priceless insights and information from the people he was questioning, who had long forgotten or hadn't realized the light they could shed on what had taken place.



Caro is stunningly incisive regarding his subjects' personalities and how they achieved levels of political power in a democracy that were probably without precedent—and what they used that power for. That is particularly true of Robert Moses, who was never elected to office yet was infinitely more dominant than any of the New York governors or NYC mayors who held office during his 44 years as the building czar of the region. In fact, Moses was probably the greatest builder in world history.

Certainly no other politician in modern times has run the U.S. Senate as effectively and productively as Lyndon Johnson did in the 1950s. Even Franklin Roosevelt couldn't match the domestic legislative achievements that Johnson accomplished when he took office after the assassination of John Kennedy and pushed through his Great Society agenda. Only Johnson could have gotten Congress to pass the monumental Civil Rights Act of 1964 or the Voting Rights Act of 1965 that finally gave African-Americans the franchise in the South. As we await Caro's final volume on Johnson's presidency, we know he'll clarify what Johnson did in Vietnam and spell out the costs of that conflict on American society, then and to this day. Just as impressive is the way Caro re-creates the worlds that these two men inhabited from the time of their births until their deaths, truly "the life and times of" writing at its best.

But to occupy readers until the Johnson volume is finished, Caro's fascinating book Working gives us insight into what makes him tick and why he chose Moses and Johnson for study. Call this a "memoirette."

Caro's unrelenting pursuit of facts and his insights will leave you in awe. For example, he knew that Moses' obsession to build highways in the Big Apple meant the bulldozing of numerous community enclaves. But how were those displaced actually affected by the evictions? Caro took one mile of a particular highway and tracked down, as best he could, those who got tossed out of their apartments or uprooted from their stores and places of business to learn, firsthand, how their lives had been impacted.

Or take the Hill Country of Texas, an area bigger than New England, where Johnson grew up. People there live on isolated farms. It was a harsh and lonely existence, and residents weren't in the habit of talking much to outsiders. So Caro, along with his wife and son, moved there for three years. Thus, he was able to vividly paint what life there was like and what Johnson had actually done in his youth.

Caro has no illusions about the nature of his subjects as he graphically chronicles their immense, undeniable achievements and their colossal shortcomings. He definitely proved, for instance, that the controversial 1948 Texas election that sent LBJ to the U.S. Senate, which he ostensibly won by 87 votes, was actually stolen by ballot-box chicanery.

Yet Johnson, as a young congressman and against immense obstacles, brought electricity to the Hill Country. Caro vividly and movingly describes how grinding and severe existence, especially for women, was before the juice came.

After reading this brief, brilliant book, one can only say, "Wow!" F

Restaurants: Go, Consider, Stop

Edible enlightenment from our eatery experts and colleagues Richard Nalley, Monie Begley and Randall Lane, as well as brothers Bob, Kip and Tim.

● MAMO

323 West Broadway, between Grand & Canal streets (Tel.: 646-964-4641)

Executive chef Salvatore Marcello's delicious and unique creations make this Italian and Provençal restaurant a place to go. Start with the roasted cauliflower Romanesco, the endive salad tossed with seared tuna or the fried artichoke cacio e pepe. Perfect mid-course choices: crispy-crusted pizze focaccia al tartufo with Parmesan and fresh truffles or the MAMO meatball served on polenta. For pasta try the capelli d'angelo tossed with tiny shrimp and dusted with pistachios, or for lighter fare there's a seared cod in a lemon caper butter sauce. For dessert choose the rich chocolate mousse or the creamy panna cotta.

● Bistro Pierre Lapin

99 Bank St. (Tel.: 212-858-6600)

Peter Rabbit would feel right at home in this new, cozy French bistro with its bold cabbage rose wallpaper. Though the deviled eggs aren't devilish enough, and the mustard sauce with the rognons de veau (veal kidneys) special is likewise bland, the soupe aux oignons (onion soup), coq au vin, flourless chocolate cake and crème brûlée are just right. The perfect conclusion to the meal: a vodka martini au pamplemousse (vodka martini with grapefruit juice and grapefruit cordial).

● Bellini

Mr. C Seaport hotel, 33 Peck Slip, South Street Seaport (Tel.: 212-766-6600)

A trend in recent years at newly launched hotels is to install a star chef or well-known restaurant within to accommodate hotel guests and attract outside patrons—to mixed results. This restaurant and hotel, having combined the internationally iconic names Bellini and Cipriani, unexpectedly disappoint in the food. Though the menu offers many familiar Italian dishes, the final results lack spark. In the end, most offerings are executed in standard hotel fashion—with quite high prices.

● Donohue's Steak House

845 Lexington Ave., at 64th St. (Tel.: 212-744-0938)

Established in the 1950s, this Irish pub and steak house is quietly peopled with locals, celebrities, socialites, journos and out-of-towners. Owner/proprietor Maureen Donohue-Peters has spent her life here and oversees everything. The classics—jumbo shrimp cocktail, crab cakes and herring in cream sauce—are all here, along with calf's liver and onions, shepherd's pie, roast turkey and honey-dipped fried chicken. Burgers, steaks and chops are cooked to perfection. The cheesecake: a must.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AI Superpowers

Artificial intelligence is the most transformative business trend in the world today. Hold on, you say—AI is not a new idea. In the 1940s the great mathematician and code breaker Alan Turing predicted that digital computers in the future would be capable of logical reasoning. Commercial interest in AI began in the 1960s and waxed and waned over the next several decades.

Why is AI a big deal now? Partly, it's because of the rapid advances in computer and communications hardware, says Pat Gelsinger, CEO of VMware, a provider of cloud computing solutions based in Palo Alto, California. Gelsinger knows hardware. In the 2000s he was the chief technology officer at Intel.

"The faster pace of change in AI today is because you now have data at scale and computing at scale," he says. Data at scale, he says, comes from the 30 billion or so computerized sensors in the world that are constantly gathering information. Computing at scale comes from cheap rentable supercomputers offered by Amazon, Microsoft, Google, Alibaba and others.

These, along with the coming 5G wireless speeds, are superpowers, says Gelsinger. If your company doesn't tap into these powers, your competitor will. CEOs and boards, take note. Stop relegating your company's IT challenges to a 30-minute discussion within the audit committee. The superpowers that drive AI will accelerate business evolution.

Imagine two rival companies: A and B. Company A has invested in AI across its organization, at times a painstaking process, and is getting 10% smarter per year. That's 10% smarter about its customers, its opportunities, its costs and its risks. Company B, which is old school and run by penny pinchers, thinks technology is a commodity and not a strategic weapon. Company B's cheap approach saves money, but at a steep cost. Company B is only getting 2% smarter per year. Which company do you want to be?

This begs the question: Which countries are ahead in AI? The question often comes up these days at highest levels of governments around the world. I asked Silicon Valley venture capitalist Jim Breyer, who is an investment advisor in IDG's China funds, which has about 200 investments in China, including some of the country's most interesting AI companies, for his opinion.

"The innovation in China is extraordinary," Breyer says. "There really is a space-like race going on in AI between the U.S. and China. Both have deep capabilities. There are areas in China where some of the facial-recognition AI companies are the most advanced in the world. There are other technologies in the U.S., such as IoT and machine learning, where AI is more advanced. But it is a race." In coming columns I will write about the Silicon Valley-Asia connection, and why—whether you are a CEO, entrepreneur or investor—you'll fall behind quickly if you don't tap into this amazing pipeline of innovation. F

A police robot equipped with cameras, speakers, lighting and alarm lamps on duty in Beijing (left). Robotic arms playing Go during an AI convention in Tianjin.

VCG/VCG VIA GETTY IMAGES; TOP PHOTO GROUP/NEWSCOM

If your company doesn't tap into these powers, your competitor will. CEOs and boards, take note.

Rich Karlgaard is editor at large at *Forbes*. As an author and global futurist, he has published several books, the latest of which is *Late Bloomers*, a groundbreaking exploration of what it means to be a late bloomer in a culture obsessed with SAT scores and early success. For his past columns and blogs visit our website at www.forbes.com/sites/richkarlgaard.

A Debt-Buyback Albatross

While unemployment is at a record low, the number of jobs being created in the U.S. economy varies widely from month to month. And much of the decline in unemployment, according to the U.S. Dept. of Labor, is the result of people dropping out of the labor force and thus reducing the labor force participation rate. Wage growth, meanwhile, has remained stubbornly flat, meaning household incomes haven't improved much despite the tightening labor market. That has made the U.S. economy surprisingly fragile.

What has corporate America done with its wave of incoming cash? Mostly buy back its own shares.

High debt and low investment are an albatross around the U.S. economy's neck. Corporate debt in the U.S. has reached $9.4 trillion—equivalent to 46% of GDP, according to the Federal Reserve, which matches the previous peak set in 2007 just before the global financial crisis erupted. Business investment, on the other hand, has remained flat despite the Trump tax cuts, which between 2016 and 2018 roughly halved the effective tax rate for companies on the S&P 500.

This combination of rising debt and low investment is bewildering given the tremendous increase in cash flow to the corporate sector, which the IMF estimates has doubled in S&P 500 companies since 2010. What has corporate America done with its wave of incoming cash? Mostly buy back its own shares. The IMF estimates that S&P 500 companies' spending on share buybacks as a percentage of assets is double what it was in 2010. Such unproductive spending props up equity valuations while doing nothing to improving economic dynamism.

Why would corporate America load up on debt even as its pockets bulge with cash? Why spend that cash on buying back stock instead of investing it? The answer lies in yet another unfortunate combination: extraordinarily loose monetary policy and declining business competition. Cheap credit has encouraged massive corporate borrowing. In the meantime, American industries have become increasingly dominated by a few large companies, leading to declining competition, as Jonathan Tepper and Denise Hearn documented in their 2018 book *The Myth of Capitalism: Monopolies and the Death of Competition*.

Many sectors in the American economy are showing oligopolistic or even monopolistic characteristics. Companies enjoying such market power become rent-seekers, not risk-takers. When they do spend, they splurge on share buybacks or on mergers and acquisitions that boost their market share by nipping potential competition in the bud. Cheap credit and a dearth of competition are in turn gumming up the machinery of the market economy.

The highly leveraged companies this creates have become one of the weakest links in the economy. Their debts have fed a fast-growing market for collateralized loan obligations, or CLOs—assets that package up the high-yielding loans taken on by companies with poor collateral and uncertain income. This bears an eerie resemblance to the collateralized debt obligations, or CDOs, blamed for triggering the global financial crisis. Federal Reserve Chairman Jerome Powell, however, assured markets in May that the growth of CLOs isn't a serious problem. At some point, however, America's corporate sector will have to wean itself from its addiction to cheap credit. It's then that the economy's deep and surprising fragility will be fully exposed.

Yuwa Hedrick-Wong is Chief Economics Commentator for *Forbes Asia.* He is also a visiting scholar at the Lee Kuan Yew School of Public Policy, National University of Singapore. Having worked as an economist across the Asia-Pacific, Europe, Middle East and Africa in the past 25 years, he regularly writes columns about the global economy for *Forbes Asia*. Email: yuwa.hedrick.wong@gmail.com.

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PROMOTION

THE PLAZA SEOUL:

RELAX IN STYLE

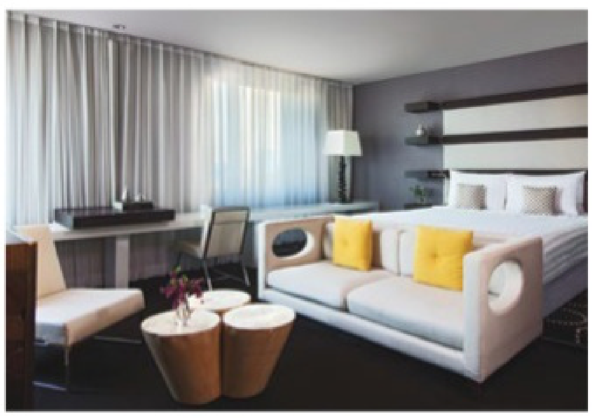
The superbly positioned hotel in the city's business district rings in the Year of the Pig with an offer that pays tribute to its auspicious location.

THE PLAZA Seoul as seen from Deoksugung Palace (foreground).

Swimming Pool and Seoul Ice Rink.

THE PLAZA Seoul, Autograph Collection, the five-star hotel at the heart of central Seoul, celebrates the arrival of 2019 with a special package inspired by the East Asian concept of feng shui. Embracing the new hotel culture of storytelling—to bring guests into the heart of local culture and history—the package is the first of its kind in Korea and includes an exclusive range of products and services, plus the chance to earn 25,000 Marriott Bonvoy points.

Feng shui is based on traditional geomantic principles that link good fortune to the art of placing buildings and other structures to be in harmony with the natural environment. Seoul was chosen 600 years ago as the location for the new capital of the Joseon dynasty, which went on to rule Korea for half a millennium. Surrounded by mountains to the north, south, east and west and with a large river flowing below, it was considered a perfect embodiment of feng shui principles. Still today the site is regarded as highly auspicious by scholars and feng shui specialists. Guests staying at THE PLAZA Seoul enjoy a location at the heart of the ancient capital, surrounded by historic royal palaces, relaxing urban streams and, in the distance, the peaks of the mountains that guarded the city through the centuries. Nearby is the former site of the Taepyeonggwan, a building used to accommodate foreign envoys during the Joseon period, further underlining the area's historic spirit of hospitality.



PLAZA SUITE Room

"Hotels today are positioned not just as places for staying the night but as destinations offering valuable cultural experiences in a local context," says MY YOON at Marketing Department of THE PLAZA Seoul. "At THE PLAZA Seoul, we always strive to go beyond providing a mere break to become a place of experience and unforgettable memories."

The Feng Shui Package, offering relaxation and happiness in Seoul's most auspicious location, is available for multiple-night stays and is priced from 410,000 won (US$363) a night, plus tax and service charges.

THE PLAZA SEOUL
AUTOGRAPH COLLECTION HOTELS

www.marriott.com/selak

Edgar Sia II at DoubleDragon Plaza

Enter the DoubleDragon

Online casinos and a shifting retail landscape have made Edgar Sia II the Philippines' newest big landlord.

BY ROEL LANDINGIN

Edgar Sia II made his fortune a decade ago feeding the Philippines' appetite for chicken. Now he stands to make an even larger one feeding China's appetite for gambling. Sia's company DoubleDragon Properties spent the last few years building, among other things, office towers along Manila's once-sleepy waterfront. Sia figured he'd lease the space out to call centers and business process outsourcers, key drivers of economic growth in recent years. He estimated that he could collect about $14 a square meter.

He didn't count on demand from across the South China Sea. DoubleDragon got its towers up and running just as warming ties between Beijing and Manila sparked a boom in arrivals by Chinese eager to open offshore casinos offering online gaming to countrymen back home where casinos are illegal. DoubleDragon's Meridian Park complex is a 10-minute drive from Manila's Entertainment City casino complex. Sia found himself not only among the largest commercial property owners in the area, but the only one with new property to rent.

By the end of last year, tenants were signing leases for nearly $24 a square meter. "We were positively surprised with the outcome," DoubleDragon's 42-year-old chairman and chief executive says, with considerable understatement. The boost from offshore China gaming is just part of a property push that's helping turn Sia from fast-food tycoon into one of the country's biggest commercial landlords.

Far from Manila Bay, DoubleDragon is building shopping malls, hotels and industrial warehouses in smaller cities across the Philippines. Last year, it tripled net profits to roughly 7.4 billion pesos ($141 million) as revenue more than doubled to 14.3 billion pesos. DoubleDragon's stock has climbed more than 50% this year. The company is now looking to cash in on its office towers and community malls, package these as a REIT and raise as much as 15 billion pesos via an IPO.

"Most of the baby steps and growing pains happened in the past five years," says Sia, whose aim is for DoubleDragon to build about 1.2 million square meters of leasable commercial space by the end of 2020. "In just about a year more, the company will already become a strong adult."

Sia's own entrepreneurial upbringing began early. While studying architecture in university at the age of 19, he dropped out to lead a group of classmates build a 5-story hotel for budget business travelers, borrowing 40 million pesos from parents and a government pension fund to buy the land and pay for construction. "I was talking to the landowner who didn't take me seriously," he recalls. "So I grew a mustache to make me look older." Sia shaved his mustache. He still owns the hotel.

In 2003 one of the country's largest shopping mall chains, Robinson's, opened a new wing in Iloilo offering discounted rents for restaurants. Sia seized the opportunity to launch Mang Inasal, a fast-food chicken restaurant that means "Mr. Barbecue" in the Iloilo dialect. "It was a Filipino comfort food that had not yet been turned into a fast-food fare," Sia says. "So we created the concept, and then rapidly grew to fill and dominate the gap."

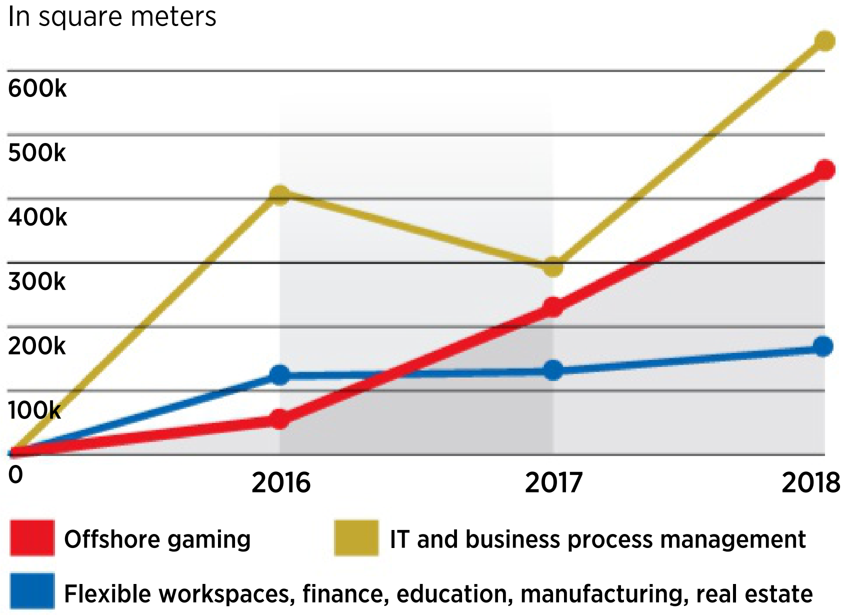
By 2010, he had grown his barbecue-chicken chain into the country's second-biggest fast food group, with more than 312 branches, making it bigger than McDonald's. He sold 70% to rival Jollibee Foods for 3 billion pesos and earned a spot as the youngest member of *Forbes Asia*'s 2011 list of the Philippines' 50 richest with a fortune of $85 million when he was just 34

Manila Makes Room for Mainland Punters

Demand from fast-growing offshore gaming companies is outpacing that from other industries.

Philippine Office Space Demand, by Industry

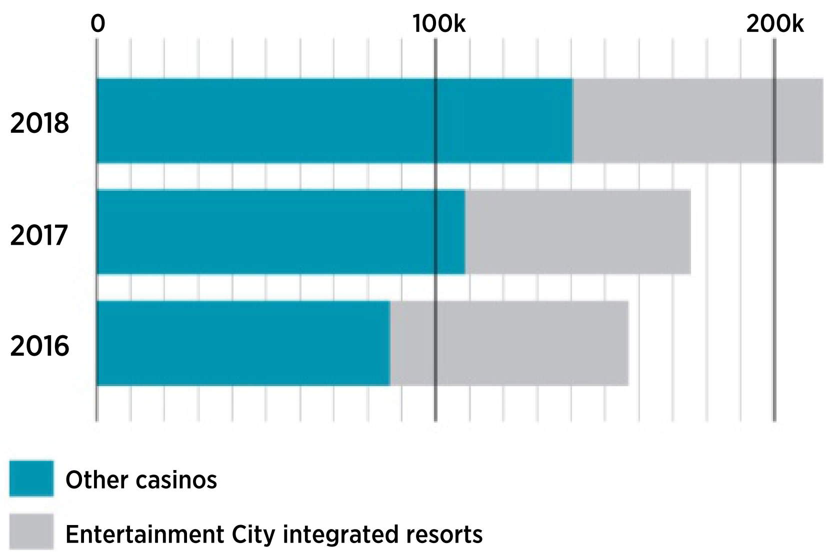
In square meters



SOURCE: LEECHIU PROPERTY CONSULTANTS

Philippine Gaming Revenues

In millions of pesos



SOURCE: PHILIPPINE AMUSEMENT AND GAMING CORP.

SONNY THAKUR FOR FORBES ASIA

"DoubleDragon's stock started to recover this year because the assets that were completed so far have started to generate good recurring income."

(Sia sold his remaining 30% of Mang Inasal in 2016.) He was No. 24 on last year's list with a net worth of $475 million.

In 2013, he partnered with Jollibee founder Tony Tan Caktiong (No. 6 on the rich list) to found DoubleDragon, which went public the following year. Sia and Tan still own 35% each; Tan still sits on the board as co-chairman. Each owner's stake is now worth about 21 billion pesos ($402 million). While its Manila Bay investment has proved unexpectedly profitable, most of DoubleDragon's developments aren't in Manila at all, but in small towns and cities across the country. It's there that the company is building 60% of the commercial space it plans to build by 2020.

Sia's wager is that rising household incomes and improving transport are about to trigger a sea change in the way consumers shop in these second- and third-tier cities. Small, family-owned supermarkets and shopping centers, he predicts, will give way to nationwide chains whose size gives them leverage over suppliers and lower costs. "Five years ago," he says, "the top three retail chains accounted for less than 10% of the sales of manufacturers such as Unilever or Nestle. That's gone up to a third today. In five years, it could rise to 70% to 80%."

In preparation, Sia is building 100 shopping centers under his CityMalls brand in cities with an average population of only 160,000, each about a tenth the size of malls in bigger cities. The aim, Sia says, is to introduce big-name retail brands such as SM Savemore groceries or Watsons drugstores into these small, but increasingly affluent communities.

By the end of last year, Sia had achieved half his goal by opening 51 CityMalls. The average occupancy rate is already 96%, according to DoubleDragon, helping it more than double rental income last year from commercial and office buildings, to 2.5 billion pesos. International property consultancy Savills projects that CityMalls will account for about 40% of the community mall stock in newly urbanizing areas by next year. Sia says he's already locked up the best locations in many emerging towns and cities: "Maybe [a competitor] can do it in one or two cities. But can you do it 100 times?"

Sia is also ramping up in the hotel sector where he got his start. DoubleDragon operates the Hotel 101 and Jinjiang Inns budget brands in the Philippines aimed at business travelers and tourists, particularly from China. As of the end of 2018, Sia had two Jinjiang Inns and one Hotel 101, contributing a combined 534 million pesos to DoubleDragon's revenue. Two more are under construction and DoubleDragon plans to build four more this year and next. Sia is also looking for foreign partners to expand the Hotel 101 abroad.

BUILDING COMMUNITY MALLS in small towns, Sia says, made him realize there's also still room for another major grocery chain in the country. So in April, he launched the first branch of MerryMart, a chain of grocery stores owned directly by his family, on the ground floor of DoubleDragon's Meridian Park complex. His aim is to open 1,200 MerryMarts by 2030. "If we properly prepare and execute," he says, "MerryMart can still catch up with the large retail players in the Philippines."

Property Jackpot

Demand for office space from Chinese offshore-casino operators has proved a lifesaver for Philippine property developers, shoring up prices as demand from call centers fades. Call centers have been the biggest tenants in recent years, but slowing U.S. sales sent their demand for space down by more than a quarter in 2017 from the year before. Chinese online gaming outfits, which operate outside the mainland because gambling is illegal in China, quadrupled their work space in Manila during the same period, and their demand for offices continues to grow.

The influx was triggered by President Rodrigo Duterte, who has adopted a more accommodating stance toward Beijing than the previous administration—and toward internet-based games of chance that cater to foreigners outside the Philippines.

Since 2016, regulators have granted licenses to at least 55 offshore gaming operators in Metro Manila, most of them owned by Chinese nationals. Previously, offshore gaming companies were largely banned from the capital and allowed in only one special economic zone in the northern Philippines.

Though casinos and other forms of gambling are legal in the Philippines, online gaming is not. And offshore gaming operators are not allowed to sign up Philippine nationals, whether in the country or overseas. Nor can they cater to foreigners in the Philippines. Licenses for offshore operators typically cover the usual card and dice games such as poker and roulette as well as slot machines.

Not everyone has welcomed the arrival of the Chinese online casinos. The Philippine Senate conducted hearings earlier this year into allegations that many of the 100,000 Chinese nationals working at online casinos are in the country illegally and take jobs from Filipinos. Officials subsequently cracked down on foreign workers without valid work permits, while gaming regulators were required to help identify and tax legitimate employees.

In China, authorities have made well-publicized arrests of suspects allegedly operating online gaming sites overseas. China's embassy in Manila reportedly issued a warning in April 2017 that Chinese nationals working for online gaming outfits in the Philippines could be arrested when they returned to the mainland.

Edgar Sia II says he isn't worried about a crackdown on online gaming outfits by either Manila or Beijing, however. He says DoubleDragon's lease terms for such tenants offer adequate protection; generally they are for five-to-10 years and require a security deposit equivalent to 12 months of rent, with each month paid in advance.

But the Manila Bay investment may be DoubleDragon's biggest money-spinner. It broke ground on the Meridian Park complex in 2015 and, by the time four of its six towers were completed last year, the company had emerged as the area's biggest owner of new office space, according to David Leechiu of Leechiu Property Consultants, which helped find tenants for the complex.

Its timing couldn't have been better. Offshore gaming operators' share of office space in Metro Manila rose sevenfold in 2018 from 2016, according to Leechiu Property, faster than any other industry. By the end of last year, they accounted for almost 30% of office rentals, tripling from two years earlier.

Most online casino operators favor Manila Bay because of its proximity to Entertainment City, which caters largely to Chinese visitors who become potential customers once they return home. Property values in the district jumped 81% between 2016 and 2018, according to Leechiu, outpacing the 58% rise in Makati, Manila's financial district.

Sia leased 100,000 square meters in his first four office towers before they were even completed, 60% to online China gaming companies. For now at least, he can virtually name his price, says Leechiu. "The deal that we did [at 1,250 pesos a square meter] is for the last vacant space in the entire Bay area for the next 12 months. The tenants know that, so they grabbed it," he says.


Sia says his malls are well-positioned to absorb the impact of e-commerce in the Philippines.

SONNY THAKUR FOR FORBES ASIA

Not everyone is a believer. Before its recent rise, DoubleDragon's stock spent three years in a tailspin. One nagging investor concern: Sia is building brick-and-mortar malls in an age of online shopping. Luis Limlingan, managing director at brokerage Regina Capital Market Development in Manila, says retail shops now take up just half of Philippine malls' leasable space, down from 80% over the past 20 years. That has made DoubleDragon a no-go for some investors. "None of the large institutional local funds invest in it," he says.

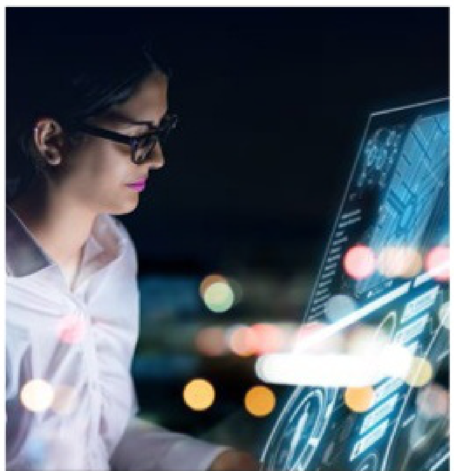
Sia says his malls are well-positioned to absorb the impact of e-commerce in the Philippines. Online buying and delivery of groceries has yet to take off in the Philippines, he says, and "CityMalls are already 75% food and services, and more than 80% of things sold in CityMall retail shops are basic non-discretionary items." As e-commerce spreads to the smaller cities where CityMall dominates, Sia says, they'll double as pickup points and fulfilment centers for online stores.

DoubleDragon's rising rental income is proof enough to other investors. "DoubleDragon's stock started to recover this year because the assets that were completed so far have started to generate good recurring income," says Henry Ong, an independent personal financial advisor who follows the stock. And as Sia's expansion converts into steady cash flow, it may give him a war chest for greater diversification, says Leechiu. "Once he has a scalable recurring income base, it's so easy for him to use it as a springboard to go to other places. It's so easy for him to go to other sectors." Sia's partner Tan agrees: "[He's] the type of entrepreneur with unlimited potential. His ability to create new compelling ventures and execute with speed is unparalleled."

200 BEST UNDER A BILLION

Our annual Best Under A Billion list spotlights 200 small and midsized publicly listed enterprises in the Asia-Pacific region with sales under $1 billion and a track record of strong earnings growth. These companies posted more than 50% average growth in annual net profit and sales in their latest financial year, to a combined $10 billion and $54 billion, respectively. The total market value of the class of 2019 fell 10% to $228 billion compared to last year's batch, as the trade war between China and the U.S. dampened investor sentiment. While companies from China, Hong Kong and Taiwan continued to dominate with 122 entries (up from 108 in 2018), some of the best companies come from other parts of the region. For instance, newcomer Kresna Graha Investama's sales surged 375% for the past three years on average as the Indonesian brokerage benefited from the country's booming e-commerce industry.

BY JONATHAN BURGOS



APPEN

AUSTRALIA | This tech company is thriving as companies and governments utilize more AI. Backed by 1 million freelance contributors, Appen creates and updates the databases used by clients for machine learning and AI applications. "Our customers have an ongoing need for data," says CEO Mark Brayan. Appen's net profit tripled to A$42 million ($31 million) in 2018 and revenue more than doubled to A$364 million. While much of that growth was driven organically, acquisitions are helping build new capabilities. The 23-year-old company bought automated search relevance company Leapforce in late 2017 and machine-learning company Figure Eight in March this year. Figure Eight will make Appen's services more attractive to smaller clients, providing the company stickier revenues.
—*Nicole Lindsay*

IN MILLIONS

● Number of consecutive years on the list ☐ returnee

COUNTRY/TERRITORY	SALES	NET INCOME	MARKET VALUE
AUSTRALIA			
APPEN *data analytics* ●●	$272	$31	$2,097
CORPORATE TRAVEL MANAGEMENT *travel agency*	$288	$59	$1,877
HITECH GROUP AUSTRALIA *recruitment*	$20	$2	$25
LIFESTYLE COMMUNITIES *homebuilder*	$96	$41	$423
SMARTGROUP *professional services*	$181	$44	$762
BANGLADESH			
NATIONAL LIFE INSURANCE *life insurance*	$175	$42	$228
CHINA			
3SBIO *pharmaceuticals* ●●●	$693	$193	$4,539
ADVANCED FIBER RESOURCES *fiber optic cable components* ●●	$43	$12	$460
AMOY DIAGNOSTICS *pharmaceuticals*	$66	$19	$1,083
ANHUI KORRUN *backpacks, laptop bags & suitcases* ●●	$308	$26	$1,044
ASYMCHEM LABORATORIES *pharmaceuticals*	$275	$65	$3,039
AUTOBIO DIAGNOSTICS *medical equipment*	$288	$85	$4,004
BEIJING CAREER INTERNATIONAL *recruitment*	$331	$18	$920
BEIJING CHUNLIZHENGDA MEDICAL *medical equipment*	$74	$16	$304
BEIJING FOREVER TECHNOLOGY *software*	$179	$41	$1,217
BEIJING SINNET TECHNOLOGY *internet services*	$907	$101	$3,509
BESTSUN ENERGY *oil & gas*	$716	$152	$1,655
BIEM.L.FDLKK GARMENT *apparel & footwear*	$221	$44	$1,171
BOYA BIO-PHARMACEUTICAL *pharmaceuticals*	$367	$71	$1,842
CHANGCHUN HIGH & NEW TECHNOLOGY *pharmaceuticals*	$798	$152	$7,542
CHENGDU JIAFAANTAI EDUCATION *education*	$59	$19	$829

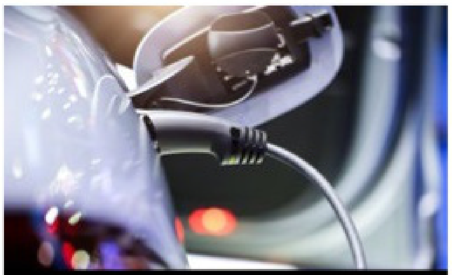
METAMORWORKS/GETTY IMAGES

Best Under a Billion alumni Tencent 腾讯 • China • Debuted on the list: 2007, sales that year: $359M • Latest sales: $47B

BEST UNDER A BILLION

● Number of consecutive years on the list ☐ returnee

	IN MILLIONS SALES	NET INCOME	MARKET VALUE
CHINA DESIGN GROUP *engineering services*	$631	$60	$856
CHINA FANGDA *building materials, semiconductors*	$438	$340	$736
CHINA KINGS RESOURCES *copper mining*	$85	$21	$571
CHONGQING FULING ZHACAI *food*	$285	$100	$3,286
CHONGQING ZAISHENG TECHNOLOGY *specialty chemicals*	$162	$24	$714
D&O HOME COLLECTION *sanitary ware products*	$646	$58	$1,154
DIFFER GROUP HOLDING *financial services*	$129	$40	$361
EVE ENERGY *batteries*	$655	$86	$3,236
FIRE ROCK HOLDINGS *games developer*	$24	$14	$243
FUJIAN BOSS SOFTWARE *IT services*	$84	$13	$537
FUJIAN GREEN PINE *turpentine producer*	$214	$61	$699
FUREN GROUP PHARMACEUTICAL *pharmaceuticals*	$943	$134	$1,217
G-BITS NETWORK TECHNOLOGY *games developer*	$249	$109	$2,380
GETEIN BIOTECH *medical equipment*	$102	$38	$1,027
GOLDCARD SMART GROUP *measurement instruments*	$305	$75	$1,091
GUANGDONG DOWSTONE TECHNOLOGY *specialty chemicals*	$535	$33	$931
GUANGDONG PIANO *home & office furnishings*	$166	$21	$398
GUANGDONG TAPAI GROUP *cement & aggregates*	$989	$261	$1,923
GUANGZHOU KDT MACHINERY *industrial machinery*	$179	$41	$777
HAINAN POLY PHARM *pharmaceuticals*	$94	$27	$1,921
HANGZHOU TIGERMED CONSULTING *healthcare services*	$347	$71	$5,049
HENAN QING SHUI YUAN TECHNOLOGY *specialty chemicals*	$258	$37	$381
HUALAN BIOLOGICAL ENGINEERING *specialty chemicals*	$482	$172	$5,825
HUNDSUN TECHNOLOGIES *software solutions*	$487	$98	$7,291
JACK SEWING MACHINE *textile machinery*	$624	$69	$1,503
JIANGSU FLAG CHEMICAL *agricultural chemicals*	$249	$32	$558
JILIN JINGUAN ELECTRIC *electrical equipment*	$187	$30	$740
JOINN LABORATORIES CHINA *biotech*	$61	$16	$1,073
LIER CHEMICAL *agricultural chemicals*	$607	$87	$1,124
MACCURA BIOTECH *medical equipment*	$403	$67	$1,781
NANXING MACHINERY *industrial machinery*	$169	$25	$715
NAVTECH *GPS products and services*	$107	$14	$1,309
NINGBO XUSHENG AUTO TECHNOLOGY *automotive parts*	$164	$44	$1,351
OVCTEK CHINA *contact lenses*	$68	$33	$1,867
PHARMABLOCK SCIENCES *biotech*	$71	$20	$1,375
RED PHASE *electrical equipment*	$197	$35	$816
RIANLON *specialty chemicals*	$224	$29	$888
SHANDONG LUYITONG INTELLIGENT *electrical equipment*	$455	$68	$1,018
SHANDONG SINOCERA FUNCTION *specialty chemicals* ●●	$269	$82	$2,369
SHANGHAI PHICHEM MATERIAL *specialty chemicals*	$216	$43	$908



EVE ENERGY

CHINA | The country's booming electric car market has already produced top battery makers such as the Warren Buffett-backed BYD and Volvo supplier Contemporary Amperex Technology. Eve Energy aims to join the club and be among China's top three electric car battery makers from seventh now. Founded in 2001 in the southeastern city of Huizhou, the company started as a supplier of lithium-ion batteries for e-cigarettes and home appliances. The company's revenue jumped 46% to 4.3 billion yuan ($655 million) in 2018, while net profit increased 41% to 571 million yuan. It will invest at least $1.4 billion to boost annual production capacity for lithium-ion, soft-pack batteries by six times to 9 gigawatt hours by next year. The ramp up will help address demand from customers including Germany's Daimler and South Korea's Hyundai. —*Yue Wang*

GALLANTT ISPAT

INDIA | This steelmaker operates in the country's most populous state of Uttar Pradesh, where it produces sponge iron, a raw material for making steel products. The 14-year-old company is run by a father and son team: C.P. Agarwal is chairman and managing director, while his son Mayank is CEO. The company's revenue and net profit more than doubled to 12.3 billion rupees ($176 million) and 1.64 billion rupees, respectively, in the year ended March 31. Besides the steel mill in Uttar Pradesh, Gallantt Ispat also operates a power plant and a wheat flour mill. It plans to invest $113 million over the next two years both to double its steelmaking capacity to 660,000 metric tons as well as to build a new facility to produce iron pellets. The pellet plant will improve profitability and cut production costs. —*Anuradha Raghunathan*

KRISANAPONG DETRAPHIPHAT/GETTY IMAGES; KRISZTIAN BOCSI/BLOOMBERG

Best Under a Billion alumni Baidu 百度 • China • Debuted on the list: 2007, sales that year: $107M • Latest sales: $15B

BEST UNDER A BILLION


EN-JAPAN

JAPAN | The country faces a rapidly aging and shrinking population, making it harder to fill jobs and sell goods and services. But recruitment firms such as En-Japan thrive in that environment with online tools to help companies manage human resources. En-Japan's net profit increased almost 28% to 8.1 billion yen ($75 million) in the year ended March 31, while revenue rose about 20% to 48.7 billion yen. Demand for its services will remain strong given the country's tight labor market and with the increasing trend of job hopping by Japanese workers. Revenues from the employment search and recruitment market are forecast to jump 27% to nearly $4.7 billion in the next three years, according to Tokyo-based Yano Research Institute. In the same period, En-Japan expects to nearly double sales and operating profits, while boosting dividends and potentially buying back shares, according to the company's strategic plan announced in May. —*James Simms*

IN MILLIONS

● Number of consecutive years on the list ☐ returnee

	SALES	NET INCOME	MARKET VALUE
SHANGHAI PUTAILAI NEW ENERGY *specialty chemicals*	$499	$90	$3,062
SHANGHAI WEAVER NETWORK *application software* ●●	$151	$17	$1,467
SHANXI YONGDONG CHEMISTRY *chemicals* ●●	$390	$42	$432
SHENGDA MINING *silver mining*	$351	$62	$979
SHENZHEN ABSEN OPTOELECTRONICS *LEDs*	$299	$36	$608
SHENZHEN ANCHE TECHNOLOGIES *automotive parts*	$79	$19	$1,231
SHENZHEN AOTO ELECTRONICS *consumer electronics*	$237	$27	$520
SHENZHEN EMPEROR TECHNOLOGY *smart card equipment*	$90	$16	$530
SHENZHEN JIANG & ASSOCIATES *interior design* ●●	$51	$13	$284
SHENZHEN KANGTAI BIOLOGICAL *pharmaceuticals* ●●	$303	$66	$4,677
SHENZHEN KINWONG ELECTRONIC *electronic components*	$748	$121	$3,259
SHENZHEN LIANDE AUTOMATIC *factory automation*	$100	$13	$511
SHENZHEN MEGMEET ELECTRICAL *factory automation*	$360	$31	$1,398
SHENZHEN MINKAVE TECHNOLOGY *lighting* ●●	$198	$48	$861
SHENZHEN SUNTAK CIRCUIT *electronic components*	$547	$85	$1,703
SHENZHEN SUNWAY COMMUNICATION *electronic components* ●●	$706	$149	$3,191
SHENZHEN UROVO TECHNOLOGY *POS smart terminals*	$143	$18	$706
SHENZHEN YINGHE TECHNOLOGY *factory automation*	$313	$49	$1,262
SICHUAN SUNNY SEAL *specialty chemicals*	$105	$26	$685
SICHUAN TEWAY FOOD *food*	$211	$40	$2,195
SONOSCAPE MEDICAL *medical equipment*	$183	$38	$1,659
SUNPOWER GROUP *industrial machinery*	$494	$48	$263
SUNRESIN NEW MATERIALS *chemicals*	$94	$22	$857
SUZHOU KEDA TECHNOLOGY *consumer electronics*	$367	$49	$1,052
TOPCHOICE MEDICAL *healthcare services*	$233	$50	$3,572
TSAKER CHEMICAL *specialty chemicals*	$229	$34	$379
UNILUMIN GROUP *consumer electronics* ●●	$679	$62	$1,197
VICTORY GIANT TECHNOLOGY *electronic components*	$498	$58	$1,225
WOLONG REAL ESTATE GROUP *property developer*	$382	$87	$455
WUXI LEAD INTELLIGENT EQUIPMENT *renewable energy (solar, lithium batteries)* ●●	$584	$112	$3,816
XIAMEN GUANGPU ELECTRONICS *lighting*	$116	$18	$399
XIAMEN KINGDOMWAY *specialty pharmaceuticals*	$431	$104	$1,158
YANTAI EDDIE PRECISION *construction machinery* ●●	$154	$34	$1,092
YEALINK NETWORK TECHNOLOGY *communications equipment* ●●	$271	$129	$3,874
YUNNAN ENERGY NEW MATERIAL *packaging*	$369	$78	$3,431
ZHEJIANG DINGLI MACHINERY *construction equipment* ●●	$257	$73	$2,282
ZHEJIANG JIEMEI ELECTRONIC *paper & packaging* ●●	$197	$42	$1,140
ZHEJIANG MEIDA INDUSTRIAL *home & office furnishings*	$210	$57	$1,317
ZHEJIANG WEIMING ENVIRONMENT *waste management*	$231	$112	$2,484
ZHEJIANG YUANCHENG LANDSCAPE *construction services*	$188	$20	$337

DIMITRI OTIS/GETTY IMAGES

Best Under a Billion alumni asianpaints • India • Debuted on the list: 2006, sales that year: $573M • Latest sales: $3.8B

BEST UNDER A BILLION

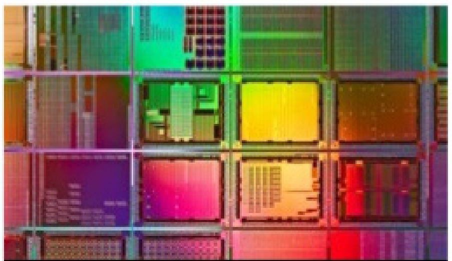
COUNTRY/TERRITORY ● Number of consecutive years on the list ☐ returnee

IN MILLIONS

COUNTRY/TERRITORY	SALES	NET INCOME	MARKET VALUE
HONG KONG			
AGRITRADE RESOURCES *coal mining*	$286	$54	$910
CHINA BAOFENG INTERNATIONAL *lighting & home furnishing products*	$141	$68	$228
CHINA GRAND PHARMACEUTICAL *pharmaceuticals*	$760	$91	$1,648
ESSEX BIO-TECHNOLOGY *pharmaceuticals*	$150	$29	$563
HON KWOK LAND INVESTMENT *property developer*	$228	$382	$365
LEE & MAN CHEMICAL *chemicals*	$495	$111	$456
SSY GROUP *pharmaceuticals*	$533	$116	$2,538
VANTAGE INTERNATIONAL *construction services*	$443	$52	$150
INDONESIA			
KRESNA GRAHA INVESTAMA *e-commerce, finance*	$508	$35	$673
PAKUWON JATI *property developer*	$498	$179	$2,097
INDIA			
ATUL *chemicals*	$578	$62	$1,620
BALAJI AMINES *chemicals*	$134	$18	$185
BIOCON *pharmaceuticals*	$789	$130	$4,438
CONTROL PRINT *industrial machinery*	$27	$5	$58
GALLANTT ISPAT *steelmaker*	$176	$23	$150
GRAPHITE INDIA *electrical components*	$507	$160	$886
HESTER BIOSCIENCES *pharmaceuticals*	$25	$6	$186
JAMNA AUTO INDUSTRIES *automotive parts*	$265	$19	$288
JUBILANT FOODWORKS *restaurants*	$468	$30	$2,376
KELLTON TECH SOLUTIONS *IT services*	$122	$11	$48
MAITHAN ALLOYS *mining*	$278	$45	$218
SOLAR INDUSTRIES INDIA *specialty chemicals*	$297	$34	$1,403
SUPRAJIT ENGINEERING *automotive parts*	$221	$21	$401
VETO SWITCHGEARS & CABLES *wires & cables*	$39	$4	$18
JAPAN			
AKATSUKI *games developer* ●●●	$254	$71	$682
ALPHAPOLIS *publisher, broadcaster*	$38	$5	$195
BENGO4.COM *online legal, tax consultancy services*	$21	$3	$1,104
COMTURE *IT services*	$163	$16	$645
E-GUARDIAN *website security services* ●●	$53	$7	$180
EN-JAPAN *recruitment* ●●	$367	$75	$1,635
FULLCAST HOLDINGS *recruitment*	$352	$30	$804
HAMEE *e-commerce* ●●	$85	$8	$109
JAC RECRUITMENT *recruitment*	$209	$35	$1,189
JAPAN MATERIAL *semiconductors* ●●●●	$251	$37	$1,355
KAMAKURA SHINSHO *internet*	$23	$4	$537
KITANOTATSUJIN *health food, cosmetics* ●●	$75	$12	$650

PENTAMASTER

MALAYSIA | Booming demand for smart sensors has propelled Pentamaster to the list for a third consecutive year. It was founded in 1995 in Penang, Malaysia by engineers Choon Bin Chuah, the company's chairman, and Tan Boon Teik, its CEO. The company's main business is making equipment used by tech firms to do quality control tests on their products. With a focus on testing equipment for smart sensors, the company's business has been buoyed by rising demand for these sensors, which can be found in electric vehicles, smartphones and factories. The company's net profit surged 140% to 94 million ringgit ($23 million) in 2018, while revenue climbed 49% to 422 million ringgit. The company sees further growth ahead as smart sensors become ubiquitous.
—Anis Shakirah Mohd Muslimin



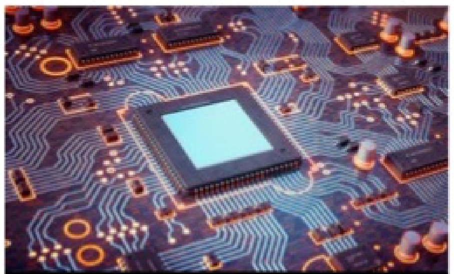
AEM HOLDINGS

SINGAPORE | Semiconductor equipment supplier AEM has long been captive to one customer, with more than 90% of revenue coming from Intel, but the company is diversifying. Over the past two years it has spent $13 million on acquisitions. These include Singapore's IRIS Solution, a machine vision firm, and Finland's Afore, which is jointly developing a wafer-testing tool with Intel and has a deal with Taiwan's Foxconn to test microchips. AEM also bought InspiRain Technologies, a Singapore-based company that supplies cable testers for Huawei's 5G rollout in China. However, with U.S. sanctions imposed on Huawei, AEM is cautious about the contract. Executive Chairman Loke Wai San says revenue from 5G projects will be a "small percentage" of the 2019 total. AEM expects revenue to decline this year after a bumper 2018, when it rose 18% to S$262 million ($195 million).
—Pamela Ambler

CAIAIMAGE/PAUL BRADBURY/GETTY IMAGES; MIRAGEC/GETTY IMAGES

Best Under a Billion alumni Jollibee • Philippines • Debuted on the list: 2005, sales that year: $556M • Latest sales: $3.2B

BEST UNDER A BILLION



UNITEST

SOUTH KOREA | This chip-testing equipment maker has benefited from a robust semiconductor market over the past three years. UniTest counts SK Hynix—the world's No. 2 chipmaker by sales—as a major customer. Its net profit doubled to 52 billion won ($48 million) in 2018 as revenue increased 67% to 282 billion won. Founded in 2000 by Kim Jong-hyun, a former senior researcher at Samsung Semiconductor, UniTest was the first in South Korea to develop a localized chip-testing facility. This facility checks for faults and ensures that chips work in their intended settings before shipping to customers. While the semiconductor industry experienced softer demand in late 2018, UniTest expects earnings to improve in the second quarter of the year as it rolls out new products and signs up new customers in the U.S. and Japan, says a company representative. *—Hee-joung Kim*

UNITED PAPER

THAILAND | United Paper expanded its production capacity in central Thailand in 2017, just in time to take advantage of rising demand for kraft paper products made from recycled paper and lower raw material prices. The Bangkok-based manufacturer of kraft paper, which is used to make cardboard boxes and other packaging products, more than doubled net profit to 777 million baht ($24 million) in 2018 as revenue jumped 46% to 3.7 billion baht. Earnings were bolstered by increased demand from online retailers and delivery companies. United Paper's margins climbed to 21% last year from 14% in 2017 as China banned imports of scrap paper and cardboard in January 2018, driving down the cost of the materials used to make kraft paper. United Paper primarily sells to the domestic market. *—Suzy Nam*

IN MILLIONS

● Number of consecutive years on the list ☐ returnee

	SALES	NET INCOME	MARKET VALUE
KOTOBUKI SPIRITS *confectionery*	$337	$32	$1,549
MIZUHO MEDY *medical equipment*	$58	$8	$171
MKSYTEM *software*	$17	$2	$30
MOBILE FACTORY *software*	$27	$5	$135
MONOTARO *e-commerce*	$992	$86	$5,276
NIHON M&A CENTER *M&A advisory services* ●●	$257	$80	$4,330
RS TECHNOLOGIES *semiconductors* ●●	$231	$33	$312
TRI CHEMICAL LABORATORIES *specialty chemicals*	$71	$21	$361
VALUECOMMERCE *digital advertising & marketing services*	$188	$24	$912
YA-MAN *beauty products*	$208	$31	$541
YOSSIX *restaurant operator*	$142	$11	$245
YUMESHIN HOLDINGS *construction services*	$366	$33	$510
ZIGEXN *internet services* ●●	$93	$20	$678
MALAYSIA			
ELSOFT RESEARCH *semiconductors*	$19	$10	$132
PENTAMASTER *factory automation* ●●●	$105	$23	$329
VITROX *electronic components*	$98	$26	$796
NEW ZEALAND			
VISTA GROUP INTERNATIONAL *software*	$91	$8	$595
PHILIPPINES			
SUNTRUST HOME DEVELOPERS *property developer*	$11	$2	$31
PAKISTAN			
HIGHNOON LABORATORIES *specialty chemicals*	$62	$6	$51
MILLAT TRACTORS *agricultural machinery* ●●	$361	$49	$256
SEARLE *specialty pharmaceuticals*	$149	$24	$180
SINGAPORE			
AEM HOLDINGS *electronic components*	$195	$25	$190
IGG *games developer* ●●●	$749	$189	$1,504
SOUTH KOREA			
AFREECATV *digital media*	$115	$20	$647
CHUNBO *fine chemicals*	$109	$21	$616
F&F *apparel & footwear*	$608	$99	$1,154
GOLDEN BLUE *beverages*	$149	$12	$57
HANYANG ENG *industrial plant construction services*	$717	$69	$194
HUONS GLOBAL *pharmaceuticals*	$344	$26	$328
JYP ENTERTAINMENT *music producer, artist management*	$113	$22	$820
SAMWHA CAPACITOR *electronic components*	$250	$56	$473
SANGSANGIN *IT services* ●●	$440	$124	$862
UNITEST *semiconductors* ●●	$257	$48	$236
WONIK QNC *semiconductors* ●●	$242	$37	$260

MATEJMO/GETTY IMAGES; SIAN COX/EYEEM/GETTY IMAGES

Best Under a Billion alumni AirAsia • Malaysia • Debuted on the list: 2006, sales that year: $175M • Latest sales: $2.6B

BEST UNDER A BILLION

IN MILLIONS

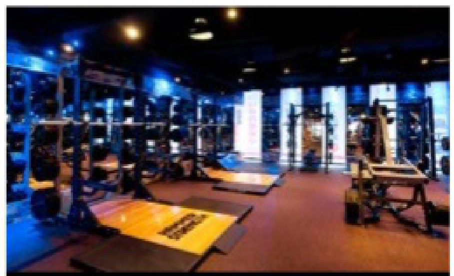
COUNTRY/TERRITORY ● Number of consecutive years on the list ☐ returnee

	SALES	NET INCOME	MARKET VALUE
SRI LANKA			
SOFTLOGIC LIFE INSURANCE *life insurance*	$63	$21	$72
THAILAND			
EXOTIC FOOD *food*	$35	$7	$112
PYLON *construction services*	$44	$7	$142
SEAFCO *construction services*	$86	$11	$174
SIAM WELLNESS GROUP *spa operator* ●●	$35	$6	$219
UNITED PAPER *paper & packaging*	$115	$24	$204
TAIWAN			
ASPEED TECHNOLOGY *semiconductors* ●●●●●●	$71	$23	$656
CHANG WAH TECHNOLOGY *semiconductors*	$325	$28	$292
CHIEFTEK PRECISION *semiconductors*	$69	$16	$209
CHONG HONG CONSTRUCTION *property developer*	$402	$138	$781
EXCELLIANCE MOS *semiconductors*	$49	$9	$117
HIWIN TECHNOLOGIES *automotive parts*	$974	$179	$2,350
HIYES INTERNATIONAL *PC products*	$38	$15	$113
LI MING DEVELOPMENT *property developer*	$126	$25	$135
MACHVISION *printed circuit board inspection equipment* ●●	$103	$43	$491
NICHIDENBO *electronics components*	$354	$51	$297
ONYX HEALTHCARE *medical equipment*	$47	$6	$105
PEGAVISION *medical supplies* ●●●	$104	$18	$418
POWER WIND HEALTH INDUSTRY *fitness gym operator*	$100	$15	$428
PROSPERITY DIELECTRICS *semiconductors*	$191	$49	$338
SAMEBEST *software*	$54	$12	$120
SINOPOWER SEMICONDUCTOR *semiconductors*	$83	$11	$119
TA LIANG TECHNOLOGY *industrial machinery*	$132	$14	$101
TAIDOC TECHNOLOGY *medical equipment*	$144	$29	$355
UNITED INTEGRATED SERVICES *engineering services*	$602	$71	$964
VIETNAM			
BINH DUONG MINERALS *cement & aggregates*	$51	$14	$53
DAT XANH GROUP *property brokerage, developer*	$202	$51	$285
DONG NAI PORT *port operator*	$29	$5	$43
PHU TAI *home & office furnishings*	$205	$17	$128

Data as of May 31, 2019. *Sources: Bloomberg; Forbes.*

METHODOLOGY

To compile our list, we start with publicly traded companies with annual revenue of between $5 million and $1 billion in the Asia-Pacific region. From a universe of 19,000 candidates, roughly 1,400 passed our criteria for profitability, growth and modest indebtedness. Our selection of 200, which are not ranked, produced the highest sales and earnings per share growth for both the most recent fiscal one- and three-year periods, and the strongest one- and five-year average return on equity. We excluded those with questionable accounting, management issues or major legal troubles. The final list of 200 is truly a select group.



POWER WIND HEALTH

TAIWAN | The operator of Fitness Factory gyms is cashing in on Taiwan's passion for keeping fit. The health and wellness sector is expected to climb to $9 billion by 2025, from $1.3 billion in 2015, according to the Ministry of Economic Affairs. Taiwan's rainy, hot weather drives many people indoors for exercise. The 13-year-old Power Wind Health has attracted health buffs by keeping fees relatively low, at under $40 a month. The company's net profit rose 62% to NT$444 million ($15 million), while revenue increased 32% to NT$3 billion. To sustain momentum, Power Wind Health plans to nearly double its outlets from 41 now to 80 by 2025. "There's lots of growing space," says a company spokesman. *—Ralph Jennings*

DAT XANH GROUP

VIETNAM | The country's largest property brokerage was established by Luong Tri Thin in 2003. Born into an underprivileged family, Thin was a street vendor, porter, and rice merchant before becoming a real estate broker. Dat Xanh, where Thin is chairman and CEO, branched into property development in 2007 and now has 28 projects with 652 hectares under construction. The company invested around $2 billion in these projects, comprising affordable condominiums for Vietnam's rapidly expanding middle class. The company's revenue jumped 61% to 5 trillion dong ($202 million) in 2018 while net profit rose 57% to 1.2 trillion dong. The brokerage division sold 28,000 homes last year, up 27% from 2017 and accounting for about half of group revenue. Dat Xanh aims to sell another 32,000 homes this year to further cement its leadership in the country's brokerage industry, where it currently has a 30% market share. *—Lan Anh Nguyen*

FITNESS FACTORY; DAT XANH GROUP

Michael Steven

Digital Fortune

Kresna Graha Investama has transformed itself into a tech incubator and investment firm.

BY ULISARI ESLITA

Kresna Graha Investama has catapulted onto *Forbes Asia*'s Best Under A Billion list on the strength of its transformation from a traditional financial services firm into one that also incubates and invests in tech startups. When the startup is ready to go public, Kresna can utilize its core strength in financial services to manage the IPO.

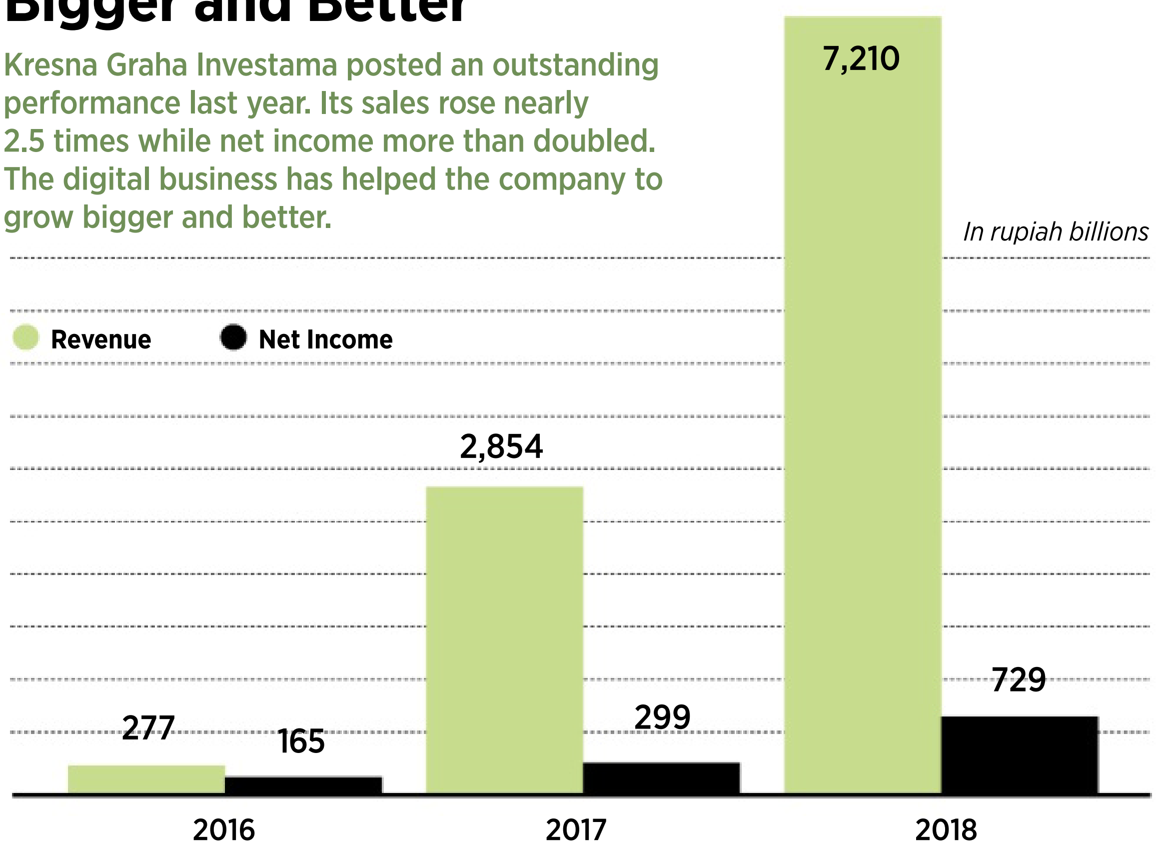
Founded in 2000, Kresna for many years offered only standard services such as investment management, securities brokerage and underwriting. In 2015, however, Kresna president director Michael Steven reinvented the company with the establishment of its tech incubator and investment division Kresna Creativentures, which has now become the company's growth driver.

Last year, revenue surged 2.5 times to 7.2 trillion rupiah ($508 million), with 88% of that coming from Kresna Creativentures, while net profit rose 1.5 times to 729 billion rupiah. According to Steven, the company will continue to aggressively grow its tech business. It is targeting 8 trillion rupiah in revenue this year, with 92% of that expected to come from Kresna Creativentures. "We are very keen to invest in more digital businesses," says Steven. For the first

AHMAD ZAMRONI FOR FORBES INDONESIA

Bigger and Better

Kresna Graha Investama posted an outstanding performance last year. Its sales rose nearly 2.5 times while net income more than doubled. The digital business has helped the company to grow bigger and better.



SOURCE: KRESNA ANNUAL REPORT, 2018

quarter of 2019, the company booked 2.2 trillion rupiah in revenue, putting it on track to hit its 8 trillion target. Kresna's shares have risen fivefold in the last four years to a recent 555 rupiah, giving the company a market capitalization of $715 million.

One success story is M Cash Integrasi, a company started in 2010 that operates digital and physical kiosks selling various services such as top-ups of prepaid phone cards, tickets for amusement parks, electronic bill payment and e-commerce shopping. M Cash's kiosks are typically located in minimarts and retail locations.

M Cash has 1,000 kiosks—each about the size of an ATM—in stores across Indonesia and aims to have 10,000 by the end of 2020. Kresna Creativentures invested an undisclosed sum in M Cash in April 2017 and it went public last year, becoming the second tech startup listed on the Indonesia Stock Exchange (after tech firm Kioson). The IPO raised 300 billion rupiah in a deal that was oversubscribed 10 times. Last year, M Cash's sales soared threefold, to 1.3 trillion rupiah, while its net profit climbed from 2.7 billion rupiah to 8.6 billion rupiah. Kresna retained a 13% stake in the firm after it listed, now worth about $28 million.

This year, M Cash is aiming to book 8 trillion rupiah in revenue by expanding its services. "We are planning on providing toll road passes using the mobile phone app," says M Cash managing director Jahja Suryandy. In addition, at least three subsidiaries of M Cash are planning IPOs this year, one of which is Digital Mediatama Maxima (DMM), a digital cloud firm. DMM aims to release 25% to 30% of its shares, and looks to raise 250 billion to 400 billion rupiah.

Kresna Creativentures has also made two investments into the Singapore-based fintech startup MatchMove Pay, the first in 2017 and a second in 2018. The startup offers cloud-based enterprise payment and banking solutions. Its banking operating system enables any mobile app or website to integrate and deploy full-featured banking-as-a-service. It has secured more than 50 corporate clients in Southeast Asia, India, Australia and Latin America within the past two years, supporting tens of millions of users across seven countries. NTT Docomo Ventures, a subsidiary of the Japanese telecom giant, joined Kresna as an investor in MatchMove in April (the stake bought and amount invested were undisclosed).

NFC, a subsidiary of M Cash, is a digital exchange hub company that provides solutions to inefficiencies in Indonesia's telecom market. It also engages in online media and entertainment through OONA TV, a digital TV-streaming service, and in digital cloud-based advertising. NFC went public in July of last year, raising 300 billion rupiah.

Kresna's most interesting IPO this year was decidedly low tech: Bali Bintang Sejahtera, the company that manages the Bali-based football club Bali United. The company's listing June 17 raised almost 600 billion rupiah, exceeding its target of 350 billion rupiah. "Bali United is the first football club IPO in Southeast Asia. Its success can inspire other football clubs to do the same," says Steven.

STEADY IN SECURITIES

Over the years Kresna has led several notable IPOs in Indonesia, including one for Sido Muncul, a herbal remedies company that raised 870 billion rupiah in its 2013 listing. A major deal was for hospital group Mitra Keluarga, which came to market in 2015 and raised 1.2 trillion rupiah, making it the largest IPO by value after the listing of the national airline Garuda Indonesia in 2011. "Ever since we set up our digital business, many people thought that we were no longer a securities company," says Steven. "We are still in the securities business, and we still do IPOs." Where it makes sense, Steven also invests in venture firms. Last year Kresna bought into Vickers Venture Partners, a well-known VC firm based in Singapore led by veteran Singaporean investor Finian Tan.

Game On

Akatsuki is using the success of its Dragon Ball Z game to become more diversified.

BY JAMES SIMMS

Genki Shiota in the sports room at Akatsuki's headquarters.

DEBY SUCHA FOR FORBES ASIA

Tokyo-based games maker Akatsuki has the global popularity of its Dragon Ball Z mobile game, codeveloped with Bandai Namco, to thank for about three quarters of the company's 28 billion yen ($254 million) in annual revenues. The game, based on a popular Japanese anime cartoon and manga comic book, has been a global hit—with some 250 million downloads since its 2015 release. The success of the game also helped Akatsuki to list, in March 2016, on the Tokyo Stock Exchange.

Akatsuki cofounder and CEO Genki Shiota started the company in June 2010 with a $25,000 loan from a friend. His first game was Bringing Up My Girl, which he soon sold through Japanese gaming giants GREE and Mobage, DeNa's social network game portal. Since then, Akatsuki racked up more game hits, and some duds, as it expanded titles, Shiota says.

Shiota and his cofounder, Tetsuro Koda, now the company's chief operating officer, met during an internship, became friends and eventually created Akatsuki, which means dawn in Japanese. While both held corporate jobs after their internship—Shiota at DeNa and Koda at consultancy Accenture—they quit less than two-and-a-half years after joining. Shiota wanted to be an entrepreneur, while Koda found his work wasn't challenging enough.

"I remember running into Koda after not seeing him for a while, and he looked like he had lost his motivation, seemed bored, and was wondering what to do about his job," Shiota says. "So, I asked him to join me, figuring he'd join if I asked."

In the early days, it was just the two partners running the company and another engineer, doing everything from programming the games to fixing the servers whenever the games stopped working. “Sometimes while we were sleeping, a game stopped working,” Koda says. “We’d wake up and realize that. And it was like, ‘What do we do?’ Then we’d be scrambling. Over the first few months, we worked on our first game, and that became quite a hit, ensuring a decent cash flow, even though we had absolutely zero experience.”

But it wasn’t always smooth sailing, Shiota remembers. A rapid increase in staff numbers and a shift in 2012 and 2013 to more costly, native application—each tailored to specific operating systems such as Apple’s iOS and Android—weighed on the firm. “We were bleeding several hundred thousand dollars a month,” Shiota says. “If our first native application game had come out just three months later, we would have gone bankrupt. It was just enough of a hit to ensure a steady cash flow.”

Using loans to finance the initial effort was important because he wanted to build up the company’s value before seeking funds from investors. Shiota, who has a nearly 36% stake in the company, handles marketing and sales. Koda, who has an almost 20% stake and programmed Akatsuki’s first hit game, focuses on operations and the technical side.

In the past three years, the company’s revenues are up by 71% on average to 28 billion yen, while net profit soared 95% to 7.9 billion yen, putting Akatsuki on the Best Under A Billion list for the third consecutive year. That momentum will likely continue given the popularity of its latest role-playing game, Romancing SaGa Re;univerSe, released in December 2018, writes Yasuyoshi Mimura, an analyst at Ichiyoshi Research Institute in Tokyo. Mimura expects Akatsuki’s net profit to rise to 9.9 billion yen in the year through March 2020 and climb to 10.9 billion yen the following year.

UNKO MUSEUM: COURTESY OF AKATSUKI

POOP MUSEUM

Japan has a penchant for poop. It’s the subject of Tarō Gomi’s classic *Everyone Poops*. The bestselling series of children’s mystery books and television show called the *Butt Detective* prominently displays the private eye’s head—a butt.

But poop isn’t the theme of Akatsuki’s next mobile game. Rather, it’s the subject of a recent playful exhibit called the Unko Museum (poop museum) in its new entertainment complex called Asobuild. The “museum” is filled to the brim with interactive stations, including one where visitors can splat with their feet on doo-doo projections on the floor, a multicolored blinking turd volcano that explodes sponge balls and many colorful Instagram-worthy poop objects.

The four-story Asobuild, whose name combines the Japanese word for play and the word building, opened in March. It includes the museum, dozens of restaurants, a bar, an escape game for adults and a space-themed children’s interactive play area. It also has rooftop basketball and futsal courts.

COO Tetsuro Koda, the driving force for providing real-world experiences, says this business segment is a way to smooth out potential revenue fluctuations from mobile games. “With the changes brought by e-commerce and digital consumption, the real world needs to change in line with the digital changes, but it hasn’t,” Koda says. “Videogame arcades, for example, haven’t changed at all. There’s great potential in changing how we play and buy things offline. That’s why we are trying to provide new experiences. Having fun, playing and experiencing things can be gateways [to learning]. There’s value to that. By going there, your curiosity can be triggered. That’s the true value in what is real.”

Asobuild is also a testing ground for new ideas, says Shiota. If successful, the company plans to roll it out to other retail complexes, many of which are struggling to lure shoppers.

"Our business is moving, exciting, thrilling people."

With increasing use of smartphones, Japan ranks second to China in the mobile games market. Revenues from mobile games in Japan are expected to climb to $18 billion by the end of 2022 from $14 billion in 2018, according to U.S. market research firm App Annie.

Akatsuki, however, is moving to diversify its business away from games, which account for about 95% of sales (and most of that from one game), according to analysts. "It's critical to come up with a stable growth story, including through the live-experience business," Takao Suzuki, an analyst at Daiwa Securities in Tokyo, wrote in April.

Akatsuki has branched out into live experiences and entertainment as well as e-sports, where participants compete for prizes by playing videogames on big screens in arena-style settings. Shiota says he expects these new businesses to eventually account for one-third of revenues each, with games rounding out the remaining third in the next decade.

Underscoring the push into these new businesses, Akatsuki doubled its staff to more than 1,000 in the past year, with the majority of fresh hires working outside of games. Akatsuki also bought a Spanish firm, the League of Professional Esports, which oversees a league where professional sports teams such as soccer club FC Barcelona field players in tournaments under their e-sports banners. It also signed a partnership agreement with a league member and the Japanese pro soccer team, Tokyo Verdy.

"Our business is moving, exciting, thrilling people—and to make them happy," Shiota says. "Through games, we know how to use technology but also to retain users and to continue to entertain them. We can readily transfer that to the real world, whether that's live experiences, e-sports or sports." F

One of Akatsuki's mobile videogames.

DEBY SUCHA FOR FORBES ASIA; MOBILE GAME: COURTESY OF AKATSUKI

HONG KONG: A GLOBAL HUB FOR OPPORTUNITY

Renowned for its pro-business environment, Hong Kong is a city of superlatives.

Hong Kong-Zhuhai-Macao Bridge

In 2018, the world's longest bridge-and-tunnel sea crossing officially opened. The 55-kilometer passage that now links Hong Kong to Macao and Zhuhai in China's Pearl River Delta not only is an awe-inspiring feat of architecture, it is also symbolic of the increasing synergy between these vital business districts. Yet, while Hong Kong is set to capitalize on its unique location as the greater bay area grows into a center of commerce and industry, it itself remains a key hub in the heart of Asia.

Opportunity is everywhere. Global in outlook, in experience and in standards, Hong Kong is an ideal base for businesses wanting to stretch far. An extremely pro-business environment makes it easy to register a company, while Hong Kong's simple tax system—with low rates and favorable deductions—is the most business-friendly in the world, according to a report by PricewaterhouseCoopers and the World Bank.

Financial institutions, chambers of commerce, venture capitalists and trade organizations connect businesses with people, networks and resources across the region. With an unparalleled appetite for entrepreneurialism, Hong Kong is constantly keen to welcome new business and access is exceedingly simple. It's no wonder that an increasing number have flocked to the city to set up businesses in recent years; close to 9,000 overseas companies are currently registered.

Hong Kong knows how to make things happen. World renowned for its infrastructure, its experience and its efficiency in shipping, logistics and freight forwarding, it is home to one of the world's busiest container ports and Hong Kong International Airport (HKIA), the world's busiest international cargo hub. Responding to rapid growth from e-commerce, the airport's new plans include a state-of-the-art logistics center, which is designed to handle high-value cargo such as pharmaceuticals and electronics. If the goal is to get things moving to get things done, there is no better destination than Hong Kong.

World-class living coexists alongside industry and entrepreneurialism. Vibrant arts and culture sit alongside a diverse choice of sports and recreational activities, and the bustling streets are a colorful display of language and livelihood. Hong Kong's universities feature high in global listings, with the Kellogg-HKUST Executive MBA program ranked among the best. Team this with the city's high-achieving local and international schools and it is easy to see from where Hong Kong gets its famous drive and ambition.

Commerce races ahead in this bright, cosmopolitan city, often within view of an expansive shoreline and the South China Sea. And, of course, for business or pleasure, most people find themselves frequently coasting across those waters. Whether commuting on the reliable rail network up to Shanghai, traversing the extraordinary bridge to Zhuhai, or jetting out of HKIA, Hong Kong is a buoyant jumping-off point to the rest of the world.

HONG KONG
CONNECT AND EXCEL

With sound fundamentals, a strategic location, advanced soft and hard infrastructure and world-class talent, Hong Kong is the best place in Asia for people and businesses to connect and excel.

Asia's No.1 and World No.8
for judicial independence
(World Economic Forum: The Global Competitiveness Report 2018)

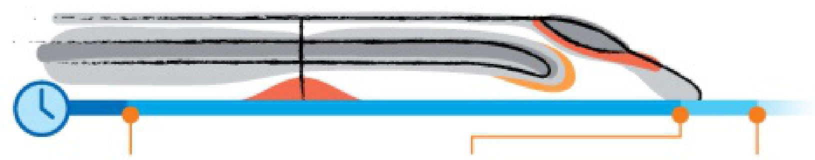
Global outlook, global standards

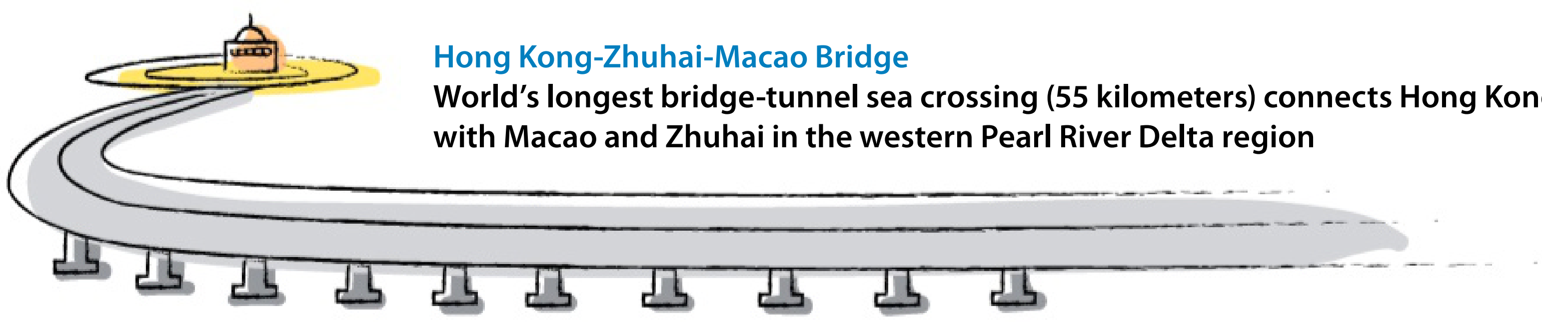
- Interwoven and complementary networks of highly knowledgeable and experienced people and businesses who deeply understand global markets and consistently deliver world-class services to international standards in law, finance, shipping, insurance and professional services
- Tried and trusted legal, financial, investment and taxation systems provide a safe, secure and familiar business environment
- Hong Kong follows the common law system. Eminent judges from other common law jurisdictions may sit as overseas non-permanent judges on Hong Kong's highest court, the Court of Final Appeal

Global transport hub

- Geographical heart of Asia with easy access to Asia, Middle East, Europe and North America
- Five-hour flight from half the world's population
- World's busiest international air cargo hub
- One of world's busiest and most efficient container ports
- New road and high-speed rail links significantly boost connectivity to adjoining Guangdong province and beyond, creating new opportunities for goods and services

Guangzhou-Shenzhen-Hong Kong Express Rail Link
Reducing rail journey time from Hong Kong to mainland cities by more than half





Hong Kong-Zhuhai-Macao Bridge
World's longest bridge-tunnel sea crossing (55 kilometers) connects Hong Kong with Macao and Zhuhai in the western Pearl River Delta region

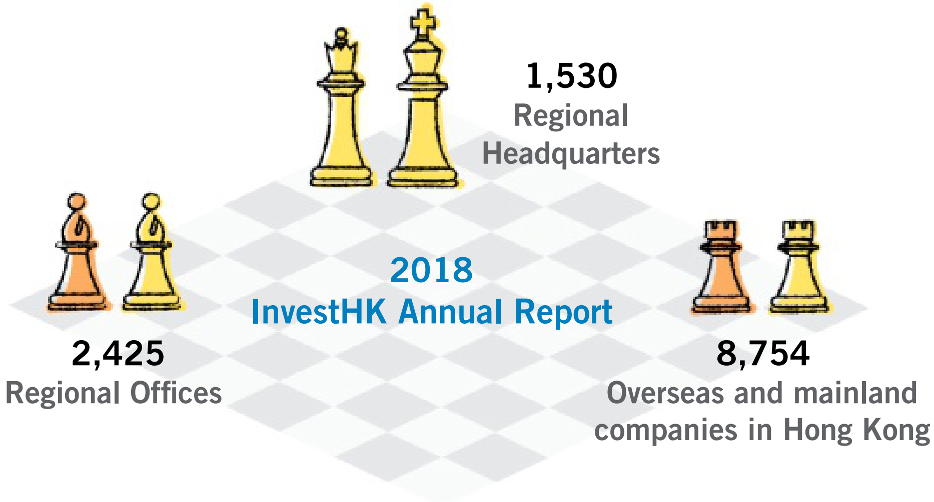
World No.1
International air cargo center
(5.1 million tons in 2018)

World No.3
International air passengers
(74.3 million passengers in 2018)

(Airports Council International)

Global opportunities, local connections

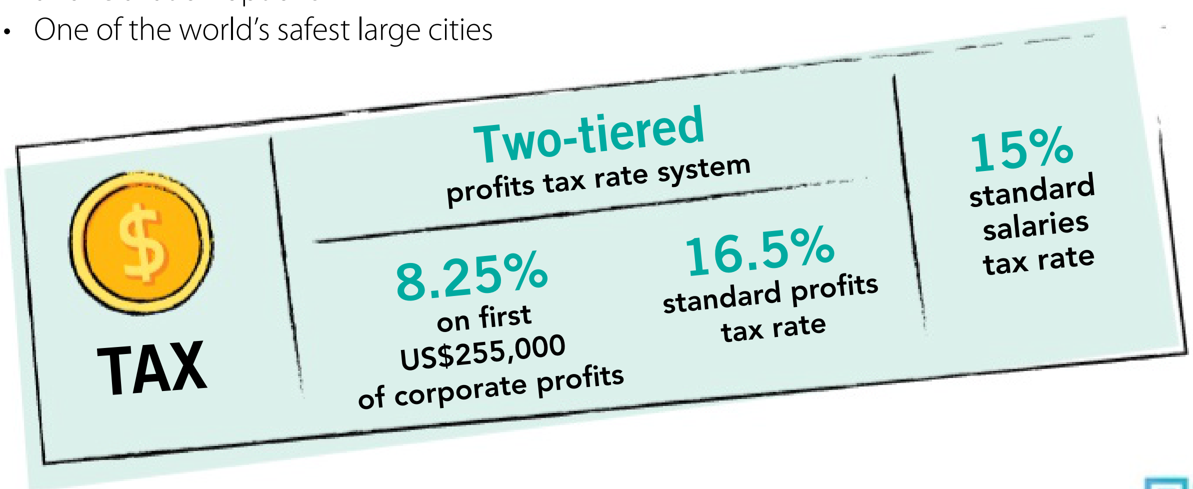
- Preeminent access point to explore and develop business links and markets with mainland China, ASEAN and beyond
- A melting pot of individuals, organizations and companies with the experience, insights and connections to help you connect and excel in your chosen field



- Financial institutions, venture capitalists, chambers of commerce, professional bodies, InvestHK and Hong Kong Trade Development Council connect you to the people, networks and resources to pursue your business and professional goals
- International financial, fundraising, fund management and insurance center
- "Nationality neutral" policy means all businesses compete on an equal footing in a fair and open system

Globally competitive, great lifestyle

- Super tax deductions up to 300% for research and development spending
- Vibrant arts, culture and sports scene
- Trendsetting, modern and cosmopolitan city that is welcoming and hospitable
- Large tracts of green, open space, beautiful shorelines and urban parks provide plenty of leisure, recreation and relaxation options
- One of the world's safest large cities



World's most business-friendly tax system
(PricewaterhouseCoopers LLP and the World Bank Group: Paying Taxes 2019)

Global excellence

World No.1
Executive MBA program
(Financial Times EMBA Ranking 2018: Kellogg-HKUST EMBA program No.1 for third consecutive year, and ninth time overall)

- World-class universities, professional bodies and international schools provide a wide range of educational and training opportunities meeting global standards of excellence
- Immigration schemes to attract and retain talent to inject new ideas, thinking and experience and enrich the workforce
- Huge investments in innovation and technology to spur economic development
- Sophisticated ICT infrastructure, including 11 submarine cable systems and 12 satellites for external communications. New high-capacity submarine cable systems connecting Hong Kong, the U.S. and beyond are underway, boosting Hong Kong's connectivity, data capacity and competitive edge

Global rankings

- World's freest economy (The Heritage Foundation)
- World's No.1 for economic openness (Legatum Institute)
- World's No.1 IPO fundraising center in 2018 (US$36.6 billion)
- World's No.2 competitive economy (International Institute for Management Development)
- World's No.4 for ease of doing business (World Bank)
- World's largest offshore RMB hub
- Asia's fund management hub
- Asia's insurance hub

HONG KONG
ASIA'S WORLD CITY
CONNECT AND EXCEL

BRIGHT SKIES AHEAD:

HONG KONG INTERNATIONAL AIRPORT'S SOARING EXPANSION PUTS PASSENGERS FIRST

The frenzied rush through the airport will be a thing of the past as epic plans for Hong Kong International Airport ready for takeoff.

Three-runway system layout

Fred Lam, Chief Executive Officer of Airport Authority Hong Kong

"We envision an ongoing transformation that integrates the airport with many functions surrounding it, turning it into a much bigger entity—an Airport City—that drives the economic growth of Hong Kong and the region, while further strengthening HKIA's status as an international aviation hub. The Airport City vision also echoes the Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area promulgated by the Chinese Central Government, which has designated Hong Kong as the region's international aviation hub."

We have all been there: coffee in one hand, your shopping in another. While you rummage through your bag for your passport, you almost spill your drink before you fish the eluding little book out.

This scenario will be a thing of the past as new plans for Hong Kong International Airport (HKIA) are launched. Already a world-leading aviation hub handling close to 75 million passengers a year, the visionary changes will see the airport evolve well beyond the traditional concept and puts the passenger experience first. An expansion into a three-runway system will add about half the size of the current airport, while a sweeping modernization of the existing two terminals will provide passengers with endless fascinations to see and do.

Technical innovation will ease the passage from the check-in process to boarding gate. Biometric face scanners will validate a passenger's identity and their face becomes a "single token" that allows them to pass through multiple checkpoints. It means passengers will only need to show their travel document once at the airport. After that, their face becomes their passport for the rest of their airport journey. And in the brief moments when you do take pause? Optimized artificial intelligence, data analysis and the Internet of Things will help provide personalized services right when you need them. Boosted WiFi and bandwidth will mean that you are always connected to the people most important to you. But you can forget about needing to email your assistant: Missed flight? Not on this watch.

Passengers from Guangdong and Macao will continue to enjoy the ease of travelling via HKIA. New and improved transport links—currently there are 16 remote city terminals and the number is set to increase to 29 in the coming years—will speed passengers from across the region to arrivals in Hong Kong.

Part of a Larger Vision

As China's plans to link nine mainland cities along the Pearl River Delta with Macao and Hong Kong crystallize into a sprawling economic and business hub known as the Guangdong-Hong Kong-Macao Greater Bay Area, HKIA will become an even more vital conduit, bringing the rest of the world to the heart of one of China's most open and vibrant centers.

SKYCITY

HKIA cargo

In the spirit of this industrious synergy, checkpoints will open and single ticket options will emerge for seamless, personalized travel between air, land and sea. New infrastructure, meanwhile, is already boosting connectivity. After touching down at HKIA, travelers can head to the 16,500-square-meter SkyPier. From there, they will be whisked on one of the 90 daily high-speed ferries to any of the nine piers in the Greater Bay Area, with their checked bags shipped along the way to be picked up at the destination port.

Driving is no problem either. Take a short shuttle from the airport to the nearby Hong Kong–Zhuhai–Macao Bridge, where you can enjoy awe-inspiring views as you travel along it. Three arching, cable-stayed bridges and an undersea tunnel forming the 55-kilometer system make this the longest bridge-tunnel sea-crossing in the world, and a mesmerizing introduction to mainland China. Visitors can reach Zhuhai in just 45 minutes, a fraction of the four-hour trip before the bridge's opening.

Creating a Parcel Force

HKIA will also boost its capabilities in handling cargo. With e-commerce driving growth in the sector—and demand is only expected to grow—the airport is responding by capitalizing on its unique cross-boundary location. Already ranked the world's busiest cargo airport for the past nine years, by 2035, it expects to expedite more than 10 million tons of cargo. Construction work on a premium logistics center is expected to be completed by 2023, and will allow for temperature-controlled airfreight and transhipment, resulting in faster and more-effective logistics for high-value cargo that includes pharmaceuticals, electronics and fresh and perishable goods. At the same time, HKIA will play a major role in the region's aviation development, becoming a center for aviation training.

City Airport to Airport City

HKIA isn't only set on transporting parcels, of course. It will also play a unique role in transporting the Greater Bay Area's combined population of about 70 million people—and aims to enthrall, entertain and educate them in the process.

The newly envisaged hub aims to transform the airport from a travel facility into its own dazzling destination. A long list of attractions will encourage visitors to include the airport in their itinerary rather than view it as a place to pass through. There will be a mega-shopping and entertainment complex, with new hotels, dining and cultural experiences coming together in ways unlike any other yet seen in the city.

A shining beacon in the Greater Bay Area will be the airport's SKYCITY. Just a short stroll from the airport itself, the 25-hectare space is positioned as a complete leisure destination. With tourism, retail, food and beverage, entertainment and lifestyle attractions all in the mix, plus 1,000 guest rooms in on-site hotels, the hub will be a center of excitement and discovery, a place to indulge and explore.

The development will sit alongside a clutch of other must-see-and-do activities close to the airport, including the 10-hall AsiaWorld-Expo exhibition space, Hong Kong Disneyland and the Ngong Ping 360 cable car service, which carries visitors over rolling green mountains to the magnetic Big Buddha on Hong Kong's Lantau Island. This synergy turns the notion of the city airport, so often a distant outlier to central downtown, into an airport city—a place to see, stay and savor.

By 2035, HKIA expects more than 120 million passengers to walk its halls. What hallowed halls they will be.

Premium logistics center

香港國際機場 HONG KONG INTERNATIONAL AIRPORT

www.hkairport.com

Conference Champions

Silicon Valley's sexiest IPO isn't a ride-hailing firm or a social network—it's Zoom, a humble video-chat app that wins by just working better. Throw in financials that are so pretty they belong in a coffee-table book, and you have Wall Street's hottest new stock.

BY ALEX KONRAD

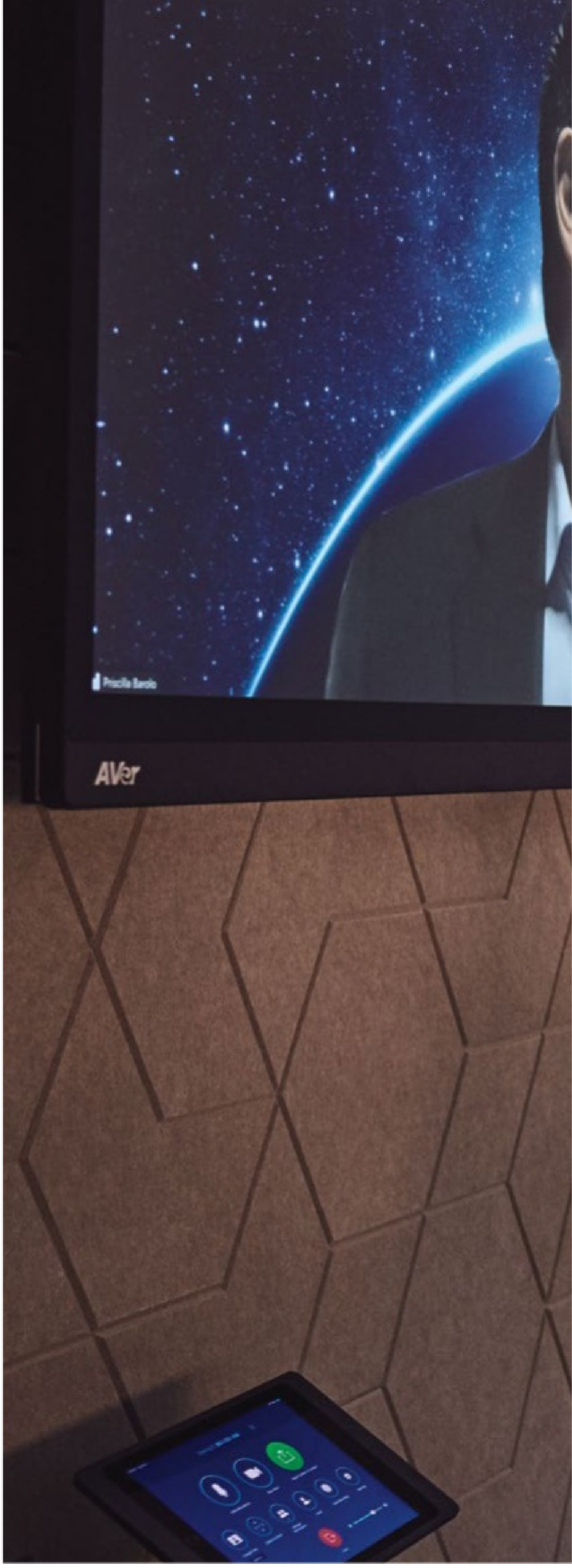
Zoom CEO Eric Yuan cut an unlikely figure as he addressed the cheering throng in the moments before ringing the opening bell at Nasdaq, his bashful grin giving way to a look of focus as he said, "A new game starts today." Sure, his startup wasn't as well-known as Lyft and Pinterest, two consumer companies that also just made their IPO debuts. But to anyone familiar with Yuan, the shock wasn't how he got there. It was that he was physically present at all.

The founder of Zoom, which provides videoconferencing software over the internet, practices what he preaches. After Yuan hired hundreds of engineers in his native China, he went three years between in-person visits. When he raised money from top venture capital investors, he showed up just once, to make sure every investor in the room had downloaded the Zoom app. For his IPO road show, Yuan deigned to make the 80km trek from his San Jose, California, headquarters to San Francisco for a single investor lunch—and then bolted back to work. Everyone else, money manager big or small, met with him virtually, over Zoom. When Yuan flew to New York for the IPO, it was just his eighth work trip in five years.

"Customers have always said, 'Eric, we'll become your very important customer, you've got to visit us,'" says Yuan. "I say, 'Fine, I'm going to visit you, but let's have a Zoom call first.'" That's usually enough.

It worked with Wall Street, where demand for Zoom (formally known as Zoom Video Communications) prompted the company to raise its IPO price to $36 per share, valuing the company at $9.2 billion—and making Yuan a billionaire at age 49. The stock's 72% first-day pop boosted Zoom's market cap to $15.9 billion and the net worth of Yuan, who owns 20%, to $3.2 billion. An engineer turned founder who once ran engineering for Cisco's Webex videoconferencing business, Yuan set out to make tools that work equally well in a boardroom in Manhattan and from a kitchen table in China. Built in the cloud and priced using a "freemium" model, Zoom lets anyone host a meeting of 40 minutes or less for free.

With annual revenue of $331 million, up 118%, and 50,000 corporate customers, including Samsung, Uber, Walmart and Capital One, Zoom was the ultra-rare tech unicorn that was profitable before it went public. Its sudden fame—emanating from its IPO—is a new feel for a company that takes its cues from a



CEO who not only shuns the spotlight but is so frugal he insists on reimbursing the company when he gives a friend swag like a Zoom backpack.

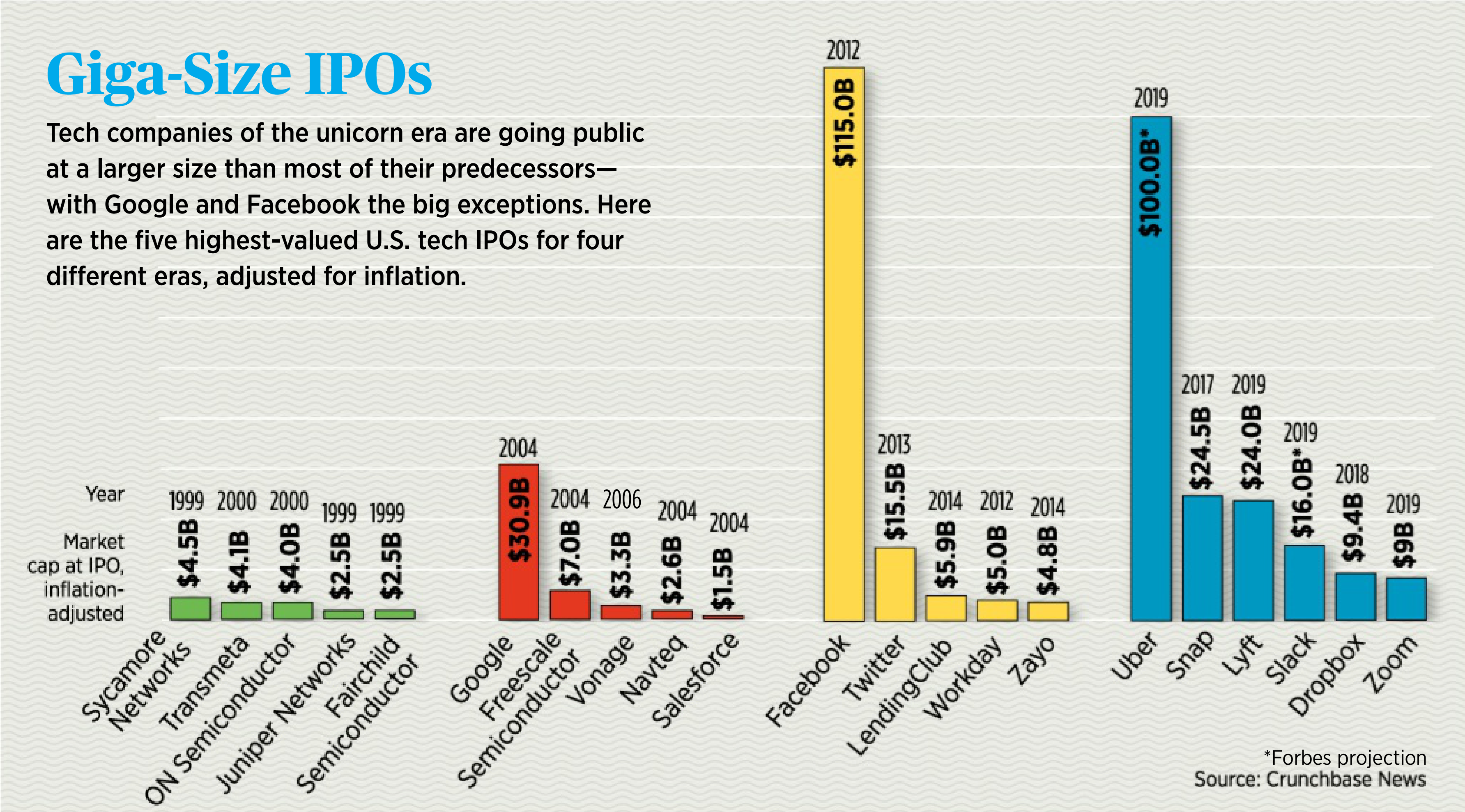
With hypergrowth comes risk, of course, and Zoom still must prove it can continue to best its competitors: massive companies like Google and Microsoft that had scared off most venture investors during Zoom's early days eight years ago. And while Zoom has

ETHAN PINES FOR FORBES

Founder Eric Yuan hopes that decades from now, employees will remember Zoom as a great place to work: "If they feel that way, I'll feel like my dream came true."

the goodwill of much of the tech community, with partners like Atlassian, LinkedIn and Slack, it's inevitable move beyond video means its list of competitors is likely to grow. Ringing the Nasdaq bell checks off one dream for Yuan. There are plenty more to go. "It's like a marathon," Yuan says of his ambitions to connect the working world like Facebook did with consumers—which would make Zoom even bigger than Cisco. "You're only 5 miles ahead of me, that's okay. I'll run faster than you, and I'll still catch up."

Yuan studied applied mathematics and computer science at Shandong University of Science & Technology. At age 22, he got married while pursuing his master's degree. Already convinced he'd start a company someday and fascinated by entrepreneurs like Bill Gates, he set his sights on the U.S. tech boom. It was easier said than done: After U.S. Customs asked for an English-language version of his business card, it listed Yuan as a consultant, and he was misidentified as a part-time contractor. His visa was denied. For the next year and a half, the now-skeptical immigration services would deny him seven more times. But Yuan refused to give up. "I told myself, Okay, great. I'll



do all I can until you tell me that I can never come here anymore. Otherwise, I'm not going to stop."

In the summer of 1997, Yuan joined two-year-old Webex in Milpitas, California. As a young employee, Yuan would routinely code all night on a Friday and then go play a soccer game on no sleep on Saturday afternoon. Riding the exuberance of the dot-com bubble and with videoconferencing tools taking advantage of faster internet speeds, Webex went public in July of 2000 and was acquired by Cisco for $3.2 billion in 2007. Not long after, Cisco chose Yuan to lead Webex's engineering group. But by 2010 he was unhappy. The problem, according to Yuan: The service simply wasn't very good. Every time users logged on to a Webex conference, the company's systems would have to identify which version of the product (iPhone, Android, PC or Mac) to run, which slowed things down. Too many people on the line would strain the connection, leading to choppy audio and video. And the service lacked modern features like screen-sharing for mobile.

"Someday someone is going to build something on the cloud, and it's going to kill me," Yuan told Bill Tai, a venture investor who became one of the first backers of Zoom. After a year of pestering his bosses to let him rebuild Webex, Yuan gave up and decided to leave Cisco in 2011. "Cisco was more focused on social networking, trying to make an enterprise Facebook," he says. "Cisco made a mistake. Three years after I left, they realized what I said was right."

The biggest hurdle was convincing his wife, who saw him throwing away a lucrative job managing 800 people: "I told her, 'I know it's a long journey and very hard, but if I don't try it, I'll regret it.'"

First Yuan asked friends, including fellow investors in a consumer video app called Tango, to write him $250,000 checks so he could pay 30 engineers (some in China) to work on a new idea: create better technology for video communications, then figure out what app to build on top. Mostly because of their faith in Yuan, the investors, including former Webex CEO Subrah Iyar, gave him $3 million for his startup, which was then called Saasbee. "Everyone in venture capital thought it was a terrible idea," says Jim Scheinman of Maven Ventures, who as one of the company's first backers came up with the name Zoom.

Within months, Yuan realized he wanted to target the videoconferencing business again. The VCs had reason to be skeptical. With Microsoft owning Skype, Google in the market via Hangouts and Cisco still leading in market share, videoconferencing had entrenched incumbents; there were also multiple startups, including the well-funded BlueJeans Network. "It would require flawless execution to win," says one investor who passed on Zoom. Even at Qualcomm Ventures, which led Zoom's $6 million Series A investment in 2013 alongside Yahoo cofounder Jerry Yang, there was "lots of internal debate," says partner Quinn Li.

From rundown offices in Santa Clara, with an oft-broken elevator and a mission-crucial video camera perched atop a cheap fridge, Yuan and his team quietly worked on their product for nearly two years. When Zoom launched, it had several key differences from the crowd. Its lightweight Web client could figure out almost instantly what kind of device you were using, meaning Zoom didn't need different versions for Mac or PC. It also provided a software layer that shielded any bugs that might be introduced when a browser like Chrome,

PETER AND MARIE HOEY FOR FORBES

Firefox or Safari pushed an update. Zoom could operate even at 40% data loss, so it would still work on a spotty or slow internet connection. And at $9.99 per host per month (now $14.99), it undercut its rivals. Zoom's customer service chief, Jim Mercer, was working at competitor GoToMeeting when a colleague opened a Zoom account to see what the hype was about. "One click, we were in, and there were 25 feeds of participants at the same time," he says. "We were like, 'What is this voodoo? How are they doing it?' "

After raising another $6.5 million from Li Ka-shing's Horizons Ventures, Zoom raised a $30 million round from Emergence Capital in 2015 (Li, Hong Kong's second richest person, remains a frequent user of the tool, a rep says). Soon after, Zoom began to target larger corporate clients. Yuan stunned partners at Emergence when he showed up for his pitch meeting and promptly insisted every investor download the Zoom app and join him for a live videoconference of the presentation, partner Santi Subotovsky says. Yuan shocked them again when, approached by large corporations that year, he warned these potential customers that Zoom's features might not be ready for their business. But after scooping up many of the fast-growing companies in Silicon Valley, like Box, Slack and Uber, Zoom broke out of tech in 2016 and now manages accounts such as Gap Inc. and Williams-Sonoma.

At Phoenix Children's Hospital, staff attend meetings, host surgical case conferences and work with patients over Zoom. Annoyed with a more complicated predecessor, Phoenix Children's tested Zoom for nearly four years and now has 464 staffers registered on it. For kids who are facing long stays, the hospital has provided them Zoom accounts and iPads to meet with each other in virtual support groups and help them attend school without immunological risk.

By the time Sequoia backed Zoom in a $115 million Series D round in early 2017, valuing the company at $1 billion, the famed venture firm had been fighting to get a piece of it for more than two years. "We were going through all the due diligence, and I remember saying there have to be a thousand Eric Yuans in the world, because everyone we spoke to, they knew Eric, big or small," Sequoia partner Carl Eschenbach says.

Yuan's secret for being everywhere: Zoom, of course. His habit of taking the most important meetings virtually started because of basketball. A diehard NBA fan since moving to the U.S., first of the Lakers' Kobe Bryant for his work ethic and then of his local Golden State Warriors, Yuan made a point of attending all of his three kids' basketball games and gymnastics meets. One unique Zoom feature is a virtual background the user can change to show a logo or image, disguising where they really are. Last summer, his eldest son, now a graduating high school senior who set the local league record for three-point shots, had a tournament in Los Angeles. "I set the background as the Santa Barbara beach, and they all thought I'm there. After the meeting, I swipe," revealing a sweaty high school gym. "And they all say, 'What?' "

> **"One click, we were in," a rival said. "We were like, 'What is this voodoo? How are they doing it?' "**

Two months before the IPO, Yuan walks through the sales and engineering departments of Zoom's newer San Jose headquarters. The elevators finally work in this one, but it's still somewhat dingy: Yuan decided he wanted a space close to the Caltrain and leased it pre-furnished to save on costs. It's the Lunar New Year, and Yuan hands out red envelopes. "Don't open this," he tells one group of employees with the smirk of a dad teasing his kids. "After we leave, then you open them. It's a lot of money!" For Zoom's 1,700 staffers today, many of whom became multimillionaires in Zoom's IPO, the payoff is a gag: one crisp, "lucky" $2 bill.

Yuan's public-facing thriftiness serves a secondary message: What matters at Zoom is the product, not the perks. He shares his office with his product chief and old friend Oded Gal, a fellow Webex veteran he hired away from BlueJeans Network three years ago. But you'll seldom find Yuan there. A few times a year, the CEO sits at a temporary desk with a team he wants to focus on. Yuan's been with the engineers since Zoom announced a voice product in October, now called Zoom Phone. It's one of several major product lines Zoom has touted in recent months, alongside an update to its conference room bundle called Zoom Rooms. Though an increasing number of Zoom's users log in via smartphone—one out of six today, Yuan says—many big firms still depend on hardwired conference rooms. Zoom provides the software; partners like Dell, Logitech and Polycom supply the TVs, cameras and speakers. It's a move Yuan thinks is strategic to winning over large customers whose CEOs spend lots of time in virtual meetings.

Though Zoom isn't making hardware, its bundle smacks of the stuff sold by Yuan's ex-employer, Cisco. There's some irony to that, as last year Cisco shook up its Webex unit—it now looks more like Zoom. It reorganized under a new leader, Microsoft veteran Sri Srinivasan. His mission is to revitalize Cisco's collaboration products, with videoconferencing one of several factors. And he's happy to throw some shade. "Zoom is apples and oranges," Srinivasan says, and offers "fledgling" solutions beyond its core desktop-to-desktop video tools. "They've done a pretty good job in their own right, with a bunch of borrowed resources from Webex."

A revitalized Cisco—as well as Google, Microsoft and even potentially Apple and Amazon—threatens Zoom just as it did in its early days. While Zoom has claimed to work with at least 90 of the Cloud 100—Forbes' exclusive ranking of the top private cloud companies—some corporations, like Sony, have resisted the move to Zoom as too

Zoom's management waves at hundreds of their employees tuning into Times Square via the company's app on the morning of its April IPO.

LIBBY GREENE/NASDAQ

complicated to set up at large scale. At GM and Verizon, for instance, teams use multiple solutions that don't include Zoom. Others, like Ford, use Zoom, but only for a handful of people. Even at Qualcomm, which owns a piece of the company, you'll find Cisco and Microsoft. "People just have a solution they already pay for," Qualcomm Ventures' Li says.

As Zoom adds features and larger accounts, with some companies simultaneously hosting thousands of people across multiple chats, the company will need to be careful not to cut corners and damage the product. In January, Zoom suffered a high-profile service outage, which it blamed on Amazon Web Services, but all people saw was that Zoom's app didn't work.

"It's like a restaurant," Yuan says about a similar glitch with a third-party vendor. "When a customer walks into a restaurant, until they leave, the entire experience needs to be great. You can't blame anything on anyone else."

But, of course, it can cut both ways. When Facebook went down in March, the New Zealand House of Representatives streamed its committee meetings over Zoom instead of Facebook Live. And in its regulatory filing with the SEC before going public, Zoom noted that more than half the 500 largest companies in America had at least one paid seat on Zoom but few had signed large contracts, suggesting an avenue for significant sales down the road.

Then there's the international market, where Zoom did just 18% of its business in its last fiscal year. Expansion into markets with the most demand for Zoom—the U.K., Japan, France, Germany and Australia—presents a natural future angle of attack. Zoom is furthest along in Canada and is studying it for its next phase of growth. And after Yuan, ever thrifty, spurned the chance to buy the Zoom.com address in the company's early days, opting for the cheaper Zoom.us, Zoom quietly acquired it last year for $2 million, a domain that could prove valuable in disassociating the company from the U.S. in touchy overseas markets.

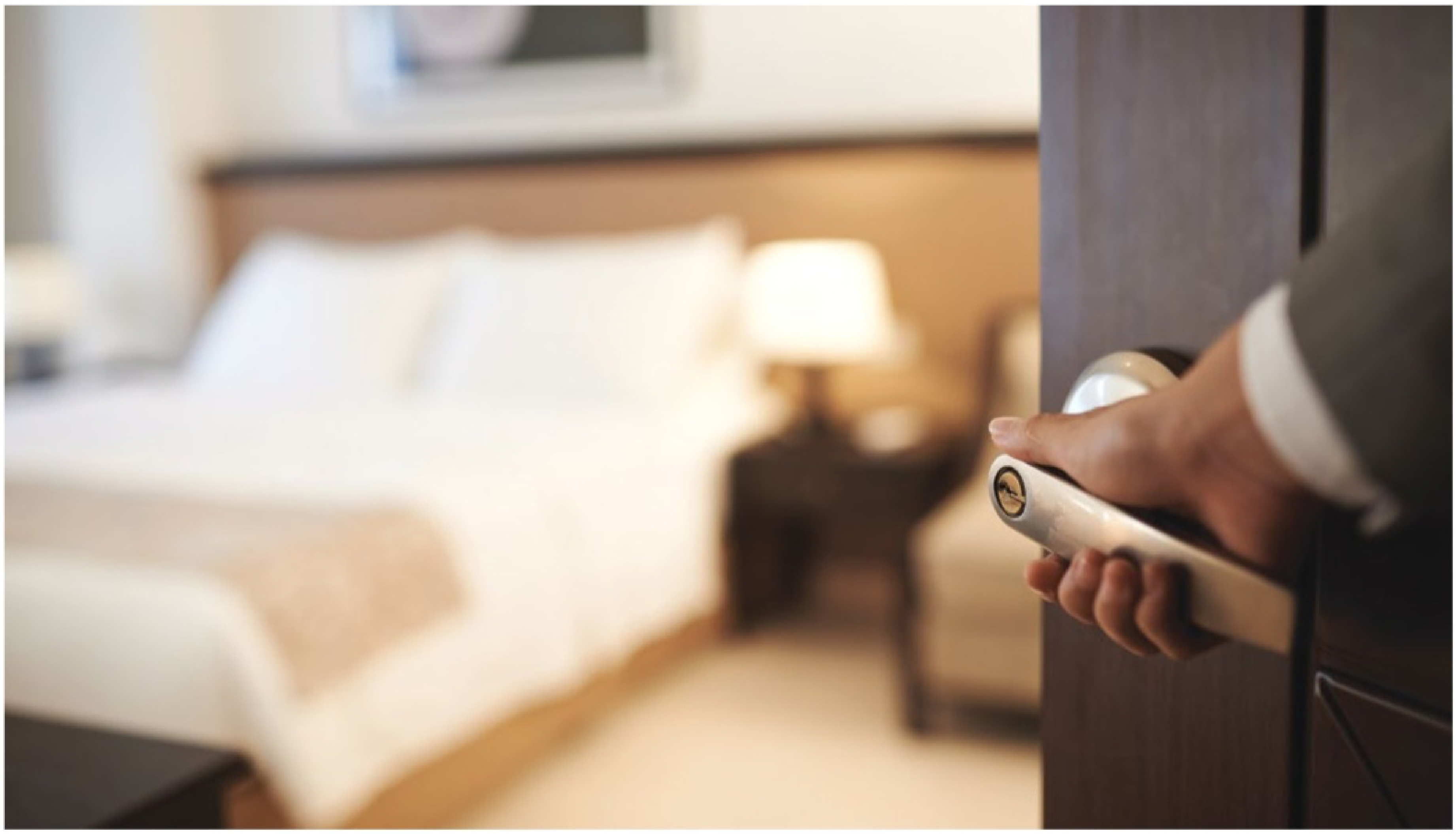
China remains a wild card. Zoom has more than 500 engineers there, rare for a U.S. company. But China is an unproven market for the enterprise business, Yuan says. Still, Zoom's employee foothold in the country and Yuan's personal connections would suggest that if any company can make the jump, it would be Zoom—potential privacy concerns aside.

If Zoom hopes to become as big as Cisco someday—the San Jose company booked $49 billion in sales last fiscal year, and its stock is trading near a 20-year high, generating a market capitalization of about $250 billion—it will likely need to offer far more than video in the years to come. Voice-only calling was likely just the first in a range of features Zoom could add within communications in the future, such as stand-alone messaging and file-sharing products. One likely area for a bigger push is data. Zoom already connects customers to other services to record and transcribe its conference calls and help sales reps flag phrases or patterns of interaction that might suggest a deal is close, from an ideal time to chat or the duration of a call. Similar tools could help marketers, product developers and customer service reps learn from their Zoom meetings in the future, too. And Zoom has powerful friends for that push, so long as it doesn't compete too much. Atlassian and Salesforce are two enterprise software leaders that have invested directly, and others, like LinkedIn, have made Zoom a preferred partner.

In the meantime, don't expect Yuan to let his newfound billionaire status go to his head. He may drive a Tesla, but only because he sees the company as a lot like Zoom—it's designed differently and it's faster under the hood (plus Tesla is a customer, too). Back in his cubicle the Monday after the IPO, he'll keep trawling the Zoom Twitter account for customer testimonials to retweet. And he'll expect employees, who turned out around the world for the IPO ceremony to wave to their boss over a live feed in Times Square using—what else?—Zoom to follow his lead. A mentor once told Yuan the IPO would be like graduating from high school. "You go celebrate one day, and that's it," Yuan says. "You don't want high school to be the peak of your performance, right?" F

UPGRADING THE TRAVEL EXPERIENCE

Leading hospitality players set themselves apart in a crowded field by offering a superior experience throughout the customer journey.



As travelers become savvier and more demanding, hospitality players are leveraging technology and design to upsize the guest experience for their customers. Comfortable, well-designed rooms and premium services are just the starting points in an increasingly competitive landscape. To truly stand out in a crowded market, hotel and serviced residence operators must offer a seamless and enriching experience throughout the entire customer journey.

Progressive regional and international players are doing just that. For instance, Singapore-based hospitality group The Ascott Limited has rolled out a group-wide digital transformation strategy to support its growing global portfolio that encompasses eight world-class brands. One key initiative in this effort was the launch of the Ascott Star Rewards (ASR) earlier this year. ASR is the serviced residence industry's first loyalty program that offers members the full flexibility to earn and redeem points.

In Manila, pioneering integrated-resort Solaire continues to reinforce its position as a leading leisure destination in booming Entertainment City. To complement its old-world opulence, the property is pushing the boundaries of innovation. For instance, Solaire's high-tech "Players Stadium" features the world's largest suspended center display, spanning 360 square meters and offering the equivalent of 310 65-inch screens merged into one.

The younger generation of travelers is demanding that the brands they patronize prioritize sustainability. One hotel group that is leading the way on this front is Singapore's Pan Pacific Hotels Group. The group was recognized as the "World's Leading Green City Hotel" for PARKROYAL on Pickering, its flagship property in Singapore. Pan Pacific is continuing its sustainability efforts with plans to launch another eco-friendly property, Pan Pacific Orchard, in 2021. The new hotel aims to offer guests a resort-style experience in the heart of Singapore's Orchard Road shopping and lifestyle district.

Amid the focus on technology and sustainability, however, simple pleasures such as an exceptional fine-dining experience continue to be important to discerning travelers. One hotel that has taken this to heart is Lotte Hotel Seoul. Korea's premier luxury business hotel is known as one of the country's best "gourmet" hospitality establishments. In particular, the hotel's two leading restaurants—the Korean restaurant Mugunghwa and French eatery Pierre Gagnaire à Séoul—have helped make Lotte Hotel Seoul a must-visit for foodies.

In the battle for travelers' hearts and minds, these hospitality groups have hit on the right formula to ensure that their guests keep coming back to their world-class brands, wherever they may be.

SOLAIRE RESORT:

FIVE-STAR LUXURY AND INTIMATE ELEGANCE IN ASIA'S HOTTEST CITY

Solaire has been recognized as the Manila destination with an eye for excellence and the heart for hospitality.

The rise of Manila's Entertainment City transformed Philippine tourism and helped the bustling metropolis call attention to its burgeoning attractions. Pioneering integrated-resort Solaire set the tone for the booming district by highlighting impeccable service, tasteful design and class-leading facilities.

As affirmation, Solaire's 17-story all-suite Sky Tower was awarded another Forbes Travel Guide Five-Star Award this 2019, its third accolade in a row from the award-giving body.

Solaire's new Cigar Bar evokes the ambience of private social clubs from a more gilded age.

The luxury destination continues to expand and evolve, providing guests with even more options for entertainment and relaxation. Those nostalgic for some Old World opulence need to spend time lounging in Solaire's new Cigar Bar. The space evokes the ambience of speakeasies and the private social clubs from a more gilded age—but with a modern twist. Its chestnut walls and Chesterfield chairs provide the perfect backdrop to clinching deals or winning hands, while indulging in an exquisite sip or puff of the best spirits and cigars that the world can offer. Expert bartenders are ready to pour high-end single malts or mix handcrafted cocktails, while exactingly maintained humidors offer an array of legendary selections from the cream of the tobacco crop. The intimate space can accommodate a total of 56 people, just right for private events. Prioritizing coziness and comfort over ostentation, the Cigar Bar implements a "smart casual" dress code and is open to the public day and night.

The Cigar Bar embodies Solaire's brand of refined sophistication, from well-curated artwork to impeccable service.

The Cigar Bar embodies Solaire's brand of refined sophistication, from well-curated artwork, background music and menu selections, to impeccable service and exciting features. It is easy to imagine this inviting watering hole as being the go-to spot for genteel global travelers yearning for the belle époque.

Solaire's high-tech, game-breaking "Players Stadium" takes entertainment to the next level. Its suspended center display, the largest in the world, spans 360 square meters and offers more than 91 million pixels of visual real estate. That's the equivalent of 310 65-inch screens merged into one. The fully bespoke curved display was specifically designed for Solaire, guaranteeing that it would top anything that Solaire's guests had seen before.

Staying true to its trailblazing stance in the Entertainment City, Solaire continues to present an array of top-caliber talent at the resort. From the bold canvases and sculptures of Filipino masters, the hottest sold-out shows by Broadway and pop stars, to lavish feasts prepared by Michelin-starred chefs, Solaire has been recognized as the Manila destination with an eye for excellence and the heart for hospitality.

LOTTE HOTEL SEOUL:

AN EXQUISITE GOURMET EXPERIENCE

Fine dining in its world-class restaurants delights foodies and guests alike at Korea's leading luxury business hotel.

Mugunghwa Restaurant

Business travellers staying at LOTTE HOTEL SEOUL can look forward to enjoying world-class cuisine without having to step out of the lobby. Already known as Korea's premier luxury business hotel, LOTTE HOTEL SEOUL has also earned a reputation as one of the country's best gourmet establishments in the country's hospitality industry.

Guests can sample delicacies from several premium restaurants that offer a variety of international cuisines to suit every taste—from Korean, Japanese and Chinese to Italian and French. It also has 14 banquet halls that can host intimate gatherings or large international conferences.

However, it is the hotel's two leading restaurants that bring LOTTE HOTEL SEOUL's dining experience to a whole new level of quality and service excellence: the Korean restaurant Mugunghwa and French eatery Pierre Gagnaire à Séoul.

Mugunghwa: Where Tradition and Modernity Meet

Sitting on the 38th floor of LOTTE HOTEL SEOUL is Mugunghwa, the oldest five-star hotel restaurant in Korea. Those seeking a taste of authentic Korean food in a luxurious setting will find it at Mugunghwa, which is also the name of Korea's national flower.

The restaurant's menu is underpinned by traditional Korean cuisine, but has evolved over time to incorporate a blend of diverse tastes. Its interior décor, tableware and presentation have also been updated to bring diners an ambience that is modern, yet elegant.

Chef Pierre Gagnaire

Guests can savor signature dishes such as herring roe bibimbap and grilled daeg-wallyeong hanwoo tenderloin while enjoying the spectacular view of Bukhansan mountain and downtown Seoul.

Pierre Gagnaire à Séoul: World-Class Cuisine and Service

At Pierre Gagnaire à Séoul, diners can experience a delicious slice of Paris on the 35th floor of the Executive Tower of LOTTE HOTEL SEOUL. This fine-dining establishment is overseen by French chef Pierre Gagnaire, whose signature French cuisine with modern sensibilities has earned him the nickname "Picasso of the kitchen." Reflecting the level of quality and authenticity it offers, Pierre Gagnaire à Séoul was the only French restaurant in Korea awarded two stars in the first Michelin Guide Seoul edition in 2017.

Chef Gagnaire visits Seoul regularly to oversee the menus, wine and other details of his restaurant. During his last visit in January, the chef revealed why he believes his restaurant is much loved by diners in Seoul: "I owe the Lotte Hotel staff who have worked very hard and always shared their feelings with me, and I also enjoy the beautiful view from here."

For reservations and inquiries:
Mugunghwa at LOTTE HOTEL SEOUL
82-2-317-7061~2
Pierre Gagnaire à Séoul at
LOTTE HOTEL SEOUL
82-2-317-7181~2

LOTTE HOTELS & RESORTS

Conveniently located in the heart of Seoul's central business district, LOTTE HOTEL SEOUL is the favorite destination for many VIPs visiting Korea. It boasts 1,015 rooms spread over the Main Tower and Executive Tower. The Executive Tower was reopened in September 2018 after it was extensively refurbished to an exceptionally high standard. The tower's 278 guest rooms were designed by the GA Group, a U.K.-based interior design company whose portfolio includes Four Seasons Hotel Casablanca and Waldorf Astoria Amsterdam. LOTTE HOTEL SEOUL is part of LOTTE HOTELS & RESORTS, the largest hotel group in Korea. The group offers five brand categories for its 30 properties in Korea and overseas.

www.lottehotel.com

PAN PACIFIC HOTELS GROUP:

LEADING THE WAY IN SUSTAINABLE HOSPITALITY

The group's core-value vision to go green has paved the way to its first zero-waste hotel and its vow to do away with single-use plastics at its properties.

PARKROYAL on Pickering, Singapore

From building sky gardens in bustling downtown Singapore to eliminating the use of plastic straws across all of its properties, Pan Pacific Hotels Group is showing the world that sustainability can go hand-in-hand with luxury through innovative design.

With these groundbreaking initiatives, the Singapore-based group is stamping its mark as a leader in sustainable hospitality across Asia. Indeed, its flagship hotel PARKROYAL on Pickering was recognized as the "World's Leading Green City Hotel" at the 2018 World Travel Awards. Building on this success, the group is forging ahead with its sustainability efforts with the launch of Pan Pacific Orchard in 2021, which will offer guests a resort-style experience in the heart of the city-state's premium Orchard Road shopping and lifestyle district.

Pan Pacific Orchard will feature foliage spread over four levels of sky gardens that are four times the size of the property's total land area; the massive scale of this greenery is unprecedented in a built-up urban center. Working yet again with WOHA, the award-winning architectural firm behind PARKROYAL on Pickering, the new hotel will also be the group's first zero-waste hotel. This will be achieved through the use of innovative solutions such as a rainwater-harvesting system and a compactor that transforms food waste into compost, among others.

Beyond the design of its physical properties, Pan Pacific Hotels Group is also employing other means to promote environmental sustainability. Apart from eliminating plastic straws, its properties will also opt for greener alternatives for in-room amenities. These initiatives are in line with the group's commitment to be free of single-use

Pan Pacific Orchard Singapore

Uma Chef Alejandro Saravia, Pan Pacific Perth

plastics by the end of this year. Meanwhile, it will expand efforts to recycle non-plastic items such as bottles and soap.

"We are defined by our core values of sincerity and integrity, and are committed to caring for the environment and operating in a sustainable manner across our portfolio of 40 hotels, resorts and serviced suites globally. We're proud to be leading the way in sustainable hospitality with jewels such as PARKROYAL on Pickering, the 'World's Leading Green City Hotel,' and will up the ante with the launch of Pan Pacific Orchard, our first zero-waste hotel, in 2021," says Cinn Tan, Chief Sales and Marketing Officer.

She adds, "Pan Pacific Hotels Group is deeply invested in the cause for sustainability, and actively finds ways to operate in a greener way and making a positive impact on the community we are in. We bring sustainability to life with our green hotels, which are designed to surprise and delight our guests. With their unique eco-architecture, our green jewels will redefine not just the landscape they are in, but the very concept of hospitality."

Eye on Long-Term Growth

Pan Pacific Hotels Group's sustainability efforts are a key element of its strategy to drive long-term growth in the Asia-Pacific. With more than 80% of its hotels, resorts and serviced suites in this part of the world, the group is focusing on the region to fuel its expansion. Its strategy also involves investing in the regular upgrading and refreshment of all its properties to ensure a consistent and premium guest experience.

In the past two years alone, the group has undertaken multimillion dollar refurbishments of properties such as Pan Pacific Melbourne and Pan Pacific Perth in Australia, PARKROYAL Penang Resort in Malaysia, PARKROYAL on Beach Road and PARKROYAL on Kitchener in Singapore.

It is also expanding its portfolio of serviced suites and resorts to better cater to the multigenerational and leisure travel segments. It will be opening the Pan Pacific Serviced Suites Puteri Harbour in Johor, Malaysia, and PARKROYAL Suites Bangkok in Thailand by the end of this year. Meanwhile, the PARKROYAL A'Famosa Resort and PARKROYAL Langkawi Resort will be launched in Malaysia in 2020 and 2021, respectively.

The strengthening and expansion of the Pan Pacific Hotels Group's portfolio, coupled with its drive to lead the industry in sustainability, will reinforce its position as one of Asia's leading hospitality groups.

Pan Pacific Melbourne

PAN PACIFIC HOTELS GROUP LAUNCHES ITS BRAND IN EUROPE

Pan Pacific Hotels Group will introduce its signature Pan Pacific brand into Europe next year with the opening of Pan Pacific London. Designed by international design firm Yabu Pushelberg, Pan Pacific London will offer 237 rooms in the heart of London's financial district at One Bishopsgate Plaza which is a five-minute walk from Liverpool Street station, a major railway and underground station.

The launch will see Pan Pacific Hotels Group join a select group of Asia-based hotel companies entering Europe's luxury hospitality space. It will aim to make its mark on this mature market by introducing its brand of "sincere hospitality."

Leveraging its experience of premium hospitality in the Asia-Pacific, Pan Pacific London will offer a sophisticated clientele an unparalleled level of luxury. One highlight will be the hotel's Signature Suite on the 18th floor, which offers spectacular views of the city's landmark skyscraper, The Gherkin.

Pan Pacific London will house the city's first smart ballroom, which can accommodate up to 370 guests in a banquet seating, along with six meeting venues. The hotel will also feature an indoor lap pool with views of the street, as well as calming spa treatment rooms and a modern fitness center for those who need a respite from the urban bustle. Meanwhile, a dedicated Studio Lounge provides a comfortable space for early arrivals and late departures.

THE ASCOTT LIMITED:

A NEW STANDARD OF LIVING

Its global portfolio of award-winning serviced residences and hotels ensures the group can meet any traveler's needs, while its loyalty program rewards every time.

Whether you are a business traveler who needs to stay connected, a holiday maker seeking an ultra-luxurious experience or a millennial go-getter who wants to meet like-minded individuals, The Ascott Limited's stable of lodging brands is likely to have a property to meet your unique needs.

Ascott boasts a range of award-winning serviced residences and hotels in over 170 cities across more than 30 countries. In recent years, it has been rapidly expanding its signature brand of premium service and accommodation to more locations around the world, adding more than 30,000 units to its portfolio in 2018 alone. Meet the world-class brands that make up the Ascott family:

Ascott Orchard Singapore

Ascott The Residence

Guests can experience a premium level of service at Ascott The Residence, the group's flagship brand. Whether for business or leisure, prepare to be pampered at one of the brand's luxury properties located in prime districts across the Asia-Pacific, the Middle East and Africa.

Citadines Apart'hotel

Designed for savvy travelers who want to immerse themselves in the local culture of the cities they visit, Citadines Apart'hotel properties give you the chance to live like a local.

Citadines Connect

Citadines Connect is ideal for short business and leisure trips, allowing you to stay connected in all the ways you need to be, wherever you may be.

Quest

The spacious, apartment-style rooms at Quest properties are built for long-term business trips. And with more than 180 locations across Australia, New Zealand, Fiji and the United Kingdom, you will be spoiled for choice.

The Crest Collection

Ascott's top-of-the-line luxury offering is a handpicked selection of elegant serviced residences, where old world elegance and modern amenities coexist for your benefit.

lyf

lyf's coliving spaces are designed for energetic go-getters who want to share their experiences with like-minded travelers. The brand's properties feature shared spaces, private nooks and community events held all year round to help you make the connections that truly matter.

TAUZIA

TAUZIA offers a unique hospitality experience for travelers across 116 hotels in Indonesia, Malaysia and Vietnam. Guests can choose from six lifestyle brands within the TAUZIA stable: Préférence, Vertu, HARRIS, FOX, POP! and YELLO.

lyf Funan Singapore

ASCOTT STAR REWARDS

To support its growing global portfolio of properties, Ascott launched the Ascott Star Rewards (ASR) earlier this year. ASR is the serviced residence industry's first loyalty program that offers members full flexibility to earn and redeem points. There is no cap to the points that can be earned, no minimum points required for redemption and no blackout dates.

ASR's four membership tiers are based on a guest's accumulated spending during the qualifying period. These start with the complimentary Classic membership tier, followed by Silver, Gold and Platinum.

Members can easily redeem points in part or full through Ascott's various brand websites to enjoy a wide range of privileges. These include year-long 10% off Best Flexible Rates, seasonal offers of up to 50% discount, property opening specials, and birthday discounts of up to 40%, as well as complimentary airport transfers, room upgrades and breakfast.


Meet your new standard of living
Extraordinary serviced residences and hotels in over 170 cities spanning more than 30 countries, paired with impeccable service excellence. A choice of world class, award-winning accommodation awaits you on your next journey.
Meet your match, in your next perfect stay at Ascott.
Meet your new neighbour, as you embark on a journey like no other with Citadines.
Meet your pick-me-up, be refreshed and recharged at Citadines Connect.
Meet your new home, as you settle in to a new city with Somerset.
Meet your business needs across Australasia and United Kingdom at Quest.
Meet our obsession; our passion and pride in The Crest Collection.
Meet your next awesome app, at our coliving melting pot, lyf.
Meet your simple, friendly and unique hospitality experience at Tauzia Hotels.
Meet your new standard of living.

Behind the Mask

Red-hot demand in China for GP Club's skincare masks has turned gaming entrepreneur Kim Jung-woong into a cosmetics mogul.

BY GRACE CHUNG

Liu Jing, 32, is visiting Seoul from China's eastern seaboard. Other tourists might spend their day taking in the capital's sights. Not Liu. She's lining up behind at least a dozen compatriots in a duty-free shop, waiting her turn to buy JM Solution facial sheet masks. Each box of ten will cost her about $30, but Liu won't walk away with just one. For the equivalent of $18,000, she and the others buy three refrigerator-sized palettes of carts—so big they have to be wheeled away on dollies.

Liu isn't buying them for herself. She's a *daigou*—a Chinese term for surrogate buyers who venture abroad to stock up on popular products and resell them back home. To say JM Solution masks are popular is an understatement. Between its Honey Luminous Royal Propolis Mask, the Lacto Saccharomyces Golden Rice Mask, and the Active Pink Snail Brightening Mask, JM Solution's owner, GP Club, has sold over a billion skincare masks, mostly in China, since launching them in mid-2017. "It's the No. 1 seller in China," says Liu, who says she can earn as much as 20% selling JM masks back home in Shandong province. "I've been coming here once a month for the past six months."

Daigous like Liu are partly responsible for catapulting Kim Jung-woong, GP Club's founder and CEO, onto our list of Korea's 50 Richest at No. 30 with an estimated net worth of $1.15 billion. Kim, now 44, started his own videogame store in high school, and within a decade had earned enough to venture into China's gaming accessories market; a decade after that he pivoted to cosmetics in the mainland. But after a diplomatic dust-up which began in 2016 sparked a boycott in China of Korean products, Kim cultivated a following among the mainland's social media influencers, triggering an invasion of daigous determined to bypass the boycott and ship GP Club's masks from Korea to sell back in China themselves.

The daigous not only blunted the boycott's impact, but also helped GP Club grab market share from big-name Korean brands such as Amorepacific and LG Household & Health Care. Driven largely by demand from China's consumers, sales at GP Club rose nearly tenfold last year to 514 billion won ($460 million), while net profit rose more than 30 times, to 170 billion won. "I rode the wave well," says Kim in his first major interview since becoming a billionaire. To cope with the growth, he quintupled his staff to 170 last year. "But if you asked me to do it again, I probably couldn't," he says.

GP's staggering expansion prompted Goldman Sachs last October to pay 75 billion won for a 5% stake in the company, making Kim, who with his wife and daughter owns roughly 95% of the company, a billionaire. Confident it can sustain the momentum, GP says it has mandated

JUN MICHAEL PARK FOR FORBES ASIA

Kim poses on the streets of Myeongdong shopping district in Seoul.

banks to arrange an IPO in Seoul, which could take place later this year. “While the incredible growth in sales of JM Solution’s innovative products caught our initial attention,” says Jonathan Vanica, a managing director at Goldman Sachs who led its investment in GP, “it was the company’s deep understanding of the Chinese consumer’s ever-evolving, internet-driven tastes and their firsthand knowledge of online and offline nationwide distribution channels that truly excited us.”

KIM’S ROAD TO CHINA’S $15 billion a year facial mask market was long and winding. The youngest of three siblings, Kim had a comfortable childhood until his father, a well-to-do bank branch manager, lost his job and the family’s money in a failed foray into politics. Kim’s father traded his white-collar shirts for a construction laborer’s helmet. They were hard times, Kim recalls. Rice was a luxury; the family ate barley instead.

When Kim was 15, his father died of liver cancer, leaving his mother and grandmother to raise him, his brother and sister. Hardship ignited his entrepreneurial flame. “Early on, I felt driven by the need to make money,” he says. An avid gamer like so many teenagers, Kim landed a part-time job at a small videogame store run by an elderly couple. Kim’s fascination with games quickly translated into a talent for selling them. With $4,000 he saved from his job and $3,000 borrowed from his family, Kim opened his own small store selling videogames and consoles from an apartment and called it Game Paradise, the origin of today’s GP Club.

Kim would open shop after school and sell videogames until 11 pm, fashioning homemade loyalty cards—buy-10-get-one-free—to encourage repeat business. When he’d made enough money, he used it to open a second store in another apartment nearby. By the time he was 20, Kim had amassed a small fortune of 300 million won (equivalent to about $500,000 today).

After a four-year interlude—two years performing Korea’s compulsory military service and another two earning a degree in interior design from a vocational college—Kim started plowing his savings back into expansion. He opened a new branch of his store in an electronics mall, and eventually added five more there.

Sales at GP Club rose nearly tenfold last year to $460 million.

Kim in earlier days at one of his videogame stores in Seoul, circa 1993.

COURTESY OF GP CLUB

Videogames weren’t the only thing moving out of GP, though. Kim noticed that customers were also keen on nylon and polyester shoulder bags to protect their precious PlayStation and Nintendo gaming consoles. So in 2003, Kim made the first of what would be many trips to China, where the carriers were made, to secure a network of suppliers. GP’s game and accessories business grew to generate, at its peak, as much as 50 billion won in annual sales.

Kim picked up more than bags in China. He learned Chinese and, he says, “a lot about the Chinese culture and the habits of people.” Kim was quick to spot the resurgent popularity of Korean pop culture in China, part of a second K-Pop wave like the one that swept Asia in the 1990s, but now supercharged by the rise of social media.

With the new craze for Korean bands and TV dramas came a yearning to emulate the fair and dewy skin of their stars: the K-Beauty trend. Korea’s biggest beauty brands had been exporting to China for years; now even smaller brands could sell to Chinese consumers online or to the rapidly rising number of Chinese visiting Korea. The second wave gave Kim the chance to make use of his China connections, and in 2013 GP became the distributor for Korean brands still trying to ride the K-Beauty wave into China’s market.

“It did incredibly well—at first,” Kim recalls. But his role as middleman was precarious: as his Korean clients’ sales soared, they began cutting him out and selling directly to China’s retailers. Turning to a small Korean cosmetics factory, Kim in April 2016 launched his own brand of body washes and lotions, JM Solution, which stands for “Journey to Miracle.”

JM’s first product line was gaining popularity, but its rise was cut short when, in the summer of 2016, Korea had agreed to deploy the U.S. anti-missile THAAD system on its turf, designed to protect it from North Korean missiles. Beijing, worried the system's radar could penetrate Chinese territory, interpreted that as a national security threat and retaliated swiftly by banning Chinese group tours to Korea. "Before the crisis, 800,000 Chinese were coming to South Korea every month," says Park Hyun-jin, an analyst at brokerage DB Financial Investment in Seoul. "It fell to about a quarter of that."

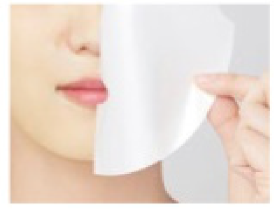
State media also urged China's consumers to boycott Korean products. Sales at Korea's largest cosmetics firm, Amorepacific, dropped by more than 9% during the two-year boycott. Its net income tumbled by more than half. "The appetite for K-Beauty was big," says Lee Sun-hwa, an analyst with Eugene Investments and Securities in Seoul. "But with the tourism ban, there were fewer channels for Chinese consumers to purchase these products directly."

GP wasn't spared. "I lost a billion won I couldn't get back from one retail partner. We had orders of three billion won being cancelled," says Kim. "People were literally telling me, 'Stop producing.'" He didn't. Instead, Kim invested all of his money at the time—1.5 billion won—into a new product: facial sheet masks. Unlike traditional facial masks that are brushed on as a paste and then allowed to dry before being peeled or washed off, facial sheet masks are tissue-thin sheets cut to fit the face—with holes for the eyes and mouth—and coated with chemicals designed to moisturize and rejuvenate the skin. China's consumers buy $15 billion in these masks every year, according to Bain & Co.

In mid-2017, GP launched JM Solution's Honey Luminous Royal Propolis Mask. Other masks soon followed, including the Active Bird's Nest Moisture Mask, the Active Jellyfish Vital Mask and, of course, the Active Pink Snail Brightening Mask (containing real snail extract), just to name a few. GP didn't advertise. Instead, it sent

Shoppers waiting in line to enter the Lotte Duty Free Shop in Seoul (top). Daigous hauling refrigerator-sized carts of JM Solution masks to sell back in China (right).

JUN MICHAEL PARK FOR FORBES ASIA



MEET THE SHEET

Facial sheet masks are often the last step in a meticulous skincare regimen—double cleansing, toning and exfoliating—that Korean women swear by. Saturated in emulsion, the sheets are placed on the face for up to 30 minutes before being peeled off. Primarily for moisturizing, there are also masks purported to shrink pores, repair damage and even lighten skin.

masks to China's top beauty influencers, who would in turn post reviews—for free—on Sina Weibo (China's equivalent of Twitter), or on TikTok, the short video platform operated by Bytedance.

Some influencers began buying masks in bulk and reselling them online. But it was the daigous who arguably made a significant difference. Daigous aren't limited to GP's masks or to Korea, but the THAAD boycott and the popularity GP's influencers in China stoked spawned a lucrative grey market in masks for the daigous to exploit, buying masks in bulk in Korea and selling them to buyers at home who put complexion ahead of patriotism.

GP's allure to the daigou was also fed to some extent by its own competitor: Amorepacific limited how much of its products any single customer could buy. A spokesperson for Amorepacific says the company was more concerned with protecting and promoting its long-term brand image than with boosting short-term sales.

GP had virtually no limits. By the end of 2018, GP had sold 800 million masks, a number that has now surpassed a billion. "Tourism was declining," says Eugene analyst Lee. "But sales of JM products at duty-free stores were rising. It was people who were selling them not consuming them." Today, GP, the company that started out selling videogames and accessories, counts on cosmetics—largely to China—for 90% of its sales, half of which now come from ecommerce platforms such as Alibaba's Tmall. Games and related accessories account for just 6%.

GP Club's China-powered rise was so meteoric that analysts initially projected the company could be valued as high as 10 trillion won in an IPO. They've since brought that estimate Earthward—current projections are for a valuation of roughly 4 trillion won. "The 2018 financials, while impressive were still less than what we thought they'd be," says Lee at Eugene.

"JM Solution products have had a meteoric rise for sure, but GP Club, even when dealing solely with videogames was clearly successful," says Jane Han, GP's general sales director and its first cosmetics hire, in 2014. "What has not changed is our CEO's passion and sincerity for what he does and his meticulous focus on fully understanding all the details involved in bringing a product to market and selling it. That is one of his greatest strengths."

As proof that it is no longer an upstart in China, GP now must grapple with the bane of so many brands there: counterfeiting. "Fake products are already in the Chinese market," says Florence Bernardin of Information & Inspiration, a research firm specializing in the Asian cosmetics market. Fake cosmetics not only undercut sales; sometimes tainted with dangerous chemicals, they can hurt unwitting consumers and spark a backlash against the genuine brand. China's social media is rife with complaints about counterfeit Korean cosmetics. GP says it's working to foil counterfeiters by monitoring online and offline sales channels, updating its packaging and working closely with its online partners such as Alibaba.

Kim's road to China's $15 billion a year facial mask market was long and winding.

Kim poses in JM Solution's flagship store in Myeongdong, known as the epicenter of K-Beauty.

Vigilance may curb copycats, but continued growth, analysts say, will depend largely on diversification into new products and markets. GP has expanded offices from Seoul into Guangzhou, Hangzhou, Hong Kong, Tokyo and Weihai in China's Shandong province. Roughly a quarter of its 170 employees are focused on R&D, it says, and it's now selling its cosmetics not only in China, but in Japan, Malaysia, Singapore, Thailand and back home in South Korea. "The next big market for cosmetic firms appears to be Southeast Asia," says Shinyoung Securities analyst Shin Su-yeon in Seoul. "K-Beauty is popular in the region. But it's a difficult market, fragmented between several countries."

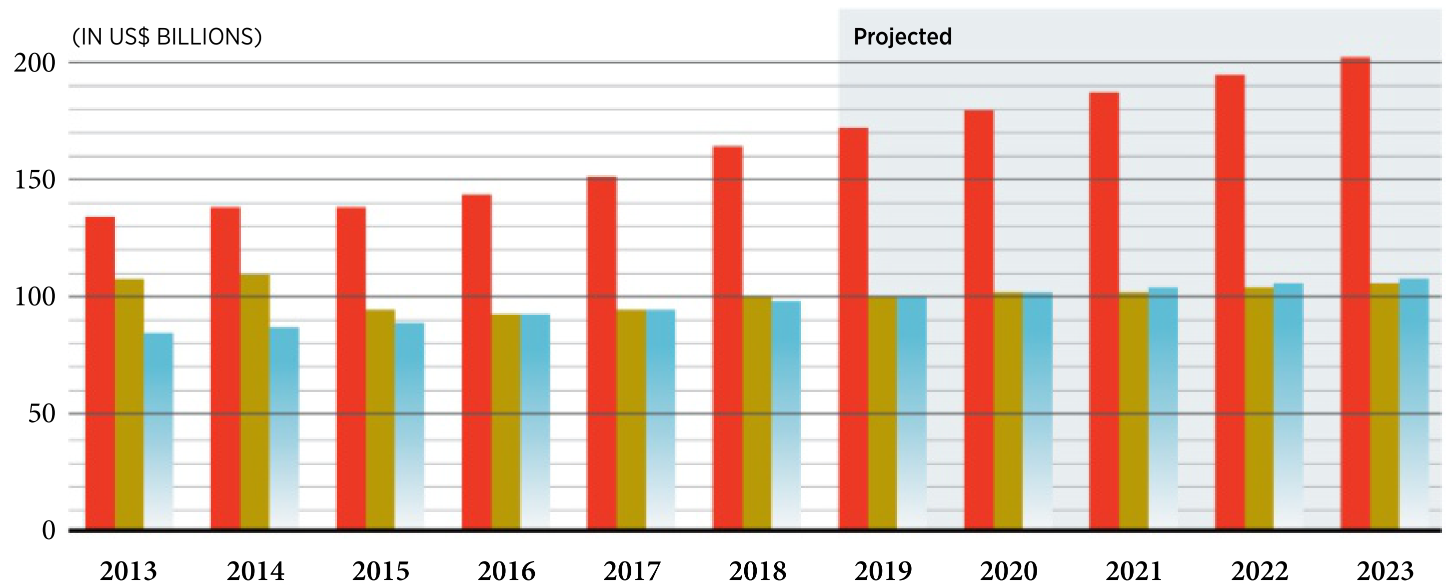
Kim hopes an IPO will give GP the cash it needs to bridge those divides. When all is said and done, though, success is a relative matter for Kim, who feels his father died prematurely: "My dream is to be able to spend the better part of my life comfortably with my family." Ⓕ

—With additional reporting by Yue Wang

Here's Looking at You

Beauty and personal care sales

Asia Pacific
Western Europe
North America



Source: Euromonitor

JUN MICHAEL PARK FOR FORBES ASIA

BY GRACE CHUNG

Caught in a Crossfire

Amid tensions between South Korea's two largest trading partners, most of its wealthiest saw their fortunes dive.

After a robust 2018 that produced a record 45 billionaires, this year provided a sharp contrast for South Korea's wealthiest. Caught in the crossfire of the China-U.S. trade war, export-reliant Korea saw a steep decline in overseas shipments, driving the benchmark Korea Composite Stock Price Index down nearly 14% and pummeling the won.

A total of 37 list members saw their net worths take a hit in this volatile economic environment. The combined net worth of South Korea's 50 Richest declined 17%, to $110 billion, from $132 billion a year earlier. The cutoff to make the list fell to $855 million from $880 million the previous year.

A worsening slump in semiconductors, which account for roughly a fifth of Korean exports, hurt the fortunes of three of the country's heavyweights. **Lee Kun-hee** and son **Jay Y. Lee** shed $3.8 billion and $1.8 billion, respectively, as shares in their key holding Samsung Electronics slid 13%; **Chey Tae-won** of chipmaker SK Hynix saw his net worth tumble 40% to $2.8 billion.

The listee who saw the biggest decline, however, was **Suh Kyung-bae** of Amorepacific, Korea's largest cosmetics firm. His fortune more than halved and he dropped two spots to No. 6 with $3.5 billion, due largely to declining sales in China.

Pharmaceuticals tycoon **Seo Jung-jin**, last year's biggest gainer in both percentage and dollar terms, saw his net worth cut by a third, to $7.4 billion, as profits at his Celltrion fell on setbacks in new drug development. He nevertheless retained the No. 2 spot.


No. 6 Suh Kyung-bae

JAE HYUN KIM FOR FORBES

Bucking the downtrend was **Park Yeon-cha** of Taekwang Industrial. Global demand for Nike sneakers and the company's low-cost production factories in Vietnam enabled Park's sneaker-manufacturer to post record sales and a 20% jump in net profit.

Online gaming tycoon **Kim Taek-jin** was up 11%, raising his rank to No. 18 from No. 24. Thanks largely to a hit mobile game, Lineage M, shares at his NCSoft rose by a third. Lineage M has since its launch in June 2017 generated 2 trillion won ($1.7 billion) in sales and held the top spot on the Google Play Store.

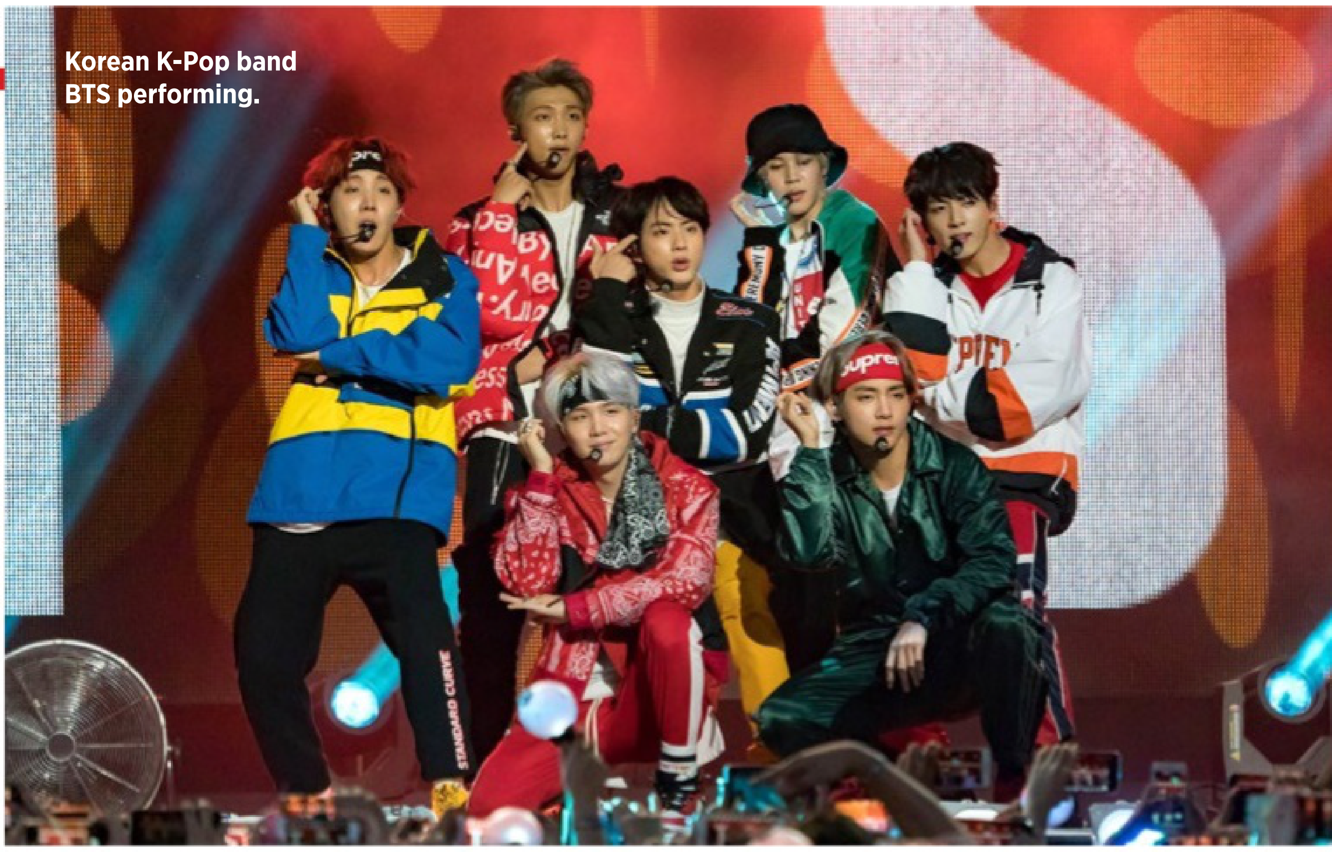
Three new names landed on the list: **Kim Sang-yeol** makes his debut after his Hoban Construction merged with a subsidiary ahead of a potential IPO, more than doubling its net assets. While his son **Kim Dae-heon**, 31, holds nearly 55% of the company, *Forbes Asia* has attributed the fortune to his father, Hoban's founder, who likely maintains control. Other newcomers include **Kim Jung-woong** of cosmetics maker GP Club, which scored big with facial sheet masks in China; and **Chang Byung-gyu**, who secured an investment from China's Tencent, which valued his online gaming outfit Krafton at $5 billion.

Koo Kwang-mo of LG, Korea's fourth-largest conglomerate, returned to the list after inheriting the shares of his father Koo Bon-moo, who died last May. At 41, Koo is now the youngest chairman among the country's top five *chaebols*.

A notable drop-off was Kenny Park of Simone Accessory. Park debuted as a billionaire last year, but profits at his handbag manufacturer were cut in half, partly by sluggish sales from China and Vietnam.

Additional reporting by Forbes Korea.

METHODOLOGY
The list was compiled using information from the individuals, stock exchanges, analysts, private databases, government agencies and other sources. Net worths were based on stock prices and exchange rates as of the close of markets June 21, 2019. Private companies were valued by using financial ratios and other comparisons with similar publicly traded companies. For some, the estimates include a spouse's wealth.


Korean K-Pop band BTS performing.

BANG JUN-HYUK

Big Bang

K-POP'S GROWING global popularity has created new music moguls in South Korea. Bang Jun-hyuk, founder and chairman of Seoul-based mobile-gaming company **Netmarble**, is a prime example of tycoons riding the *hallyu*—the Korean wave. Netmarble bought almost 26% of Big Hit Entertainment in April 2018, making Bang the second-largest shareholder of the record label behind BTS, K-Pop's hottest boy band.

BTS stands for *bangtan sonyeondan,* which in Korean means "bulletproof Boy Scouts." Sold-out concerts, billions of downloaded tunes and on-demand streaming are proof that BTS has won over fans worldwide. The group was created and managed by Bang's cousin Bang Si-hyuk who founded Big Hit Entertainment in 2005.

Big Hit has eclipsed rivals SM Entertainment, YG Entertainment and JYP Entertainment on the back of BTS' success since releasing its first album in 2014. The company's net income doubled in 2018 to 50 billion won ($44 million), while revenue climbed 132% to 214 billion won. Inspired by the band's immense popularity, the Bang cousins formed a partnership between their companies to develop more than a dozen mobile games that draw on the musical and visual styles of BTS. Netmarble on June 26 released its newest game BTS World, which allows gamers to take on the role of the band's virtual manager.

Analysts believe Netmarble can monetize BTS' global appeal through gaming. Douglas Kim, an analyst on research website Smartkarma, says BTS World could help attract a fresh demographic to the developer's user base. "Most of the current players of Netmarble games are men, whereas most of BTS' fan base is female."

Apart from pop music and games, Bang Jun-hyuk, 51, has ambitions to list a unit of his gaming firm. Earlier this year he joined a group of investors bidding for control of Tokyo-listed gaming rival Nexon, majority-owned by fellow lister Kim Jung-ju (No. 3), who later put the sale on hold.
—Pamela Ambler

BTS: RB/BAUER-GRIFFIN/GETTY IMAGES; BANG JUN-HYUK: AP PHOTO/REED SAXON

THE LIST

1.
LEE KUN-HEE
$16.8 BILLION ▼
SAMSUNG
AGE: 77

2.
SEO JUNG-JIN
$7.4 BILLION ▼
CELLTRION
AGE: 61

3.
KIM JUNG-JU
$6.3 BILLION ▼
NEXON
AGE: 51

4.
JAY Y. LEE
$6.1 BILLION ▼
SAMSUNG
AGE: 51

5.
CHUNG MONG-KOO
$4.3 BILLION ▼
HYUNDAI MOTOR
AGE: 81

6.
SUH KYUNG-BAE
$3.5 BILLION ▼
AMOREPACIFIC
AGE: 56

7.
PARK YEON-CHA
$3.2 BILLION ▲
TAEKWANG INDUSTRIAL
AGE: 73

8.
KWON HYUK-BIN
$2.9 BILLION ▼
SMILEGATE
AGE: 45

▲UP ▼DOWN ◀▶FLAT
★NEW TO LIST ↻RETURNEE

PHARMACEUTICAL FORTUNES

Unintended Side Effects

Lim Sung-ki (above) and Shin Dong-guk

INCREASED COMPETITION from multinational pharmaceutical giants and setbacks in launching new drugs dragged down the net worths of South Korea's richest pharmaceutical tycoons. Competition for anti-cancer drugs from global rivals hit **Celltrion** founder and chairman Seo Jung-jin (No. 2) along with **Hanmi Science** shareholders Lim Sung-ki (No. 12) and Shin Dong-guk (No. 37). While sales of the drugs have soared, competition and rising costs in drug development have sapped profits. Lim and Shin shed $350 million and $130 million, respectively, of their wealth since we last measured net worths in May 2018, as shares of Hanmi Science dropped 4% and Hanmi Pharmaceutical fell 14%.

Lim, who started out with a single pharmacy in central Seoul, established Hanmi Pharmaceutical Industry in 1973. He and his family now own 60% of Hanmi Science, Hanmi Pharmaceutical's largest shareholder, while his high school friend Shin, founder and chairman of privately held auto parts maker Hanyang Precision, holds 12%.

Hanmi Pharmaceutical had a tumultuous 2018, cancelling in April the production of its in-house lung cancer drug Olita after AstraZeneca beat it to market with a similar drug. Making matters worse, Eli Lilly in late 2018 pulled out of a $690 million licensing deal with Hanmi after clinical trials showed the immunology drug was ineffective. Hanmi declined to comment on the falling share price and discontinued drugs.

"Hanmi Pharmaceutical's poor performance created a ripple effect in failing to reach expectations of new biopharmaceuticals," says Bang Joon-seok, vice president of the Korean Academy of Community Pharmacy and adviser to the Pharmaceutical Strategy Institute. Hanmi Pharmaceutical's 2018 net income fell 59% to 25 billion won ($22 million) while parent Hanmi Science's net profit dropped 40% to 18 billion won.

Celltrion founder Seo, meanwhile, is among the biggest losers on this year's list, with his net worth dropping by a third. Shares of Celltrion, of which he owns one-fifth, declined 29% in the past year. Shares of marketing unit Celltrion Healthcare dropped 45%. The company's net profit tumbled 34% to 254 billion won in 2018 due to increased investments in plant construction and personnel spending. Celltrion says it remains positive about this year's prospects amid plans to expand overseas. It will launch a joint venture in China this year, according to spokeswoman Joo In-seon.

Seo Jung-jin

Celltrion has also seen increased demand in Europe for its rheumatoid arthritis drug Remsima, where it has a 56% market share for rheumatoid arthritis treatments. The U.S. Food & Drug Administration approved a phase 3 study of the subcutaneous version of Remsima. Celltrion expects clinical trials to be completed in 2021 and to start selling the drug in the U.S. the following year.

While Seo said in January he hopes to retire by the end of 2020, he still has ambitious plans, announcing in May that the company would invest 40 trillion won by 2030 in biopharmaceuticals, chemical drugs and global healthcare. Global demand for biosimilar drugs, which are the approved versions of the original branded products, continues to grow, Bang says. —*Elaine Ramirez*

SEO JUNG-JIN: YONHAP NEWS/YNA/NEWSCOM

YONHAP NEWS/YNA/NEWSCOM

CHANG BYUNG-GYU: PLAYING TO WIN

Chang Byung-gyu, founder and chairman of videogame company **Krafton**, debuts on this year's list with an estimated fortune of $890 million. Much of that was built on the back of one game: PlayerUnknown's Battlegrounds (PUBG).

The online multiplayer game was an instant hit following its launch in 2017, propelling Krafton (then named Bluehole) onto the global stage. PUBG's popularity has since given rise to hundreds of similar "battle royale" games—where up to 100 players fight to be the last man standing, Fortnite being the most notable.

Tencent paid more than $500 million for a 10% stake in Krafton in 2018. That year, PUBG generated record player numbers and achieved $100 million in pre-release sales in just 79 days. Following that success, Krafton's revenue skyrocketed more than threefold to $1 billion in 2018, when it swung to a net profit of $220 million; a year earlier it posted losses of $820 million.

Chang, 46, and his wife own about 20% of Krafton, which continues to diversify its gaming operations, purchasing South Korean mobile game developer Red Sahara Studio in March 2018. "Masterpieces are created through enduring painful and patient processes," Chang says in an email. *—Luke Kelly*

THE LIST

9.
CHEY TAE-WON
$2.8 BILLION ▼
SK
AGE: 58

10.
KIM BEOM-SU
$2.7 BILLION ▲
KAKAO
AGE: 53

11.
CHUNG EUI-SUN
$2.67 BILLION ▼
HYUNDAI MOTOR
AGE: 48

12.
LIM SUNG-KI
$2.5 BILLION ▼
HANMI SCIENCE
AGE: 79

13.
BANG JUN-HYUK
$2.25 BILLION ▼
NETMARBLE
AGE: 51

14.
SHIN CHANG-JAE
$2.05 BILLION ▼
KYOBO LIFE INSURANCE
AGE: 65

15.
KIM SANG-YEOL
$1.8 BILLION ★
HOBAN CONSTRUCTION
AGE: 58

16.
LEE HO-JIN
$1.78 BILLION ▲
TAEKWANG INDUSTRIAL
AGE: 56

▲UP ▼DOWN ◀▶FLAT
★NEW TO LIST ↻RETURNEE

THE LIST

17.
KOO KWANG-MO
$1.75 BILLION ↻
LG
AGE: 41

18.
KIM TAEK-JIN
$1.7 BILLION ▲
NCSOFT
AGE: 52

19.
LEE JOONG-KEUN
$1.66 BILLION ▼
BOOYOUNG
AGE: 78

20.
PARK HYEON-JOO
$1.61 BILLION ▼
MIRAE ASSET
AGE: 60

21.
LEE BOO-JIN
$1.6 BILLION ▼
SAMSUNG
AGE: 48

22.
KIM JUN-KI
$1.53 BILLION ▼
DONGBU
AGE: 74

23.
MICHAEL KIM
$1.5 BILLION ▲
MBK PARTNERS
AGE: 55

24.
LEE SEO-HYUN
$1.48 BILLION ▼
SAMSUNG
AGE: 45

▲UP ▼DOWN ◀▶FLAT
★NEW TO LIST ↻RETURNEE

GETTY IMAGES

WEALTH CREATION

Rebooting South Korea

To revive the domestic economy, the government needs to strengthen SMEs.

BY YUWA HEDRICK-WONG

SOUTH KOREA'S ECONOMY faces serious challenges, globally and domestically. China is chipping away at its global competitiveness, while an obsolete growth model dependent on exports by big companies hobbles domestic growth. Korea's average annual export growth has slipped to 2.6% in the past nine years, according to government data, down from an average of 13.5% in the 1990s. China, South Korea's largest export market, is importing less as Chinese companies replace South Korean equipment with their own. And Chinese exports are eroding Korea's market share in other countries.

The current economic downturn is emblematic of the waning power of Korea's export-led model. Declining exports mean limited wage growth. Companies have been shifting production to lower-wage countries, with the share of overseas production at large South Korean manufacturers rising to 22% in 2019 from 17% in 2009, according to the OECD. Korea's slowing exports therefore translate into weaker employment and household incomes. And with the collapse of investment growth, domestic demand has faltered.

The government is trying to support small and medium-sized enterprises (SMEs) to help revive the domestic economy. But finding effective and meaningful policies for a group of companies so diverse is nearly impossible. SMEs in Korea range from companies as small as half a dozen employees to companies with several hundred workers.

One policy that has succeeded in affecting them all, albeit adversely, is the government's plan to reduce income inequality by raising Korea's minimum wage. The 54% increase in minimum wages slated to take place between 2017 and 2022 will hurt medium-sized businesses the most, further setting back South Korea's aim of making SMEs the new driver of growth and prosperity.

Research by the OECD suggests that South Korea's medium-sized businesses—defined as those employing between 250 to 500 employees—are different from small businesses in almost every respect. Medium-sized businesses are significantly more productive, with an average labor productivity close to two-thirds that of the large firms, compared with a quarter among small companies. The vast majority of small companies are in the service sector, while medium-sized businesses have a stronger presence in manufacturing, accounting for 16% of the country's exports.

Operating margins at medium-sized businesses, moreover, are similar to those at large firms, according to Statistics Korea, something that cannot be said of small companies. OECD research points out that many South Korean medium-sized businesses are technology-intensive and create jobs that give valuable opportunities for younger and less-skilled workers to pick up skills in information and communications technology. These characteristics suggest that medium-sized businesses can become powerful economic engines.

But international comparisons indicate that South Korea's medium-sized businesses are underperforming. Medium-sized businesses in Japan and the U.S., for example, contribute 48% and 60% of total employment, respectively, compared to only 12% in South Korea.

To realize the potential of medium-sized businesses, the government needs to abandon its populist, but counterproductive, minimum wage policy. South Korea's labor market is among the world's most inflexible, stifling innovation and hindering companies from restructuring or downsizing to boost competitiveness and efficiency. The World Economic Forum's global competitiveness index ranks South Korea 114th among 140 countries in the cost of laying off workers, and 124th in employee relations. These figures are very low for a member of the OECD.

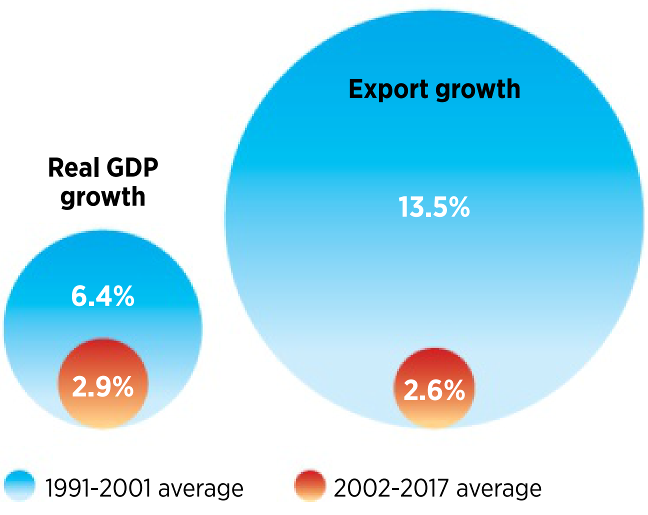
The new policy for raising minimum wages makes an already inflexible labor market even more so. While the higher minimum wage policy may be aimed at large firms, it is SMEs that it hits, particularly medium-sized companies. Large firms can avoid higher wages at home by hiring employees overseas. Medium-sized companies generally cannot.

More perverse is the fact that higher minimum wages are worsening unemployment among young South Koreans. According to the OECD, about 40% of the country's youth are "Not in Education, Employment or Training" or NEET, meaning they're simply idle. Even more shocking is that about a quarter of tertiary graduates fall into this category, suggesting that there is a serious mismatch between skills taught in Korean universities and those required for gainful employment. Technology-oriented, medium-sized companies could close this gap by offering entry positions that provide skills to workers trapped in the NEET camp. But higher minimum wages are making it unprofitable for medium-sized companies to hire these younger workers. When higher minimum wages make younger and low-skilled workers less employable, the policy effectively makes income inequality worse, not better.

Medium-sized companies are also weighed down by heavy regulation. According to the Korean Small Business Institute, about 75% of regulations on business activity applies to SMEs, which comes to an astonishing 8,921 regulations in all. It is perhaps no surprise that youth entrepreneurship is weak in South Korea. According to a survey by the Global Entrepreneurship Monitor, young South Koreans see fewer opportunities than their counterparts in other OECD members to start a business and are instead more inclined to believe that they don't have the requisite ability to do so.

South Korea's medium-sized companies have the potential to complement larger firms as a source of wealth creation, which could benefit low-skilled and jobless workers, particularly young ones. More dynamic, medium-sized enterprises that are tech savvy, innovative and agile would contribute to a more competitive ecosystem for incubating the next generation of world-class Korean enterprises. For that to happen, though, the government needs to unshackle these companies by rescinding the new minimum wage policy and relax regulatory restrictions.

KOREA'S SHARP DECELERATION OF GROWTH AND EXPORTS



SOURCE: OECD ECONOMIC SURVEY OF KOREA, 2018

25.
CHO JUNG-HO
$1.45 BILLION ▲
MERITZ FINANCIAL GROUP
AGE: 60

26.
LEE JAY-HYUN
$1.43 BILLION ▼
CJ
AGE: 59

27.
CHANG PYUNG-SOON
$1.35 BILLION ▼
KYOWON
AGE: 68

28.
KIM NAM-JUNG
$1.3 BILLION ▲
DONGWON
AGE: 46

29.
HUR YOUNG-IN
$1.2 BILLION ▼
PARIS-CROISSANT FOOD
AGE: 70

30.
KIM JUNG-WOONG
$1.15 BILLION ★
GP CLUB
AGE: 44

31.
LEE MYUNG-HEE
$1.14 BILLION ▼
SHINSEGAE
AGE: 75

32.
LEE JOON-HO
$1.13 BILLION ▼
NHN ENTERTAINMENT
AGE: 54

33.
CHEY KI-WON
$1.11 BILLION ▼
SK
AGE: 55

THE LIST

34.
HONG SEOK-JOH
$1.10 BILLION ◀▶
BGF RETAIL
AGE: 66

35.
KOO BON-SIK
$1.09 BILLION ▼
LG
AGE: 61

36.
CHUNG MONG-JOON
$1.08 BILLION ▼
HYUNDAI HEAVY INDUSTRIES
AGE: 67

37.
SHIN DONG-GUK
$1.07 BILLION ▼
HANMI SCIENCE
AGE: 69

38.
LEE SANG-HYUK
$1.06 BILLION ▼
YELLO MOBILE
AGE: 48

39.
CHUNG YONG-JIN
$1.01 BILLION ▼
SHINSEGAE
AGE: 50

40.
BOM KIM
$1 BILLION ▲
COUPANG
AGE: 40

41.
KOO BON-NEUNG
$980 MILLION ▼
LG
AGE: 70

42.
KOO BON-JOON
$940 MILLION ▼
LG
AGE: 67

CHUNG YONG-JIN

The Rival Online

YONHAP NEWS/YNA/NEWSCOM

THE SPECTER OF ONLINE SHOPPING is haunting Korea's giant **Shinsegae** group and its billionaire vice chairman Chung Yong-jin, who runs Shinsegae, Korea's second-largest retailer after Lotte by sales, and mass-market retail subsidiary E-mart. Shinsegae's stock has fallen 38% since we last measured fortunes; that's despite a 33% increase in net profit on sales that more than doubled in 2018. A similar story is playing out at E-mart, whose shares fell 50%. That helped push Chung down to No. 39 on our list from No. 26, as his net worth fell 32% to $1.01 billion.

Chung, 50, a graduate of Brown University in Providence, has a pedigree that goes back to Samsung founder Lee Byung-chull. Chung's mother, Lee Myung-hee, is the founder's fifth daughter and chairs the Shinsegae group that Lee bequeathed her when he divided his empire between his children before his death in 1987. Her older brother, Lee Kun-hee, Byung-chull's third son, got the biggest prize, Samsung.

Shinsegae department stores rank among the country's finest, while smaller E-mart discount stores appeal to the broader middle class. One of the group's innovations is its Peacock brand of "home meal replacement" ready-to-eat dishes designed for working women. Peacock, which is sold at both Shinsegae and E-mart stores, offers more than 1,000 items, from traditional Korean cuisine to international dishes and desserts.

Peacock sales have risen from $29 million in 2013 to $214 million last year, up 9% from the year before, but Peacock alone is "not a game-changer," said Geoffrey Cain, author of *Samsung Rising*, a forthcoming book on the Samsung empire. Tom Coyner, an independent business analyst in Seoul and Tokyo for 30 years, says department stores like Shinsegae and mass-market retailers like E-mart and Lotte Mart suffer from competition from internet sites. A Shinsegae spokesman, who asked not to be named, concedes that the company's falling share price is due to a "grim outlook" as major big-box stores lose ground against fast-growing online shopping malls.

But Coyner says Shinsegae also bears some of the blame for poor in-store marketing. "The walk-in consumer may find a huge amount of inventory for sale," he says, that often lacks variety. A manager at Shinsegae, who asked to remain anonymous, counters that the stores do offer variety and that online malls are the main reason for Shinsegae's falling share price.

Aside from online competition, Shinsegae's key shareholders seem to have prepared to shift ownership to the next generation. Group matriarch Lee Myung-hee and husband Chung Jae-un, honorary chairman, have assured the continuity of family control by transferring large blocks of shares to their son and daughter. *—Donald Kirk*

KIM JUNG-JU:
DEAL OR NO DEAL

South Korean billionaire Kim Jung-ju's net worth slid 11% this year to $6.3 billion as shares of his gaming giant **Nexon** dropped 13% since last year's list, amid protracted bidding for the creator of popular videogame titles such as Maple Story and Sudden Attack.

In January, Kim, 51, reportedly sought the sale of all his shares in NXC, the largest shareholder in Nexon, with a 47% stake. NXC also holds stakes in cryptocurrency companies and a children's furniture maker.

Kim's 98.6% stake in NXC attracted a number of potential buyers, including fellow South Korean rich listers Michael Kim of private equity firm MBK Partners and Bang Jun-hyuk of mobile game maker Netmarble. Other bidders reportedly included Bain Capital, KKR and South Korea's messaging app Kakao. The companies declined to comment.

The sale was put on hold in late June, according to the Korean Economic Daily. NXC spokesman Yohan Lee declined to comment on the report and the details of the bids. Earlier this year, press reports said the deal could be worth as much as $16 billion, making it the biggest deal in the online gaming industry. Kim founded Nexon in 1994 and transformed it into one of Asia's top videogame firms.

"Nexon's M&A is the biggest in global gaming industry, making it difficult for a single company to take over," says Lee Kyung-il, analyst at Cape Investment & Securities in Seoul. The price tag for Kim's NXC stake, which Lee pegs at 10 trillion won ($8.4 billion), may be too high for the bidders, he says. —*Elaine Ramirez*

KIM JAE-CHUL: TUNA KAHUNA

South Korea's tuna tycoon, 84-year-old founder Kim Jae-chul, used the April celebration of **Dongwon Group**'s golden jubilee to hand his chairmanship to his son Kim Nam-jung (No. 28). The 46-year-old heir had been groomed to take over the food and logistics conglomerate since being named the group's vice chairman in 2013.

While Dongwon is now South Korea's largest deep-sea fishing company, the senior Kim started it in 1969 with nothing more than two employees and a fishing boat. He's stepping down as honorary chairman and is likely to continue advising his son, according to a company representative.

Dongwon's succession plan appears to have sidestepped the kind of power struggles often found at other South Korean conglomerates. The junior Kim holds roughly 68% of the group's holding company, Dongwon Enterprise; his father 24.5%. Older brother Kim Nam-goo is chief executive and the largest shareholder (20.2%) in Korea Investment Holdings, a financial services company created in 2003 when Dongwon spun it off. That gave each son his own business to avoid competition.

—*Pamela Ambler*

43.
LEE HWA-KYUNG
$935 MILLION ▼
ORION
AGE: 63

44.
LEE HAE-JIN
$920 MILLION ▼
NAVER
AGE: 52

45.
SHIN DONG-JOO
$915 MILLION ▼
LOTTE
AGE: 65

46.
KIM DAE-IL
$900 MILLION ▼
PEARL ABYSS
AGE: 39

47.
CHANG BYUNG-GYU
$890 MILLION ★
KRAFTON
AGE: 46

48.
SHIN DONG-BIN
$870 MILLION ▼
LOTTE
AGE: 64

49.
LEE SANG-ROK
$860 MILLION ▼
CARVER KOREA
AGE: 45

50.
LEE SANG-IL
$855 MILLION ▼
ILJIN
AGE: 81

▲UP ▼DOWN ◀▶FLAT
★NEW TO LIST ↻RETURNEE

FOR MORE INFO, GO TO FORBES.COM/KOREA

DELTA SOAP:

THE STORY OF A NIGERIAN BRAND WITH ASIAN INFLUENCE

The family behind Orange Group, whose top-selling soap can be traced back to Southeast Asia, is now drawing inspiration from the region's social media marketing trends to attract West African millennials.

Consumer picking Delta Soap

Few people would assume that a popular medicated soap brand sold in West Africa has its origins in Southeast Asia. This, however, is the case of Delta Soap, a leading personal care brand owned by Orange Group, a large, diversified fast moving consumer goods (FMCG) group in West Africa.

Founded by Nigerian entrepreneur Sir Anthony Ezenna, Orange Group has supported the entry of several Indonesian companies into the African market. The group is present in West Africa across four key segments: pharmaceuticals, beverages, personal care and lighting. It counts some of Indonesia's largest family businesses among its partners, including Kalbe Farma, the country's largest pharmaceutical company, as well as Tempo Scan Pacific, Dexa Medica and Mensa Group.

As a result of these relationships, Orange has gained valuable insights from studying how its partners compete in Southeast Asia's dynamic consumer markets. Some of these lessons were applied to the successful launch of Delta Soap in Nigeria.

Spotting an Opportunity

In the 1980s, Reckitt Benckiser launched its Dettol brand in Nigeria and proceeded to build the medicated soap market in the region. The benefit of protection from germs made medicated soaps an instant success in Nigeria, which struggles with sanitation issues and access to clean water. Dettol was so successful that it began to threaten the already established beauty-soap segment.

By 1993, Sir Ezenna saw an opportunity to establish a competing brand that could deliver the same benefits at an affordable price. At that time, Dettol was produced in Europe and exported to Nigeria, which was experiencing a currency crisis and had highly price-sensitive consumers. The key to Orange Group's strategy was to source soaps competitively from either Malaysia or Indonesia, which have a global comparative advantage in producing palm-based products such as toilet soap.

Delta Soap was rolled out to the Nigerian market in 1994 as a more affordable alternative to Dettol. Although sales were brisk initially, its brand equity paled in comparison with Dettol. Sir Ezenna's foray into the personal care business demanded that he learn more about brand building and guerrilla marketing. Orange Group began developing TV campaigns to market Delta Soap, and differentiate it from Dettol's highly successful branding campaign that featured doctors.

As many new consumers of medicated soap were former beauty soap users, Delta's TV commercials focused on the more aesthetic benefits of using medicated soaps. The product was positioned as providing protection from germs while also delivering the moisturizing and "skin glowing" benefits of beauty soaps. Commercials featuring pop music and young trendsetters became synonymous with the Delta brand and were a hit with the target audience. The branding campaign was a success and Delta Soap would go on to become a market leader in the medicated soap segment.

In 2005, the Nigerian government banned the importation of finished soaps, and this drove Sir Ezenna to invest US$23 million in

Delta Soap production

the construction of a 20,000-square-meter production site in the eastern city of Onitsha, Nigeria. The investment paid off; by 2007 Delta Soap realized US$12 million peak in annual sales.

Declining Market Share

In the following years, Orange Group witnessed a series of management changes, which involved Sir Ezenna stepping down from day-to-day operations. However, the new management team had little sales and marketing expertise, which meant that little attention was given to brand building and improving the company's route-to-market. The team also made some unpopular changes to Delta, such as switching its composition from mainly palm oil to tallow.

As a result of these and other misguided strategic decisions, Delta Soap lost significant market share over the next decade. By January 2017, the product had dropped to

Delta Soap range

No. 4 in the segment with 12% market share. Dettol, meanwhile, had regained its market leadership.

Refreshing the Brand

As Delta approached its 25th anniversary, the company embarked on an aggressive relaunch that included changing the product's packaging and formula while introducing it to a younger market segment that was not as familiar with the brand.

Under the new management team lead by second-generation Ezenna family members, Orange Group adopted a "back to the core" approach to sales and marketing. "We simply decided to go back to doing what worked and made commercial sense. Nothing fancy or complex. We had to go back to the basics," says Ernest Ezenna, who currently serves as the group's Business Development Director and is part of the second-generation Ezenna family management team.

First, the team decided to launch a "new" Delta Soap with a modern look and shape, and revert back to the original palm oil-based formula. This new formula enriched the soap fragrance, which was found to be a key driver for purchase in consumer studies. Second, the sales team focused on primary markets and channels in the traditional trade segment that would allow the soap to be distributed more effectively among small retailers. Nigeria currently generates 95% of its retail sales from traditional trade.

Finally, the team developed a campaign to relaunch Delta to appeal to a younger audience, similar to the campaign used at the brand's inception. But this time around, the campaign would be driven by social media.

Inspired by a trip to Jakarta, Ernest witnessed first-hand the potential of social media and leveraging the influence of online celebrities. "All you have to do is open Instagram or YouTube in Jakarta, and you are bombarded with multiple ads targeted at young consumers by companies like Unilever Indonesia and, of course, our partners like Kalbe and Tempo Scan," says Ernest.

Using this insight, the management team developed a social media commercial in the form of a music video to appeal to the music-loving, social media-savvy Nigerian millennials. Since the launch, the music video has generated more than 14 million views across Instagram and Facebook.

Because of the campaign's success, social media has become the cornerstone of the team's marketing plans. "It's all about interacting with the younger generation of Nigerian consumers. Through social media, we are able to engage with them directly and this gives them a voice to feel that their individual needs are being met by the brand. We plan to build on the success of Delta's relaunch, and increase our digital investments for other brands," says Uchenna Ezenna-Gboneme, another second-generation Ezenna family member who oversees Media Relations for the group.

Brand Extensions With Asian Partners

The successful relaunch of the Delta brand has led to plans to diversify the group's personal care offerings. This includes introducing a shaving line, with razors sourced from China, and a moisturizing cream lotion, possibly sourced from Indonesia. With its strong distribution network, fully integrated logistics, and warehousing and sales operations, Orange Group is confident that it will be able to leverage its insights and partnerships from Asia to explore the vast potential of the FMCG market across Africa.

"The Delta experience shows us that there is a lot we can still learn and leverage from our Asian partners," says Ernest. "Africa is next, and we believe that the explosive growth that happened in Asia in the early 2000s will occur in Africa soon. We are very excited about the future and are investing aggressively to ensure that we are adequately prepared to take advantage of that growth."

Henry Kravis and George Roberts (right).

Gentlemen at the Gate

"Barbarians" Henry Kravis and George Roberts were the 1980s poster boys for slash-and-burn leveraged buyouts. Now, with trillions pouring into private equity, KKR and its peers have little choice but to build up rather than break up.

BY ANTOINE GARA

For most of this decade, the saga of Gardner Denver, a Milwaukee-based manufacturer of industrial machinery since 1859, has played out like another sequel to Oliver Stone's iconic 1987 movie, *Wall Street*. Sales from its oil pumps and compressors slumped, its shares on the New York Stock Exchange languished, and in 2012 opportunistic financiers, now in the form of a hedge fund, pounded the table for change. Eventually management was shuffled, Goldman Sachs oversaw a sale, and a giant New York City buyout firm emerged as the winning bidder in 2013, paying some $3.9 billion, including $2.8 billion in new debt.

But a funny thing happened on the way to the cliché of shuttered plants, downsized employees and pawned-off assets. More than $325 million was invested to update equipment, make plants safer and improve operations. New funding allowed the company to expand into the medical and environmental sectors. Its 6,400-person workforce increased by 5%, revenues rose by 15% and operating cash flow surged by 54%. When Gardner Denver returned to the NYSE nearly two years ago, every employee at the company was given stock equal to 40% of annual base pay, $100 million in all. "If we do better, the company does better, which means the shares grow," says Josh Shelle, a 29-year-old assembly line supervisor at Gardner Denver. "Everybody wins."

This feel-good plot has two unlikely directors: Henry Kravis and George Roberts, the billionaire cofounders of KKR & Co., the now $200 billion (assets) private equity giant. "You can't buy a company and strip out all the costs. It's not a sustainable business model," says Kravis, 75, from his private meeting room in New York overlooking Central Park. "If you're not putting money back in to come up with new products, new plants and new ways of doing business in new geographies, you'll die eventually." Roberts, 75, his longtime partner, adds, "The businesses that have owners that care about them and management that cares about them are going to outperform."

KKR, of course, popularized leveraged buyouts in the 1970s and 1980s and became the face of Wall Street's conquest of corporate America. Forever known as "barbarians," after the bestselling book that chronicled their $25 billion takeover of RJR Nabisco, KKR was grilled by Congress for tax avoidance and the aggressive use of debt as they swallowed up RJR and other corporate giants of yesteryear like Florida-based media group Wometco Enterprises and Beatrice Foods.

Thirty years later they epitomize a fundamental shift. No longer a clubby partnership, KKR is now a publicly traded corporation. Half of its investments and the majority of its dealmakers live abroad, with its biggest growth potential in Asia. And rather than torture the management of assets they treat like chits, Kravis and Roberts are management, ultimately responsible for 114 companies around the globe, that generate $123 billion in annual sales and employ 753,000 people.

KO SASAKI FOR FORBES

It's a transformation born of necessity. In the past five years alone, $3.7 trillion has poured into private equity funds. KKR operates on a different scale today than it did when it took over RJR. The firm's next U.S. buyout fund is expected to be a staggering $20 billion, its Asia fund $15 billion and its European $5 billion. At Apollo and Blackstone, funds push beyond $20 billion. Fees have swelled with assets—to $1.8 billion at KKR in 2018 and $3.1 billion at Blackstone—but the existential question is how to beat the S&P 500 and justify them. KKR's first five buyout funds, from 1976 to 1986, returned from 4 to 17 times their money. Since 2002 no KKR buyout fund has returned more than 2.4 times its money.

"Let's not delude ourselves," says John Skjervem, chief investment officer of the $100 billion Oregon State Treasury, a KKR investor since 1981. "This is getting much harder."

As George Roberts says of the leveraged buyout game, "There's no art in it anymore. What's relevant is what you're going to do with the business."

LIKE MOST ICONIC DUOS, Kravis and Roberts are a study in contrasts. They are first cousins and best friends going on 70 years with fathers who became wealthy from oil, and they attended college together at Claremont McKenna in California. They learned the art of deal making from the same mentor—KKR's third cofounder, Jerome Kohlberg—and have been business partners for 43 years, working in harmony virtually all that time, 4,700km apart, high-profile Kravis in New York and low-profile Roberts in San Francisco.

FEES HAVE SWELLED WITH ASSETS, BUT THE EXISTENTIAL QUESTION IS HOW TO BEAT THE S&P 500 AND JUSTIFY THEM.

The consummate pitchman, whose name graces wings at the Metropolitan Museum of Art, a building at Columbia Business School and a children's hospital at Mount Sinai, Kravis seems well rehearsed. "We've always thought of investing and acting and thinking like an industrialist," he says. "Don't congratulate us when we buy a company. Any fool can buy a company." In a meeting room brimming with plaques commemorating KKR conquests, the framed words from Machiavelli speak most authentically: "The innovator has for enemies all those who did well under the old system, and lukewarm defenders in those who might do well under the new."

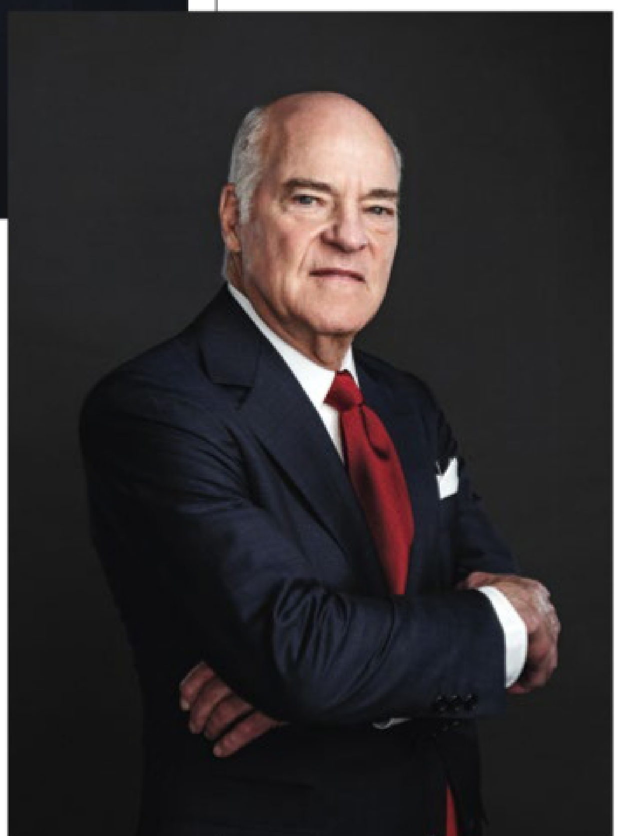
Roberts is responsible for the duo's start in the buyout business. As a junior at Claremont, then a men's college, he interned at Bear Stearns in New York, covering insurance companies. Ambitious, he would comb regulatory filings on his beat in the morning and look for extra work in the afternoons, catching the eye of Kohlberg, who as the head of the firm's corporate finance division was pioneering what was then known as "bootstrapped acquisitions," because they were highly levered. In the 1960s, corporate America was bloated by conglomerates built by ambitious businessmen like Harold Geneen of ITT. Kohlberg deployed novel financing techniques to move in the other direction, helping sharp divisional managers buy unloved businesses from their overstretched parents.

Kravis, who grew up in Tulsa, got his start working for the closed-end Madison Fund in New York, which controlled a railroad operator called Katy Industries and used its tax losses to make acquisitions. While getting his M.B.A. at Columbia, he canvassed the southeastern U.S. for oil service companies to buy. When Roberts moved up the ranks at Bear, he recommended Kravis to look at Kohlberg's buyout invention. In 1969, the three joined forces, running a small group at the investment bank, with Kravis based in New York while Roberts moved to California. After about a dozen successful deals, they set out on their own in 1976.

They were just in time for Michael Milken and the Drexel Burnham Lambert junk-bond money machine. Kravis and Roberts were buying large companies outright: Beatrice and Safeway in 1986, Ohio glass company Owens-Illinois a year later. Duracell, Stop & Shop and RJR at the apex of the debt-fueled 1980s. Kohlberg balked at the aggressive model and was pushed out in 1987, and Kravis and Roberts, particularly the former, became synonymous with the buyout era after the publication of *Barbarians at the Gate*.

KKR'S TRANSFORMATION began before the 2008 financial crisis, surprisingly with one of its worst deals, for the Texas-based power producer TXU. The $45 billion buyout, inked in February 2007, was controversial from the start because of TXU's expansion plans in coal. As KKR and its partners cut the deal, they reached out to the Environmental Defense Fund, an advocacy group that got McDonald's to stop using polystyrene containers. Kravis and Roberts were interested in the connection between environmental efficiency and profits.

Within a year of closing TXU, KKR and the nonprofit formalized a pioneering "green portfolio" partnership in which KKR would rigorously track its companies' waste, greenhouse gas emissions, water consumption and use of toxic materials. Within five years, the conservation efforts saved its portfolio companies nearly $1 billion, most notably at retailer Dollar General, which saved $775 million alone—or 6 million tons of waste—and was one of the crisis era's most successful buyouts, making KKR 4.5 times its money. "Twenty years ago I wasn't a big believer in ESG [environmental, social and governance]. I thought the most important thing is if you make good money for the company, all stakeholders will benefit," Kravis says. "I'm a convert."



KKR's cofounders and first cousins, George Roberts (left) and Henry Kravis, say they last quarreled at age 7. Today both are worth $5.6 billion.

KO SASAKI FOR FORBES

Helping its portfolio companies became a top priority for the firm. To that end it expanded its in-house consulting arm, KKR Capstone, which now has 66 consultants advising the portfolio of companies on growth plans, acquisitions and cost savings. To spot risks, KKR has added teams to study global macroeconomics, technological disruption and political change.

In 2010, a Chicagoan named Pete Stavros was made head of KKR's industrial buyout division. Stavros, now 44, the son of a Greek-American construction worker and a first-generation college graduate, believed productivity and profitability would increase if you gave equity to hourly workers on manufacturing lines, truckers and other nonexecutive employees. At Harvard Business School, Stavros dedicated his thesis to the benefits of employee stock ownership. He put his idea in play at KKR, giving 20,000-plus workers over $500 million of equity in the eight deals his group has done.

Gardner Denver is a shining example. The stock is up roughly 70% since its IPO in May 2017. When Stavros's team cut a deal to merge Gardner Denver with a larger rival, a further $150 million was given to workers of the new combined company. All told, the $4 billion of equity Stavros and his team have invested in their eight industrial buyouts, including Capsugel, Capital Safety and CHI Overhead Doors, is now worth $12 billion. "This is a different way of operating. You need to be willing to engage with people in a different way," Stavros says. "Treat them like business partners."

Few cases illustrate Stavros' thesis better than KKR's experience with Toys "R" Us. Acquired for $6.6 billion in 2005, the retailer wound up filing for bankruptcy in 2017 and shuttering its U.S. stores in 2018. Rather than simply lick its wounds and walk away, as KKR might have 30 years ago, the firm and its deal partners contributed $20 million to a severance fund set up for former employees. "Clients want to invest in firms where they think people are doing right for the world and not ones that are destroying the planet, or the workforce," says Mason Morfit, chief investment officer of the hedge fund ValueAct Capital, KKR's largest outside shareholder.

KKR'S TRANSFORMATION ISN'T only about doing good. It's also about fees, which today are on a scale that makes RJR Nabisco's $390 million in deal fees look quaint. Take the firm's push into credit, which plugged up a giant hole in its capabilities. Fifteen years ago, KKR was still fairly one-dimensional and lacked a fixed-income operation that would allow it to lend funds to companies for restructurings and acquisitions. The firm's credit business now stands at $66 billion in assets. Despite losses in its alternative debt and its CLO business last year, KKR kicked off some $400 million in credit management and transaction fees in 2018.

The creation of an underwriting business has been another fee bonanza. "Between 2005 and 2007, we paid the Street almost $5 billion in fees, and we didn't get much back for it except we were invited into a few auctions," Kravis says. So Scott Nuttall, the firm's co-president, built an in-house underwriting business for KKR's portfolio companies, which underwrote 204 debt and equity offerings in 2018 and generated $631 million in fees.

KKR's fee revenues climbed 19% in 2018 to $1.8 billion, including more than $1 billion in so-called transaction and monitoring charges, which the firm earned for, among other things, management advice to its portfolio companies. There were also $147 million in reimbursements for expenses and $60 million in consulting fees.

Remember the feel-good IPO of Gardner Denver in 2017? After charging the company $3.4 million a year on average in transaction and monitoring fees, KKR levied a special onetime termination fee of $16.2 million in conjunction with its IPO. High fees translate to generous compensation for KKR partners. Last year the firm paid out an eye-watering $1.5 billion in compensation to its 1,300 staffers.

BY FAR THE BIGGEST INNOVATIONS at KKR have been structural. A few years ago, on a plane ride back to California, Roberts made a revealing calculation: Had KKR been able to hold on to its investments in perpetuity, it would have a bigger market capitalization than Berkshire Hathaway. To that end, in 2006 KKR was the first major U.S. buyout firm to tap public stock markets, raising $5 billion of permanent capital in Amsterdam to invest in its own deals. When shares in that public vehicle, KKR Private Equity Investors, plunged from $25 to below $2 during the financial crisis, Kravis and Roberts knew that many of their deals (like Dollar General and Hospital Corporation of America) were undervalued, trading for pennies on the dollar. So the partners shrewdly folded KKR's core operations into KKR Private Equity Investors and listed the new entity on the New York Stock Exchange. Since asset prices recovered, KKR's permanent capital has swelled to $13 billion and seeded its fund-raising expansion into new sectors like infrastructure, real estate, healthcare and technology.

The new capital was also used to buy 35% of Marshall Wace, a British quantitative hedge fund whose assets have since doubled to nearly $40 billion, and to resuscitate KKR's investment in Atlanta-based payments processor First Data, which now stands at $1.5 billion on the firm's balance sheet after a 67% surge in its stock price over the past year. "We made lemonade out of some lemons," Roberts says. "I have respect for our competitors, but none of them have the mousetrap we have."

Last year, KKR's overhaul strategy culminated with its conversion from a partnership into a corporation, eliminating the need for complicated K-1 tax filings by its public shareholders. This change, plus an earlier one, which fixed its dividend payout to a modest percentage of after tax earnings (currently 13%), ensures that the firm will retain more profits than its competitors. It will also likely make its stock more desirable to a larger population of institutional investors. "We wanted to have the power of compounding," Kravis says, emboldened by the fact that KKR now holds $10 billion of its investments on its balance sheet. "If you think about Warren Buffett, who has never paid a penny out in dividends, and you look at how much capital he's been able to accumulate and the value of Berkshire today, it's really impressive. We can do the same thing."

Among old-guard private equity giants, KKR was the first to formally announce lines of succession, naming Scott Nuttall, 46, and Joseph Bae, 47, as co-presidents and granting each $121 million in stock awards in 2017. Nuttall is a familiar face to public stockholders and is the driving force

Despicable Funds

What a difference 30 years makes.

At the end of the 1980s, Henry Kravis, George Roberts and their ilk epitomized the evils of Wall Street. Today that dubious honor goes to hedge funds, which offer a potent cocktail of dismal returns, short-term trading and bad behavior.

The old buyout mantra was "Buy, strip, sell." That's the strategy of $1 billion New York hedge fund Alden Global Capital, the owner of the *Denver Post* and about 100 other newspapers. Alden has gutted newsrooms and real estate, generating protests from journalists. Now on the prowl for Gannett, the publisher of *USA Today*, it's being accused of underhanded negotiating tactics and faces a U.S. Department of Labor probe for allegedly stuffing $250 million in newsroom pensions into its own funds. (Alden denies any wrongdoing.)

Among credit funds, a crop of shady operators are employing "manufactured defaults," wherein buyers of credit-default swaps—securities designed to profit if the issuer misses an interest payment—persuade the debtor to halt payments, triggering a default and a windfall for the fund. It's almost like buying insurance on a neighbor's house and burning it down.

Then there are hedge fund antics. Casual viewers of business news remember the spectacle on CNBC when hedge fund billionaires Carl Icahn and Bill Ackman berated each other over the stock of supplement maker Herbalife. Even quantitative hedge funds get a bad rap. Michael Lewis' book *Flash Boys* excoriates these computerized traders for front-running trades and aggravating stock market swings. More media maligning is served weekly on the Showtime series *Billions*, whose characters are almost universally despicable.

So loathed are funds' tactics that in 2016 Senators Tammy Baldwin (Democrat from Wisconsin) and Jeff Merkley (Democrat from Oregon) introduced the Brokaw Act to stymie them after the village of Brokaw, Wisconsin, went broke because an activist fund pushed a company to abandon the town's paper mill. "We cannot allow our economy to be hijacked," said Senator Baldwin.

Legendary corporate attorney Martin Lipton, 87, who once represented big companies being pursued by acquirers like KKR, has no problem piling on. "The villains are the activist hedge funds," he says. Perhaps all would be forgiven—or at least tolerated—if hedge funds pulled their weight in terms of performance. The HFRI Equity Hedge Index has returned 3.5% annually over the past five years, versus 11.5% for a standard low-fee S&P 500 index fund.

Barbarian Evolution

1951: During grade school, Houston-born George Roberts visits cousin Henry Kravis in Tulsa. They fight and Henry ends up with 23 stitches. Henry claims it's the last fight they ever had.

1

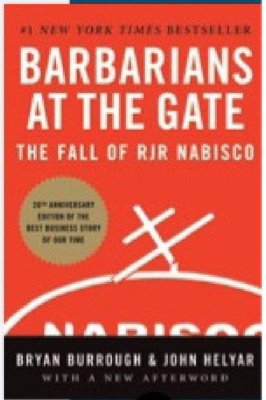
1962–1967: The pair (1) attend Claremont Men's College. During summers they room together while Henry works at Goldman Sachs and George at Bear Stearns.

1966: George accepts a job at Bear Stearns. Henry graduates a year later and works for New York's Madison Fund, the largest shareholder of Katy Industries, arranging acquisitions.

2

1969: Henry joins George at Bear under buyout pioneer Jerome Kohlberg Jr. (2). The trio complete about a dozen "bootstrapped" deals, which borrow heavily to support management led carve-outs.

1976: Legendary Bear boss Cy Lewis refuses to support a proposed new venture, so the three leave to form Kohlberg Kravis Roberts & Co. with $120,000 in combined savings.



4

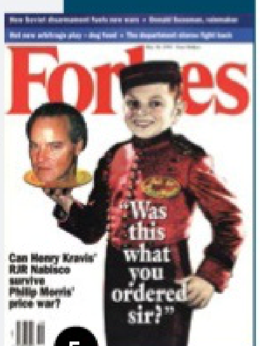
1978: *Forbes* introduces KKR in a cover story on a new highly profitable approach to dealmaking called "Do You Sincerely Want to Be Rich?" KKR's partnership has $30 million in capital.

1987: Kohlberg is pushed out. A year later, KKR launches a $25 billion hostile takeover of RJR Nabisco (3), marking the peak in an era of greed on Wall Street.

3

1989: Henry and George face grilling in Washington, are then vilified in *Barbarians at the Gate* (4).

1993: Debt-burdened RJR's shares tank after Philip Morris slashes cigarette prices. Forbes' cover features Henry's head on a gold platter (5).



5

1997: George creates the Roberts Enterprise Development Fund, which pioneers venture philanthropy, backing over 175 social enterprises.

2000-2006: KKR launches important fee-generating businesses like the consulting operation KKR Capstone, and later it expands to credit and underwriting.

2006: Raises $5 billion from the public, and a $17.6 billion buyout fund is used to take over Alliance Boots, Dollar General, TXU.

6

2010: KKR lists on the NYSE (6) and embraces green investing. It also backs a plan to offer blue-collar workers stock. Henry gives $100 million to Columbia's B-school.

2017-2018: Henry and George name successors, convert KKR into a corporation and begin a big push in Asia.

2019: KKR's global reach extends to 114 companies with $123 billion in sales and 753,000 employees. As assets near $200 billion, KKR has $58 billion in dry powder.

JEROME KOHLBERG BY EDUARDO CONTRERAS/NEWSCOM; NABISCO BY RAZORPIX/ALAMY; KKR AND NYSE BY BRENDAN MCDERMID/REUTERS

behind KKR's expansion in credit and capital markets. Bae oversees the firm's core global buyout business, which includes a big expansion in Asia as well as real estate and infrastructure. The firm's business in Asia now spans eight offices and $20 billion in assets.

The rich stock grants to Bae and Nuttall have caused grumbling inside the firm, when you consider that KKR has since significantly reduced stock compensation to staffers in what may be a maneuver to reduce share dilution and bolster the stock price. The performance of KKR stock, like that of other PE firms, has been underwhelming. Over the past five years it has returned on average just 4% annually, less than half the total return of Blackstone. Both underperformed the S&P 500's 12% annualized gain.

Some of its newer ventures have already run into trouble. In 2012, KKR bet on hedge funds via a fund-of-funds business, buying $8 billion (assets) Prisma Capital Partners, only to see its performance languish. An $884 million natural-resources fund, raised in 2010, lost most of its value. Between 2012 and 2014, KKR raised over $5 billion in special-situations funds that have produced annual net returns of 3% or lower.

During much of the 1980s, KKR's dealmakers could fit in single boardroom. "If you think about what this firm was, it basically was started with three guys and a broom—Jerry, George and me," Kravis says. By 1996, when KKR's heirs, Nuttall and Bae, joined the firm, it employed about two dozen investors. Now dealmakers number 447, and two thirds of the firm's 1,300 staffers don't invest, instead tending to tasks like back-office, tax and legal.

With its growing pains have come notable departures: Recent exits include David Liu and Julian Wolhardt, two top investors in Asia, and Alexander Navab, the former head of its U.S. buyout business, each now raising multibillion-dollar funds elsewhere. Despite all the changes at KKR, Kravis and Roberts show no signs of slowing down—and are especially excited about prospects in Asia. Under the stewardship of Korea-born Bae and New Zealand-born Nuttall, KKR is building entire new businesses in the region.

According to Kravis, Japan is littered with cheaply priced conglomerates loaded with underperforming assets. He recalls asking the CEO of one of Japan's big trading companies how many subsidiaries the company owned. The Japanese executive said 2,000. When Kravis asked how many were core, the answer was still 2,000. "I would have had a better conversation with a glass, but we got along just fine," Kravis says.

In April KKR gathered its 75 partners for its annual meeting in Tokyo. "I've been going to Japan since 1978. I always saw the light at the end of the tunnel. Now it's real," Kravis says with a youthful glint in his eye. Roberts adds, "Japan today reminds me of the 1960s and 1970s in the U.S." Only this time the nice guys at KKR will have to resist the urge to slash and burn, and instead figure out a way to buy and build. F

LIST OF CONFIRMED SPEAKERS AS OF JULY 2, 2019

Steve Forbes
Chairman & Editor-in-Chief, Forbes Media

Lee Hsien Loong
Prime Minister, Singapore

Kiran Mazumdar-Shaw
Chairperson & MD, Biocon

Peter Moore
CEO, Liverpool FC

Marjorie Yang
Chairman, Esquel Group

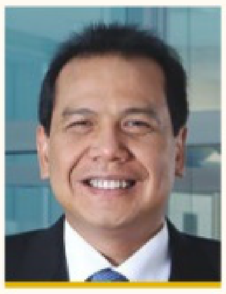
Mark E Tucker
Group Chairman, HSBC Holdings

Heng Swee Keat
Deputy Prime Minister & Minister for Finance, Singapore

H. Roger Wang
Chairman & CEO, Golden Eagle International Group, Chairman, Committee of 100

Miwako Date
President & CEO, Mori Trust

Enrique K. Razon Jr.
Chairman & President, International Container Terminal Services, Inc.



Chairul Tanjung
Chairman, CT Corp

Mike Flewitt
CEO, McLaren Automotive

Roshni Nadar Malhotra
Executive Director & CEO, HCL Corporation, Trustee, Shiv Nadar Foundation

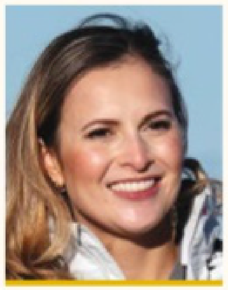
JP Gan
Managing Partner, Qiming Venture Partners

William E. Heinecke
Founder & Chairman, Minor International

Ho Kwon Ping
Executive Chairman, Banyan Tree Holdings

Jane Jie Sun
CEO, Ctrip.com International

Kuldip Singh Dhingra
Chairman, Berger Paints India Group



Rose Damen
Family shareholder & Non-Executive Director, Damen Shipyards Group, MD, Damen Yachting

Goodwin Gaw
Managing Principal & Chairman, Gaw Capital Partners

Jack Cowin
Chairman & MD, Competitive Foods Australia

Stuart Parkinson
Global Chief Investment Officer, HSBC Private Banking

Achal Bakeri
Founder, Chairman & MD, Symphony

Goh Choon Phong
CEO, Singapore Airlines

Dipali Goenka
CEO & Joint MD, Welspun India

Forrest Li
Chairman & Group CEO, Sea

Gaurav V. Burman
Director, Dabur International

Douglas Hsu
Chairman & CEO, Far Eastern Group

Yoshito Hori
President, GLOBIS University, Managing Partner, GLOBIS Capital Partners

Wendy Yap
President Director & CEO, Nippon Indosari Corpindo

Rich Karlgaard
Editor-at-Large & Futurist, Forbes Media

Danny Yong
CIO & Founding Partner, Dymon Asia Capital, Chairman, The Majurity Trust

Chavalit Frederick Tsao
Chairman, IMC Group, Founder, Octave Institute

Antoine Firmenich
MD, Aquilus, Founding Partner, Alatus Capital

Justin Doebele
Editor, Forbes Asia

A Man, a Can, a Plan

John Hayes, the chief executive of venerable jar maker Ball, has abandoned glass and plastic. Is he crazy—or just ahead of his time?

BY KRISTIN STOLLER

In a 4.5ha factory in Golden, Colorado, stacks of multicolored empty cans loom 15 meters overhead. Every few minutes, a forklift zooms by to pluck future containers of Arizona iced tea, Truly spiked seltzer and Stem rosé cider. Here, 6 million can bottoms a day are forged and shipped off with tops to beverage producers. Every one is aluminum.

Ball Corporation made its name in the 1880s with glass mason jars and, in time, got into all manner of glass and plastic containers. But John Hayes, Ball's chief executive, has sworn off those two materials. Apart from some aerospace work for the government, Ball gets all its $11.6 billion of revenue from aluminum containers—mostly for beer, soda and other drinks, along with some business in aluminum aerosol cans and in aluminum slugs for other can makers.

Isn't this a bit risky, to make a 100% bet on metal when most of the beverage container market is still held by either glass or plastic? Maybe, but so far this bet is paying off. Vertical Research Partners' Chip Dillon expects Ball's earnings (adjusted for acquisitions and other things) to be up 13% this year to $876 million. Since Hayes took over in 2011, the stock market has doubled; Ball's stock has tripled.

"In my 20 years at our company, I've never seen growth rates like this," says Hayes, 53. Ball has tried 46 different business lines in its 139 years, and has entered and exited the plastics business three times. Hayes is confident aluminum will stick.

Hayes got degrees from Colgate (B.A.) and Northwestern (M.B.A.) and in 1993 joined Lehman Brothers' mergers and acquisitions office. He helped Ball, one of his early clients, exit its stagnant glass business.

Four years later Hayes was jet skiing in western Pennsylvania when he caught a nearby boat's wake and lost control. He ended up with a series of facial reconstructions and bone grafts, spending two months in Chicago recuperating. Who came to visit him? Not a single Lehman colleague. It was David Hoover, Ball's chief financial officer, who drove four hours from Muncie, Indiana.

Ball CEO John Hayes in a warehouse in Golden, Colorado. He's got a big menu: this twist-off and 39 other kinds of aluminum drink cans.

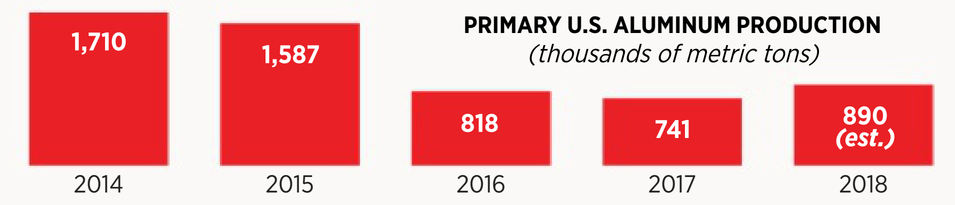
"It was a pivot point for me," Hayes says, his voice breaking. "I still get a bit emotional about that. It was one of those aha moments."

Hayes quit Lehman a few months later, and in 1999 Hoover offered Hayes a job in corporate planning at Ball's new headquarters in Broomfield, Colorado. By 2006, Hayes was overseeing Ball's European business. Five years later he was running the whole company.

With 130 billion bottles a year in the U.S., plastic has half again the volume of aluminum. Glass wins out in more expensive beverages—it will be a long time before you see Château d'Yquem in a six-pack—but it seems the arc of history is bending toward Ball.

LOST LUSTER

An excess of Chinese metal in the global marketplace has put a major dent in aluminum prices, forcing the closure of many U.S. smelters. Over the last half-decade, America's share of aluminum production worldwide has plummeted from 3% to just over 1%.



Sources: Aluminum Association; International Aluminum Institute; U.S. Geological Survey.

TIM PANNELL FOR FORBES

In 2014, 32% of new beverage companies chose cans, according to an IRI research study. That number rose to 61% in 2018.

Aluminum wins on environmental grounds: Among beverage containers, the recycling rate in this country is 50% for aluminum, 42% for glass and 30% for plastic. "The whole sustainability agenda is only accelerating," says Hayes. "I'd love to say it's because of us. It's not. We're trying to take advantage of the current situation by helping our customers provide what the consumer wants."

At least among younger consumers, cans are cool. Millennials grew up on Red Bull (a Ball client) and loved the sleek design of the can. They'll displace the Baby Boomers, who gravitated to glass and plastic bottles in the '70s and '80s because "the can," Hayes says, "was your mother's or father's package. It was old, it was tired, it was boring." Now cans hold La-Croix sparkling water (from National Beverage, another Ball client) and novelty drinks like Truly (from Boston Beer).

What about the perception that cans impart a metallic taste (despite a coating of epoxy or polymer on the aluminum)? An interesting taste test by some academics three years ago found drinkers insisting, when they saw the stuff being poured, that bottled beer tasted better than canned beer. In a blind comparison, most drinkers couldn't tell them apart.

Ball is fighting the perception. In 2002 it persuaded the Oskar Blues brewery in Colorado to put a new pale ale in cans, and now Ball has 70% of aluminum's growing share of the craft beer market.

While awaiting aluminum's conquest of packaged beverages, Hayes has another venture lined up. He displays a prototype aluminum cup, branded with Ball's script logo. His hope is that this recyclable cup will replace the ubiquitous red plastic Solo. The Millennials now busy outlawing plastic straws and bags just might go for this.

TAIWAN A BRIGHT FUTURE

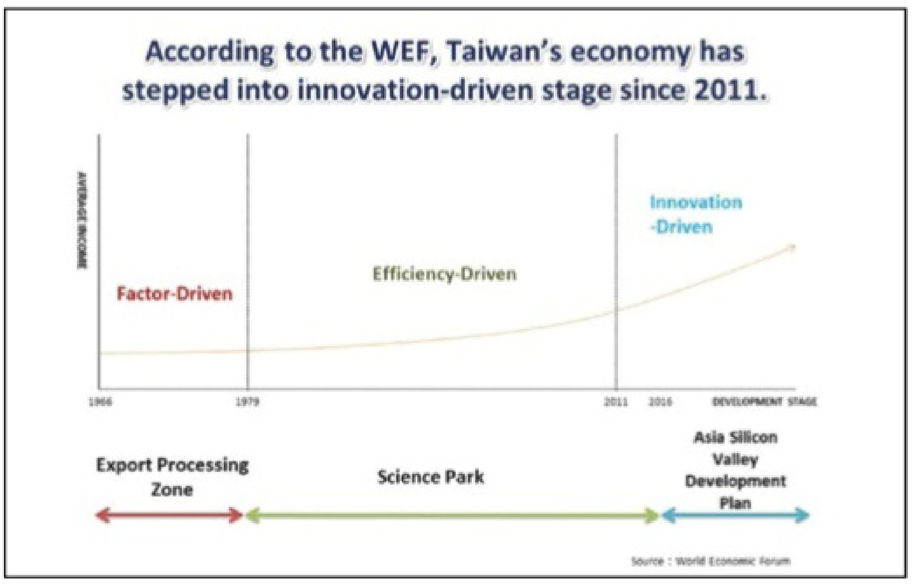
Strategically positioned between North and Southeast Asia, the island of Taiwan has always had a commercial potential disproportionate to its size. But what it lacks in landmass it makes up for in at least one other important way—the vibrancy of its business community. Over the past 30 years, this has played a key role in Taiwan's emergence as an international commercial force and as a hub for technological innovation.

Those traits are evident in the contribution that the island's 1.4 million small to medium-sized enterprises (SMEs) now make to Taiwan's economy. With their numbers at a record high, they now account for 98% of all private-sector companies and employ 80% of the workforce.

While a substantial proportion of these SMEs are sole traders or small, family-run retailers, an ever-increasing number are owned and populated by the island's highly trained and skilled scientists and engineers. Thanks to them, Taiwan has carved out a reputation as a powerhouse and incubator for everything from biotechnology to alternative energy supply.

For more than 30 years, Taiwan's ICT sector has been renowned for its ability to compete with the best in the world. This is particularly true of its semiconductor manufacturing community, which pioneered the three-tier method of chip production. Unlike the integrated approach championed by multinationals such as Intel, in Taiwan, separate companies are responsible for a chip's design, its fabrication from silicon wafer, and its packaging into a usable form and its subsequent testing.

This has allowed Taiwan to position itself as one of the world's leading exporters of chip components and services. By 2017, the Taiwanese semiconductor production industry was achieving annual sales of US$4.4 billion, with just under half of that total coming from the foundries of its contract semiconductor manufacturing companies whose major customers are "fabless" (meaning that they do not make their own chips) ICT design companies in the U.S. and elsewhere. Today, Taiwan is the second-largest semiconductor foundry manufacturing economy in the world. "We work hard to ensure that our customers have access to the very best available technology and the newest products on the market," says WIN Semiconductors Chairman Dennis Chen.



With 5G due to come on stream within a matter of years, the future looks set to get even more interesting for the shining lights of the Taiwan economic miracle, as they race to create the super-fast, high-performance and energy-efficient chips in the gleaming science parks that many of them call home. Several of these parks are now attracting a new wave of entrepreneurs who are busy developing a bewildering array of applications that 5G's greater bandwidth and speed of connectivity is making possible. Credit is due to an education system that churns out as many as 10,000 computer scientists and information systems management graduates every year. Taiwan is rapidly becoming an incubator for companies working in two areas of technological development that are poised to change our day-to-day lives.

The first of these is the Internet of Things (IoT), which essentially uses 5G and radio-frequency identification (RFID) chips to connect "dumb" items to the internet and make them "smart". While it is the idea of remotely controlling home appliances such as refrigerators and central heating, that has captured the public's imagination, most analysts predict the biggest gains in value are likely to come from the technology's use in manufacturing as a means of improving quality, efficiency and productivity. Because Taiwan already excels in the manufacture of electronics, precision and consumer goods—not to mention semiconductors—the island is in an ideal position to use the new technology not just to upgrade its own manufacturing capabilities, but also to export its expertise around the world.

THEN THERE IS ARTIFICIAL INTELLIGENCE (AI), WHOSE TRACTION IN TAIWAN HAS BEEN HELPED BY THE CREATION OF AN AI INNOVATION HUB THAT AIMS TO FOSTER 100 AI START-UPS. THE INTRODUCTION OF TAX BREAKS FOR FOREIGN INVESTORS IS ALSO MAKING A DIFFERENCE. THE COMBINED POPULARITY OF THESE INITIATIVES MEANS, AS ONE COMMENTATOR PUTS IT, THAT ARTIFICIAL BRAINS THREATEN TO OUTNUMBER REAL ONES IN TAIWAN BEFORE LONG. WITHIN THE PAST TWELVE MONTHS, A NUMBER OF GLOBAL PLAYERS INCLUDING GOOGLE, IBM, MICROSOFT AND CISCO HAVE EACH SIGNALED THEIR INTENTION TO DEVELOP AI RESEARCH AND DEVELOPMENT CENTERS IN TAIWAN.

Several U.S.-based expatriates have also chosen to make Taiwan their base, including PharmaEssentia's CEO Ko-Chung Lin. "I chose to set my company up here rather than in the U.S. because it is probably the best place in the world to raise capital for a biotech company," he explains. His decision has made his company one of the frontrunners in Taiwan's race to create 10 large-scale healthcare firms and to develop 20 new drugs and 80 new medical devices for export by 2025—ultimately to build a US$3 billion industry. And why not? "Taiwan may be small, but all the infrastructure is here, the regulatory environment is relatively relaxed, the protection extended to intellectual property is great and we have good engineers," says New Deantronics CEO Jane Liu. "The level of business ethics is also high."

ADVANCES IN AI AND IOT ARE NOW ALSO FEEDING INTO THE DEVELOPMENT OF BOTH THE ISLAND'S BIOMEDICAL AND BIOTECHNOLOGY SECTORS. A US$350 MILLION PROJECT CONNECTING TAIWAN'S SCIENCE PARKS TO EACH OTHER IS ALSO HELPING TO MAXIMIZE THE SECTOR'S RESEARCH CAPABILITIES.

"Life is going to get more complicated with the arrival of AI and IoT," predicts Far Eastern Group Chairman Douglas Hsu. He may be right, but Taiwan's existing interconnectivity suggests the island is

Relative to the region, Taiwan has competitive advantages in education, technology and innovation

up to the task. The enthusiasm that the healthcare sector is showing for technological innovation is a case in point. Faced with a "perfect storm" of an aging population, a decreasing number of hospitals and a shortage of staff, Taiwan's healthcare professionals and medical devices industry are already looking to AI and IoT to help develop smarter ways of diagnosing patients through both real-time and distant monitoring of their conditions.

It might sound overambitious, but these biomedical pioneers will look to acquire knowledge and technical expertise from their counterparts in Taiwan's biotech sector. First identified as an industry for the future in the early 1980s, biotechnology is one of the island's most remarkable success stories. It now has more than 100 firms listed on the stock exchange with a combined value of almost US$25 billion, while between them several private companies offer laboratory capabilities ranging from toxicology and biosafety, to drug metabolism and pharmacokinetics (DMPK).

The future is equally rosy for those companies committed to building a more environmentally sustainable future, not just for themselves but for their customers too. Taipei is already committed to phasing out nuclear energy by 2025 and to increasing the proportion of electricity generated from renewable sources by 20%; earlier this year Google announced plans to launch its first clean energy project on the island, its first in Asia.

Elsewhere companies such as Xxentria are busy developing environmentally friendly products for use across industry—and are re-engineering their production process accordingly. "All our materials are recycled," says CEO Howard Cheng, "and we know how to turn them into useful products."

Exactly how all these initiatives will feed into overall long-term economic growth is a billion-dollar question and one that may take several years to answer. Early signs are positive, with Taiwan's GDP growth expected to reach 5% within five to 10 years on the back of a solid financial and industrial base and increasing domestic demand.

Without doubt, things are only going to get better for Taiwan.

遠東集團
FAR EASTERN GROUP

FAR EASTERN GROUP – Focused on Growth

Douglas Tong Hsu, Chairman & CEO, Far Eastern Group

Across Asia, industrial conglomerates are shaping the competitive commercial landscape and driving the region's economic growth. According to a recent article from McKinsey & Co., the region's largest conglomerates have far outstripped national GDP performance with double-digit growth over the past decade. They have also been diversifying at a phenomenal pace, buying their way into new business sectors at an average rate of one acquisition every 18 months. The Far Eastern Group is one such conglomerate that exemplifies this approach. Celebrating its 70th founding anniversary this year, its enterprises have expanded across 10 industries as the most diversified conglomerate in Taiwan. The group has been focused on transformation in this dynamic era to embrace the New Economy and strives to achieve further sustainable growth and excellence in the next decades to come.

It is a trend that runs contrary to those in the West, where, these days, the idea of branching out into a new sector where there are no discernible synergies is usually treated with skepticism. But in Asia the model works, and Taiwan's Far Eastern Group (FEG) is a classic example of its success.

With nine listed companies and 250 affiliates operating across a range of 10 business sectors that span from petrochemicals/textile and building materials to retail, financial services and IT, FEG has come a very long way since its start 70 years ago as a textile manufacturer. Its achievements since then have attracted more than 600,000 shareholders, accumulated US$85 billion in assets and grown annual revenue to over US$24 billion.

"We have grown and prospered in tandem with Taiwan's overall economy," explains Chairman Douglas Tong Hsu, whose father founded the group. "We are active in three basic areas, which are petrochemicals and polyesters, cement, and department stores. It is all very diverse, which I find exciting. It keeps me active."

These are, he acknowledges, challenging times nevertheless. While each business unit is administered individually, a rapidly changing and increasingly digitalized environment is demanding more connectivity between the group's constituent parts. "Each business needs to be aligned with the group's overall corporate governance requirements," he says. "Our banks need to be talking to our department stores and they in turn need to be talking to our ICT operations. The companies we own can no longer operate as standalone entities. The situation is going to get even more complicated and challenging with the arrival of artificial intelligence (AI) and the Internet of Things (IoT)."

Not surprisingly, FEG's communications and internet subsidiary Far EasTone Telecommunications is spearheading much of this change as the group strives to create an integrated service solution based on an ICT network that can link together mobile phones, landlines, internet and both media information and vehicle services. It is a goal it shares with the island as a whole, and last year Taiwan became the first place in the world to move its entire freeway network from flat-rate to distanced-based pay-as-you-go tolling, thanks to FEG's Far Eastern Electronic Toll Collection system—a massive pioneering project that took the group's own technology to build.

ICT is not the only part of the group that has recently been helping the company develop what Hsu calls its "growth-oriented model," and its petrochemical and polyester division has been particularly active. Over the past 20 years it steadily built up a network of production plants across Southeast Asia and mainland China, and in 2015 it established a vertically integrated production site in Vietnam. Last year, the group entered into a joint venture to buy an unfinished PET resin and feedstocks plant in Texas for US$1.125 billion. On completion, the enormous plant will be the largest single-line vertically integrated PTA-PET production facility in the world, with FEG guaranteed a one-third share of its annual production capacity. Upward integration into raw material is another strategy.

Although FEG has been extending its footprint across the ASEAN region for some time, the acquisition of the Texan PET plant (along with two smaller, earlier U.S. investments) marks a watershed for the group as it looks to expand into North America. "We are no longer just in Taiwan," Hsu says. "We are already probably the largest Taiwanese investor in China, and now we are diversifying into other countries, particularly the U.S. Our development model proves that we are adaptive to change and have already become a global player."

TA CHEN – First Mover Advantage

In today's technology-driven culture, the names of business leaders such as Amazon's Jeff Bezos and Alibaba's Jack Ma are ever present. There are, however, a growing band of equally influential entrepreneurs operating in the business-to-business arena who are hugely respected by their peers within their own industries.


Robert Shieh, Chairman, Ta Chen Group

One such businessman is Robert Shieh, the Chairman of the Ta Chen Group, who is in the process of revolutionizing the way industrial products are being sold across the board. Like Bezos and Ma, Shieh has spectacularly succeeded in harnessing the power of the internet to commercial effect and, while this has been initially achieved within the context of the steel and aluminum industry, his achievements could have far-reaching implications for other business-to-business (B2B) sectors.

The principal components of Shieh's group are Taiwan-based Ta Chen Stainless Pipe Company (TCSP) U.S.-based Ta Chen International (TCI), U.S.-based Brighton-Best International (BBI). TCI and BBI are respectively North America's best-in-class, one-stop shop master distributor of commodity stainless steel and aluminum products, and the largest master distributor of alloy fastener products. Between them, the three companies operate an international network of more than 50 distribution warehouses on five continents and, in TCI's case, manufacturing plants in the U.S. states of Georgia, Florida and Texas. Last year, the group's consolidated revenues reached US$2.6 billion and are expected to exceed US$3 billion in 2019.

Shieh has come a long way from a childhood overshadowed by the collapse of the family business. After graduating from college, he decided to set up his own firm in the U.S. "My first company was a one-man trading outfit," he recalls. "I used to sleep in the warehouse to keep costs down."

In 1986, he returned to Taiwan, and has decided to build one of Taiwan's premier stainless steel pipe mills on his father's field. Three years later, determined to control his own U.S. distribution network, he set up Ta Chen International. In 2008, he joined a consortium of other Taiwanese fastener businesses to acquire BBI.

Up to this point, Shieh's story is one of success in the face of diversity. Where his experience differs from that of many of his contemporaries has been in his "first-to-market" understanding of the potential of the internet to transform traditional business models for B2B industrial products.

There are other insights that have helped Shieh outshine his competitors. One is his appreciation of how success in e-commerce depends on the treatment of suppliers as partners. Equally important is his understanding that at the end of day, success depends on a business being able to give customers the right products at the right time, and at the right cost.

The group's e-commerce platforms tick all of these boxes. "In essence, I am a 'Resource Integrator," Shieh explains, "and the group is the only company in the industry for industrial products that has managed to standardize prices on a web platform. Whoever wants one of our products can go online and see the prices and these are non-negotiable. If they weren't, the platform would collapse. That is why so many of our competitors have struggled."

In reality, Ta Chen's customers would be lucky to find any of its offerings at a better value anywhere else. Thanks to the operational structures that Shieh has introduced, the group is able to make an acceptable profit on a relatively low markup on its own cost of acquisition—around half the margin that either Amazon or Alibaba works.

Shieh points out that the business model he has perfected has helped him succeed as a relative newcomer in an industry where many of the incumbents have been around for more than a century. Thanks to the sustainable and scalable nature of his B2B web model, he is confident that it will be around for many decades to come. "I like to think of us as the B2B equivalent to Amazon's business-to-consumer model," he says, "and in five years' time I also believe that our platform will be much bigger than it is today by providing a web-based platform for many other industrial products."

Shieh's ultimate goal is to promote the strength of Taiwan and show the world that Taiwan has much more to offer than contract manufacturing.

TA CHEN INTERNATIONAL, INC.

BRIGHTON-BEST INTERNATIONAL

CENTER VENTURES – Creative Solutions

Over the past few years, Taiwan has made a name for itself as a hub for innovation and incubation within the biotechnology industry. Access to comparatively cost-competitive capital is attractive to start-ups, as is the Taiwanese investment community's deep understanding of the sector's massive potential.

Rongjin Lin, Chairman, Center Ventures

A combination of the two has enabled a number of high-profile companies to secure significant market capitalization on account of their perceived potential to develop a range of both conventional "small-molecule" pharmaceuticals and cutting-edge "large-molecule" biological drugs. As a result, the island's biotech companies currently have a combined market capitalization of just under US$25 billion and, with about 96 drugs in the development pipeline, that figure is only likely to grow.

One company that has unarguably helped put Taiwan on the biotech map is Center Ventures. Founded 60 years ago as Center Labs, the company, under the astute, steely and prescient stewardship of Chairman Rongjin Lin, has been transformed from a pure generic pharmaceutical company into an incubator and investment vehicle for the biotechnology sector. "We originally repositioned Center Labs as a professional oral liquid pharmaceutical company in 1998," recalls Lin, who rescued the company from bankruptcy." But in 2008, because this was a relatively limited market, I decided to broaden its horizons and to position it as an industrial bank for the biotechnology industry."

It proved to be an inspired move. Since taking that momentous decision a decade ago, Center Ventures has invested in more than 20 companies, eight of which have been successfully floated on either Taiwan's mainstream Stock Exchange or its Emerging Markets subsidiary. It is currently in the process of supporting a handful of its portfolio companies as they prepare to launch their own initial public offerings in Taipei, China and Hong Kong by the end of next year.

Although the seeds of the biotechnology industry were sown in the mid-1970s, it really came to be recognized as a sustainable commercial force in its own right around 10 years ago—just at the time that Center Ventures came into existence. In 1998, only five proteins from genetically engineered cells had been approved as drugs by the U.S. Food and Drug Administration (FDA). That figure is now in the hundreds, and Lin can claim with some justification to have been in at the beginning of a movement that is now helping to transform the global healthcare industry—not to mention the quality of the life of millions of people around the world.

But it is not just the company's pedigree as a founding father of this revolutionary movement that makes it so central to the industry's subsequent evolution. Along with the practical and business experience gained from their long exposure to the sector, Lin and his colleagues have also consistently demonstrated a unique familiarity with the industry's value chain as well as it's ecosystem.

The network of experts and the resource integration capabilities it has built up over the past two decades have, additionally, turned it into one of the most professional biotechnology platforms in the Asia-Pacific region. Long before the prospect of an IPO, aspiring young scientists specializing in the fields of pharmaceuticals, medical devices, nutritional health and smart healthcare will have benefited from the logistical and commercial expertise inherent in the company's Center Innovation Project that has been designed to encourage them to, in Lin's words, "create solutions that unleash your imagination."

Listed on the Taiwan Stock Exchange through an IPO in 2003, which at the time valued the company at US$3.5 million, Center Ventures is now capitalized at about US$1.2 billion.

MONEY ISN'T NECESSARILY ONE OF LIN'S KEY DRIVERS. "THE SHARE PRICE IS NOT MY PRINCIPAL CONCERN," HE EXPLAINS. "MY DREAM IS TO HELP AS MANY BIOTECH COMPANIES TO MAKE AN IMPACT IN THE GLOBAL MARKET PLACE. I AM 65 NOW AND THESE DAYS I SPEND A FAIR AMOUNT OF MY TIME GIVING ADVICE TO ENTREPRENEURS WHO ARE 20 OR 15 YEARS MY JUNIOR."

A mentor and an incubator through and through.

晟德
CENTER VENTURES

WIN SEMICONDUCTORS – The Leading Edge

5G is coming and when it does, it promises to open up a whole new range of possible uses for mobile data, from the operation of remote-controlled construction equipment and distance health monitoring to the live streaming of sporting events. This latest step change in connectivity and bandwidth is, therefore, a major commercial opportunity for both smartphone manufacturers and network providers.

These are, however, also challenging times for the semiconductor industry. Around the world its leading companies are coming under pressure to deliver a new generation of chip that is both super-fast, can guarantee extremely low power and ever-greater levels of performance—and come complete with functional integration and radio frequency (RF) to boot.

One man for whom the advent of this fifth-generation technology is definitely more of an opportunity than a challenge is Dennis Chen, Chairman of WIN Semiconductors. The Taiwanese company also happens to operate the world's largest gallium arsenide (GaAs) foundry, whose wafers have emerged as a key component in the development of 5G services. Thanks to their ability to satisfy the new technology's stringent linearity and efficiency requirements and to maximize both performance and battery life, GaAs wafers are now the dominant semiconductor technology used in the cellular and Wi-Fi RF front ends that are essential elements in virtually all of today's mobile devices and wireless communications infrastructure.

This puts WIN Semiconductors in an ideal position to capitalize on the upswing in demand for 5G-enabled devices once the new technology is rolled out around the world. South Korea, China and Japan are currently leading the race to be among its earliest adopters.

Chen is no stranger to being ahead of the game, a characteristic that has been a company trademark since he became WIN's Chairman back in 2003 and immediately repositioned what was originally a pure-play six-inch GaAs foundry service as a company dedicated to the development of a number of diversified, leading-edge compound semiconductor process technologies.

The timing of his appointment was optimal, as it coincided with a boom in Wi-Fi applications. And as the smartphone market began taking off two years later, so did WIN's business and profit margins. By 2009, the company had established itself as the world's largest pure-play GaAs foundry, with around a 40% share of the global market and a string of global strategic partnerships, including with some top-tier integrated design and manufacturing (IDM) and design houses. Today, its products are widely used not just in smartphones, but also in TV tuners and satellite products as well as in electronic tolls and smart national defense systems, among others.

"We work very hard to ensure that our customers have access to the very best available technology and the newest products on the market," says Chen. "Our determination to provide our clients with the ultimate in customer services is inherent in everything we do: the R&D, the manufacturing, the attitude."

A dedication to customer service along with the management team's enthusiasm for innovation, has enabled WIN to anticipate changing demand, particularly in terms of user expectations around all aspects of the online experience, from the quality of a smartphone's visual displays to the range of its optical capabilities.

Dennis Chen, Chairman, WIN Semiconductors

Launched in 2016, WIN's entry into the optical device market was virtually an overnight success. By the end of 2018, demand for its VCSEL laser components, which are used in both 3D sensors and visual recognition applications, had become a significant source of company revenue. It is an upward trajectory that seems almost certain to continue because while visual recognition is likely to become a default feature of the next generation of smartphones, 3D sensors are also essential to the development of two other technologies that are currently transforming our daily lives—artificial intelligence and the Internet of Things.

According to Chen, the next big opportunity will be in the automotive industry through its adoption of 3D light detection and ranging (LIDAR) technology, which uses light sensors to measure the distance between a car's sensor and any objects in its vicinity. "This is a critical application for automobile manufacturers as their focus moves to driverless cars," he says.

Ahead of the game, as ever.

win | 穩懋半導體

CHROMA ATE – Driving Innovation

For more than 40 years Moore's Law—the proposition that computer-processing speeds double every two years as the size of the transistors that can be fitted on a silicon chip shrink proportionately—has stood the test of time. But so too has Moore's Second Law, which suggests that the costs of developing and manufacturing each new generation of chips grows at a comparable rate, as demand for ever-more sophisticated testing and measurement instrumentation to gauge their efficiency and reliability continues to grow.

Leo Huang, Chairman and CEO, Chroma Group

One company that has been making its mission to meet this requirement for almost as long as Moore's Law has been in existence is Chroma ATE. Founded in Taiwan in 1984 to serve the flourishing domestic ICT and semiconductor industries, Chroma ATE has grown into one of the world's largest suppliers of precision test and measuring instruments, automated test systems, and intelligent manufacturing systems, turnkey tests and automation solutions.

Listed on the Taiwan Stock Exchange since 1996, Chroma Group has 10 affiliated technology companies with more than 3,000 employees, and posted revenue of US$564.4 million in 2018. Chroma ATE, with 48 operation sites and about 100 distributors that stretch worldwide, had earned a global reputation for the quality and reliability of its products and services, its relentless commitment to innovation and its willingness to diversify.

"We persistently allocate a significant amount of investment and resources to R&D to ensure that we can deliver products of precision, reliability and uniqueness for technology industries," explains Chroma Group Chairman and CEO Leo Huang, who is the co-founder of the company. "Over the years, we have built up more than 100 core technologies, which act as the cornerstones of our technological development. We have almost 900 patents registered across the world. Our objective is to create value for our customers in solving their headaches, and earn their trust for long-term partnerships."

As the exponential growth in the chip's processing power began to open up new horizons for the manufacturers of smartphones, laptops and other hand-held devices over the past 25 years, Chroma has been in the vanguard. It was one of the first companies to develop test solutions that ensured the quality and reliability of its performance in areas such as power electronics and video and color. When the "clean" technology movement first emerged as a force to be reckoned with some time later, it was once again one of the pioneers in the development of test and turnkey solutions specifically designed to measure the performance and quality of new LED and lighting products, photovoltaic energy sources and green batteries.

Chroma has enjoyed a decade-long partnership with Telsa that paved the way for the development of its electric vehicle (EV) test solutions, which have been adopted by several of the world's major automotive giants to safeguard the performance and quality of EV power electronics to meet automotive standards. This has been a critical development, especially for the current growth stage of the electric car industry.

It is no surprise that the group is now leading the industry's drive to develop testing and measurement solutions for two of the new developments now transforming business and day-to-day life—artificial intelligence and the Internet of Things. While the emergence of both these fields are further testament to the underlying truth behind Moore's Law, they also owe much to several other stunning advances in scientific and technical innovation; and Chroma Group is prepared to do what it takes to keep up to speed in this fast-changing world.

"As an increasingly global company, we are happy to externalize some of our more advanced design work," Huang says. "We have offices in the U.S. and regularly hire American engineers." The group also collaborates with several universities, which gives it access to some of the brightest and best brains of the up-and-coming generation. Earlier this year it acquired a 20% stake in Camtek, a leading Israeli manufacturer of metrology and inspection equipment, whose particular attraction to Huang was its ground-breaking work in the field of automated optical inspection (AOI).

"We knew how to make AOI machines, but we weren't the best at it so we invested in someone who was," Huang explains. "We are always interested in this type of synergetic partnership."

Chroma

NEW DEANTRONICS – Serving The Healthcare Industry

By 2022, the number of people around the world over the age of 65 is expected to reach 668 million, or 11.6% of the total global population. Although this opens up new possibilities for the healthcare industry, it comes at a cost. According to Deloitte, the expansion of healthcare coverage in developing markets and the growing care needs of an aging population, along with advances in treatments and health technologies, are going to increase healthcare spending, which is already standing at several trillion dollars, by an average of 5.4% over the next three years alone.

Jane Liu, Founder and CEO, New Deantronics

Someone who saw the enormous commercial potential of this a long time ago was Jane Liu, who in 1985, fresh from completing an MBA course at University of San Francisco, launched the medical device manufacturer New Deantronics in northern California. Taiwanese by birth, she decided to shift the company's production operations to her home island two years later.

"Taiwan may be small, but all the infrastructure is here, the regulatory environment is relatively relaxed, the protection extended to intellectual property is great and we have good engineers," Liu says. "The level of business ethics is also high."

Liu never regretted her decision and although New Deantronics still retains a strong presence on the U.S. West Coast and last year committed US$40 million to the development of a 14-acre technology campus in Nevada, the move to Taiwan has proved to be a critical milestone in the company's development. Today, its principal 250,000-square-foot facility in New Taipei City employs 800 people, including 60 R&D engineers dedicated to providing the global medical device industry with design, development, manufacturing, packaging, sterilization, regulatory and other support services. Their specialist areas are neurology; aesthetics, plastic and cosmetic surgery; cardiology; orthopedics; and both general and specialist surgery.

The strong links that the company's highly trained staff have developed with the wider healthcare industry have played a key role in its ability to keep on growing for well over a decade. By working closely with physicians and medical professionals to assist them in their efforts to advance healthcare and the quality of life, the company has been able to develop long-standing partnerships with a diverse customer base, from emerging medical technology start-ups to some of the world's leading medical device makers.

"We don't sell under our own brand name because the medical industry is unique in that the top 20 companies probably command between 50% and 70% of the market, so it is hard for a small private company to compete," Liu explains. "It makes more sense to partner with them. That way we both do well, so it is a win-win strategy."

The company is in perpetual forward motion and by the end of next year hopes to quintuple its production facilities, to take on more staff—and to follow new trends in the rapidly moving world of medical technology.

One area in particular that Liu has her eye on is robotics, and no wonder. A recent report from Credence Research predicted that a market that was valued at US$7.24 billion in 2015 will have grown to US$20 billion by 2023, thanks to the increasing use of robots in minimally invasive surgeries in several specialities where New Deantronics already has a track record: neurology, orthopedics and laparoscopy.

In what Liu describes as "a great opportunity" for the company, she is now looking to enter into a partnership with one of the many start-ups or established SMEs making inroads into this exciting new area, many of whom are in either the U.S. or Israel. In this case, Liu believes that small is probably more beautiful as many bigger companies tend to lose their innovative edge.

One thing Liu will make sure that New Deantronics never loses sight of is the philosophy that has got the company where it is today. "We believe in quality, delivery and cost," she explains. "Quality is always a priority because you are dealing with human life; delivery is about the service you offer and your ability to deliver the technology you have promised; and in an era where the focus of healthcare is on taking care of an aging population, we concentrate on making products at an affordable price."

Clearly a recipe for success.

NEW DEANTRONICS

大瓏企業股份有限公司

New Deantronics Taiwan, Ltd.

XXENTRIA TECHNOLOGY – Spirit of Innovation

Xxentria Technology Materials Company Ltd is one of the world's leading manufacturers of metal composite materials. Founded in 1994, the company develops innovative products with metal and plastic components and is committed to producing high-quality materials to fit the needs of the rapidly changing industries it works with, as well as continuing to expand its applications. Over the decades, Xxentria has been involved in the architectural and design sectors, and more recently has expanded into the transportation and solar industries.

After 25 years in business, Xxentria knows how to weather life's occasional storms and has gained a hard-earned reputation for its reliability and practical approach to unforeseen challenges. From the very outset, it has taken on full responsibility for every aspect of its operations, from research and development to both production and finance. At the same time, it has never lost its sense of adventure or its spirit of innovation, and is constantly looking for new opportunities.

This combination of courage and consistency, along with its streamlined communication system that means it can react quickly to any problems, has helped Xxentria to build long-term relationships with its customers and to develop new products based on their needs.

"Because we work very closely with our customers and can react quickly, we deliver great customer service as well as strong R&D support," says CEO Howard Cheng. *"We are a very reliable partner that not only provides great products but also total solutions."*

Not content with the status quo, Xxentria is always looking to improve its range of products and to increase their environmental sustainability. The development of its G-BOND galvanized steel composite materials for semitrailer body is a case in point. Already valued by its customers for its lightweight and impact resistance, this has recently been supplemented by the development of the A-BOND high tensile aluminum composite materials, which offer a 50% reduction in weight compared with the conventional trailer body, thereby decreasing fuel consumption and carbon emissions. Beyond the product itself, Xxentria has utilized recycled plastics to reduce costs and more importantly, to contribute to environmental protection, in line with its motto "Low Waste. High Efficiency."

"With streamlined production from raw materials to finished products," the CEO says, "we know how to turn these materials into useful products for our customers and minimize the impact on the environment."

In response to advances in technology, Xxentria has also broken away from the traditional manufacturing industry concept and its focus is no longer only on equipment optimization. Today, it has implemented several large-scale robots and has widely utilized various types of sensor system, which will help it collect data and build databases so that the company can establish its own manufacturing execution system (MES) and supervisory control and data acquisition system (SCADA). Nor is the team's focus confined to the field of engineering; it has now begun to combine marketing and financial analysis with loop computing to achieve the most efficient and accurate equipment development and process optimization.

Xxentria's composite panels for semitrailers

Today, Xxentria has achieved 60% market share in the U.S. while G-BOND sales are increasing in both Europe and China. The company is looking forward to more people using such energy-saving products to protect the environment. In 2016, the Chinese government issued new vehicle regulations to create a safer and more efficient transportation environment, which could require as many as 1.5 million semitrailer trucks to be replaced. Xxentria is committed to supporting this booming market to implement the new regulations in the most appropriate way, and to work with Shenzhen-based China International Marine Containers and other major trailer suppliers to open up the Chinese market.

In addition to materials for semitrailer bodies, Xxentria has established a multifunctional physical vapor deposition (PVD) production line through a joint venture with Alanod, a global leader in high reflective surface-finished aluminum. Xxentria believes that through this innovative technology, it can develop more energy-efficient products that can be used in the solar, lighting, and architecture industries not only to save but also to create energy.

With its solid business foundation and continual spirit of innovation, Xxentria expects continuous improvement and will remain a reliable partner to both its customers and investors. Xxentria also takes care of its employees while ensuring the interests of shareholders, and continues to protect the earth's environment.

Find out more about Xxentria at: www.xxentria-tech.com

XXENTRIA
Low Waste. High Efficiency.

PHARMAESSENTIA – On the road to product launch

Dr. Jack Hwang, General Manager, **Dr. Ching-Leou Teng,** Chairperson and CSO and **Dr. Ko-Chung Lin,** CEO, PharmaEssentia

Since 1984, the number of biotechnology companies listed on the Taiwan Stock Exchange has gone from precisely zero to more than 100, with a combined value of US$25 billion.

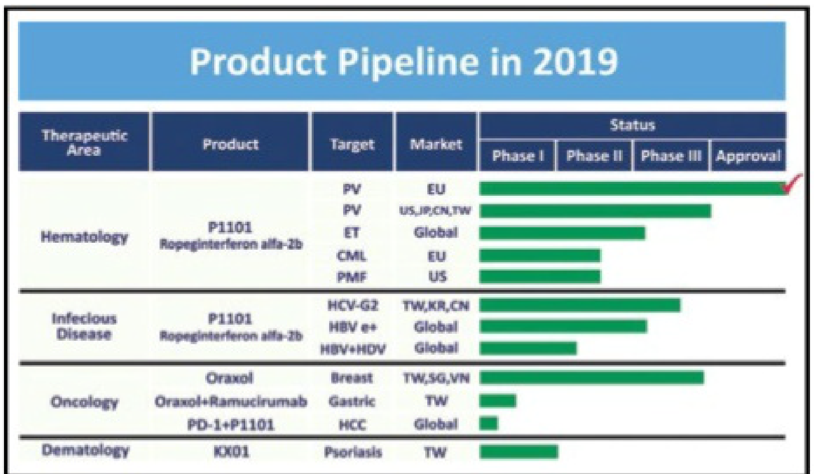
The government in Taipei can take some of the credit for this after identifying the industry as the next Big Thing to promote after its success in establishing the island as a center of excellence and innovation for the semiconductor manufacturing sector; but so too can the cohort of scientists and entrepreneurs who have provided the skill and the commercial acumen that has seen Taiwan established as an engine room for an industry that is not just making a significant contribution to the island's economy but is also helping improve the health and the quality of life of millions of people around the world.

One of the Taiwanese diaspora to respond to Taipei's clarion call was PharmaEssentia's CEO Ko-Chung Lin. In 2003, he joined a team of Taiwanese-American executives and high-ranking scientists from leading U.S. biotechnology and pharmaceutical companies who decided to come back home to launch a company dedicated to the development of drugs designed to treat myeloproliferative neoplasms (MPNs), such as polycythemia vera (PV), essential thrombocythemia (ET), myeloid fibrosis (MF) and chronic myeloid leukemia (CML), as well as hepatitis and cancer.

"I chose to set up the company here rather than in the U.S. because Taiwan is probably the best place in the world in which to raise capital for a biotech company," Ko-Chung explains. It was the right call. The company's 2016 IPO raised more than US$100 million and immediately propelled PharmaEssentia into the top half of Taiwan's league of biotech companies.

That could be just the beginning. Earlier this year, the European Commission (EC) announced that it had given marketing approval for Besremi® (ropeginterferon alfa-2b). Developed in conjunction with AOP Orphan Pharmaceuticals, Besremi® is indicated as monotherapy in adults for the treatment of polycythemia vera without splenomegaly. Following the EC ruling, it is now the only such treatment available to PV sufferers across most of Europe.

For Ko-Chung, it makes all the blood, sweat and occasional tear that he and his colleagues have shed on the way worthwhile. "We have conceptualized an idea and turned it into a reality," he beams. "I have been a scientist for 40 years and it is the dream of anybody in my profession to find themselves in this position. It is very rewarding."



Source PharmaEssencia

Ko-Chung is only too aware, however, that the hard work has only just begun. "The challenge for us now is to explain to our investors that even having met the milestone of gaining EC approval for Besremi®, making money from it will not happen overnight, and we still need their support to carry us through the initial marketing stages. Two other firms in this sector found themselves in a similarly great position of having an approved drug with a lot of potential recently, but their shares plunged because their cashflow did not immediately rise. I learned a lot from their experiences, and we try to give our shareholders as much precise information as possible so that they understand our plan and potential."

The next step for PharmaEssentia is to strengthen its U.S. presence. The company already has a second-line PV reference drug (given to patients after they have been previously treated with another drug) and is looking for FDA approval to be classified as a first-line option. According to Ko-Chung, the PharmaEssentia's product has the potential to treat 4.5 times more patients than the current drug of official choice.

With the assistance of its office in Boston, the company is going to expand indication for BESREMI® to include ET and is currently in talks with the FDA to conduct a Phase 3 clinical trial. Ko-Chung expects development and rollout to take another three years or so, giving it access to a segment of the healthcare worth between US$5 billion and US$10 billion. It will also be marketed in Taiwan, Japan, Korea and China.

Another drug for Hepatitis B patients is also in the later stages of development and more innovations and discoveries will surely follow. "We are humble and we continue to learn. This is why our success rate in discovering new drugs is so high," says Ko-Chung.

PharmaEssentia

Klooking Forward

Eric Gnock Fah channeled his nomadic spirit to cofound a travel-booking service now valued at more than $1 billion.

BY RANA WEHBE

While traveling in Nepal with a group of friends in 2013, Eric Gnock Fah and Ethan Lin were dismayed to discover they had to pay for almost everything in cash. Even the company operating the paragliding tour they planned was unable to accept credit cards or digital payments, so they had to carry thousands of dollars in cash. "While we had spent a lot of time doing the research and planning the trip, there was no magic button to make the transactions more convenient and hassle-free," says Gnock Fah.

That experience gave Gnock Fah and Lin, both former investment bankers based in Hong Kong, the idea to create an online service enabling travelers to book and pay for activities in advance. So they scoured LinkedIn for the best software engineer they could find, Bernie Xiaokang Xiong, and with him founded Klook. Gnock Fah, now 32, made Forbes' 30 Under 30 Asia list in 2017 (his two slightly older cofounders missed the age cutoff).

Klook now has over 1,000 employees in 20 countries. Hong Kong-based Xiong serves as Klook's chief technology officer. Gnock Fah is chief operating officer and Lin is CEO. The company has already raised over $521 million from investors, including Goldman Sachs, Matrix Partners and Sequoia Capital China. Its latest funding round—$225 million led by Softbank Investment Advisers in April—valued the company at over $1 billion.

First launched in September 2014, Klook, short for "keep looking," lets users find, reserve and pay online for activities, tours, transportation and tickets for attractions. What can't Klook's customers book? Flights and hotel rooms, which Klook's founders decided was already well-served. New York-based travel research firm Phocuswright predicts that the activity booking market—also known as the "in-destination market"—will grow to $183 billion by 2020, from $135 billion in 2016. "We looked at the travel space and asked ourselves, 'Where can we add value?'" says Gnock Fah, who first moved to Hong Kong in 2007 from his native Mauritius to work at Morgan Stanley. "In-destination was ripe for consolidation and disruption using technology."

Klook now offers more than 100,000 travel activities and services from over 10,000 vendors in 300 cities. Its website has 30 million visits a month. And, yes, it has among other things overcome at least some of the frustrations that inspired it: the paragliding experience in Nepal the cofounders had to pay for in cash is now available for booking on Klook.

Klook launched a mobile app in March 2015, which was then featured on Apple's iTunes store across 14 countries and regions in Asia. It proved a pivotal moment for the company: it was on iTunes that one of Klook's early investors, Zhuyan Li, vice president of Matrix Partners China, spotted the app and contacted Klook looking to invest.

Li, a former product manager at Baidu, saw in Klook's international appeal an opportunity for exponential growth. "We think Klook may become the international Meituan," says Li, referring to the online delivery service backed by Tencent. Meituan raised $4.2 billion in an IPO in September last year. "As it's based in Hong Kong and with users across Asia, we see a potential in Klook to expand in European and North American markets," Li says.

Klook already is in Europe, with offices in Amsterdam, Barcelona and London. While it faces competition there from local players such as Berlin-based GetYourGuide, which in May raised $500 million from a group of investors also led by SoftBank, Gnock Fah says that Klook offers a great range of services such as car rentals and airport transfers that appeal to a broader group of users.

Asia remains Klook's biggest market, though, and roughly 35% of the app's users come from Greater China. "We're very well-positioned for China growth," says Gnock Fah. Yet Klook isn't competing with dominant local players such as Ctrip, China's biggest player in the travel booking industry. "We focus on the outbound business," he says.

Geographic expansion aside, Klook continues to build its network of vendors and offerings. "When you're in a destination you have a multitude of needs, from booking a car to airport transfer, rail, food, attractions, tours and activities—that ecosystem is what we want to build," Gnock Fah says. In December, Klook signed a partnership with Shangri-La Hotels and Resorts to provide digital concierge services to guests in Bangkok, Hong Kong, and Singapore.

Gnock Fah predicts that Klook will eventually add concerts and other events to its offerings, blurring the line between travel and leisure. "After the first or second year, I realized that travel isn't travel as we understand it," he says. "It's not strictly about travel, but about leisure and creating memories." F

"Travel isn't travel as we understand it. It's not strictly about travel, but about leisure and **creating memories."**

AMANDA KHO FOR FORBES ASIA

Forbes TRAVEL GUIDE

Elite of the Elite

Forbes Travel Guide's triple Five-Star winners make up less than 1% of all rated properties. The even-rarer category of quadruple, quintuple and sextuple Five-Star rated hotels are all in either Hong Kong or Macau.

BY FORBES TRAVEL GUIDE EDITORS

If a hotel demonstrates exemplary service in distinct, elegant surroundings, it can potentially be rewarded with a Forbes Travel Guide Five-Star designation. When that property extends those elements to its restaurant, it may earn another top honor. And when the hotel brings those same philosophies to life at its spa, it not only opens the door for yet another Five-Star, but it steps into rarefied air as a triple Five-Star winner.

A mere 17 hotels in the world were bestowed Forbes Travel Guide's highest mark for their lodging, restaurant and spa this year as a triple Five-Star winner—and 11 of them (65%) are in Asia, either Hong Kong or Macau. The triple Five-Stars make up only 0.94% of all rated properties in the 2019 Star Awards. Of these, six earned additional Five-Star ratings because they had more than one restaurant or spa as Five-Star winners. The following collection is a spotlight on these well-rounded wonders but also a declaration of how hard work and a team's focus on a sole goal can lead to astonishing results.

Fairmont Grand Del Mar

3

CALIFORNIA

You won't want to leave the grounds of this Mediterranean-style San Diego resort. Play golf at the Tom Fazio-designed course, linger by the four pools, practice your backhand on two tennis courts or ride a horse at the equestrian center. Whichever activities you choose, two things are a must: enjoy a four-course menu of extraordinary contemporary French fare at Addison, and reserve a day for the lavish Renaissance-inspired spa.

The Peninsula Hong Kong

3

HONG KONG

Hong Kong's oldest luxury hotel knows how to deliver an experience. Whether it's setting you off on a helicopter adventure from the hotel's own helipad or pampering you in the extravagant two-story spa (try the Chinese-style massages) with breathtaking skyline vistas from every treatment room, The Peninsula goes above and beyond. Among the eight dining and drinking options, Gaddi's fine French cuisine is an experience unto itself.

COURTESY OF FAIRMONT GRAND DEL MAR, THE PENINSULA HONG KONG-VFM LEONARDO INC.

Banyan Tree Macau

MACAU

3

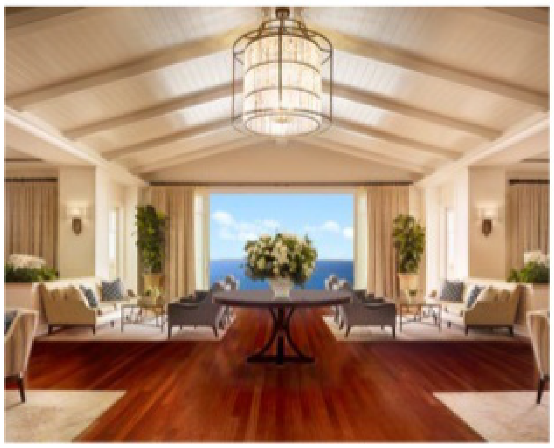
Envelop yourself in serenity at this all-suite Macau marvel, where every accommodation comes with its own heated relaxation pool. For deeper bliss, visit the spa for treatments like the Royal Banyan, which includes an herbal pouch massage, jade face rubdown and herbal bath. Then nourish yourself at Belon, a glittering steakhouse with a two-story wine cellar. When you feel like emerging from your cocoon, head to the hotel's 3,995-square-meter sky-wave pool, the biggest of its kind in the world.

Montage Laguna Beach

CALIFORNIA

This Orange County escape has a festive spirit that shines across the calendar. Visit in April and the Five-Star destination eatery, Studio, will cook up an exquisite Easter brunch. Come near Christmas and the public spaces are decked out in gingerbread houses and elaborate trees. And if you stop by Spa Montage Laguna Beach any time of year, you'll find the sanctuary pairing with skincare brands such as Valmont to give your body a seasonal pick-me-up.

3



The Cloister at Sea Island

3

GEORGIA

Sea Island opened its critter-filled Nature Center on March 1. Not that the private coastal Georgia escape needed any help luring guests. With its modern-yet-majestic hotel, the stunningly grand Georgian Room restaurant and the sublime, 23-room spa, the destination already had more than enough to drive you wild. Add in the fact that neighboring The Lodge at Sea Island Golf Club provides a Five-Star stay and world-class greens, too, and you really start to grasp the island's animal magnetism.

COURTESY OF BANYAN TREE HOTELS AND RESORTS, MONTAGE LAGUNA BEACH, THE CLOISTER

The Landmark Mandarin Oriental

HONG KONG

Boasting a sleek, streamlined design and a city-center location, this 111-room Hong Kong hotel nabbed top honors for its impeccable service. Its ultraluxe spa (which specializes in age-defying treatments from hard-to-find brands) and contemporary French fine-dining venue Amber round out the triple Five-Star.

The Broadmoor

COLORADO

Embark on an adventure at this sprawling Colorado Springs getaway. Zip lining, fly-fishing, horseback riding and falconry lessons are just a few of the options. However, despite its blood-pumping activities and rugged surroundings, the Broadmoor exudes classic elegance, especially in Penrose Room, where you can expect pressed tablecloths and your dish awaiting its big reveal under a cloche, and the pampering spa, where you'll slip into a warmed robe and gaze at the Rocky Mountains from the relaxation room lounger.

Meadowood Napa Valley

CALIFORNIA

We could gush for days over the clean, inviting accommodations at this Napa institution. The same could be said for an all-suite spa that not too long ago re-emerged from a makeover that somehow left the space even more of a natural wonder than it was originally. But the ultimate experience here belongs to The Restaurant at Meadowood, where chef Christopher Kostow leads a team of epicurean magicians that transports you to a world of theatrical motions and tasty morsels you'll never forget.

COURTESY OF THE LANDMARK MANDARIN ORIENTAL, THE BROADMOOR, MEADOWOOD NAPA VALLEY.

COURTESY OF MELCO CROWN ENTERTAINMENT, MANDARIN ORIENTAL, MACAU, THE SPA AT WYNN LAS VEGAS

Tower at Studio City Macau

MACAU

This flashy destination gained attention for taking entertainment to new heights with multiple concert venues, a 4-D Batman ride and the world's highest figure-eight Ferris wheel. But it earned its stars for sterling service at elegant spots like contemporary Cantonese restaurant Pearl Dragon and the Old Hollywood-inspired Zensa Spa.

Mandarin Oriental, Macau

MACAU

One of the few nongaming, five-star hotels on the Macau Peninsula, this sleek tower capitalizes on the city's spectacular skyline views with floor-to-ceiling windows adorning almost every space, including its uniquely Macanese (think Portuguese meets Mediterranean melded with Cantonese cuisine) Vida Rica Restaurant and the serene, eight-room spa.

Wynn Tower Suites

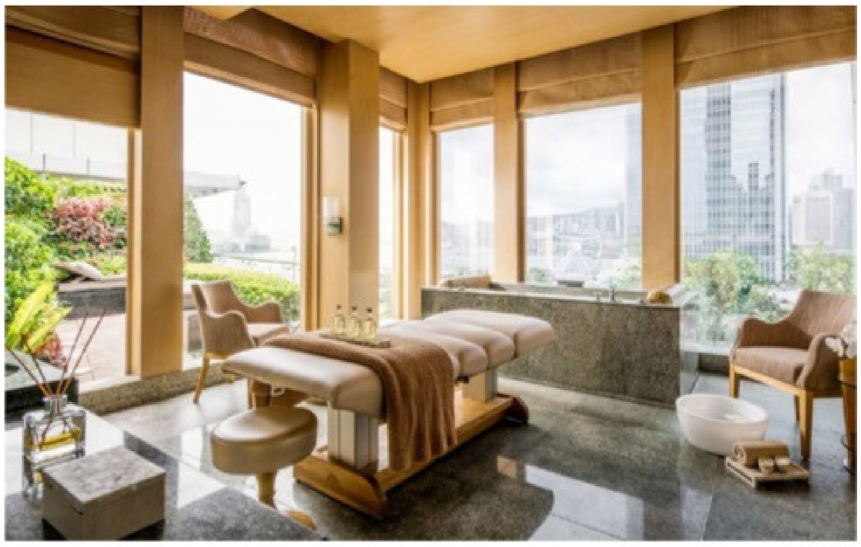
NEVADA

The exclusive Las Vegas hotel-within-a-hotel amazes with its private entrance and dedicated staff, but an ornate spa offering auspicious Asian- and Middle Eastern-inspired treatments and the golden-hued Wing Lei at Wynn Las Vegas put this stellar Sin City stay over the top.

Altira Macau

MACAU

Like many hotels in Macau's competitive high-end market, Altira offers premium gaming, luxurious rooms and Five-Star fine-dining options (the Cantonese Ying and the Italian-influenced Aurora). Where the property finds its own light is with a superb spa with about 557 square meters of contemporary design and replenishing services. Invigorating water experiences make a splash through vitality pools, crystal steam rooms and an ice fountain.



Four Seasons Hotel Hong Kong

HONG KONG

Home to a picturesque infinity pool overlooking Victoria Harbour, this high-rise is a beacon of Hong Kong luxury. And with its window-lined spa (offering unique treatments like jade therapy and onnetsu heated massages), French-themed restaurant (Caprice) and Cantonese dining room (Lung King Heen) all receiving full marks, it continues to shine bright.

Nüwa Macau

MACAU

Even though City of Dreams' architectural feats (the new Morpheus hotel) and entertainment options (the House of Dancing Water show) garner headlines, it's the more intimate details that stand out. The Nüwa Macau is an inviting, 300-room beauty. The spa wows with holistic treatments and international approaches. A trio of culinary sensations— the Cantonese Jade Garden, the European-flavored Tasting Room and Shinji by Kanesaka for sushi lovers—ensures the kitchen remains one of the resort's top attractions.

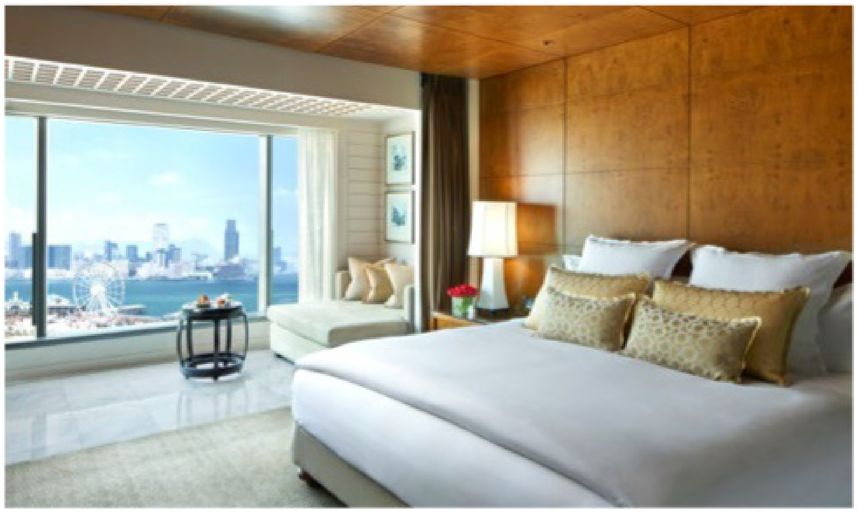
COURTESY OF ALTIRA MACAU, FOUR SEASONS HOTEL HONG KONG, NÜWA MACAU

Wynn Palace, Macau

6

MACAU

Wynn's newest Macau hotel goes over the top: the 32,375-square meter Performance Lake shoots 5,505 multicolored beams into the sky, a SkyCab gondola circles the spectacle and inside, elaborate displays include a life-size carousel made of flowers. A quartet of Five-Star restaurants—Mizumi, Sichuan Moon by Andre Chiang, Sushi Mizumi and Wing Lei Palace — delivers impeccable food and service. Of course, the gold-toned spa doesn't disappoint; it draws inspiration from China's royal palaces.



Mandarin Oriental, Hong Kong

6

HONG KONG

Mandarin Oriental's flagship hotel flanks Victoria Harbour, affording vistas of the water and the cityscape from every room. The Hong Kong icon is known for its 1930s Shanghai-era spa and locals flock to it for its expert pedicures and traditional barber services. Foodies will feast here: French at Pierre from master chef Pierre Gagnaire, grilled fare at Mandarin Grill & Bar, Cantonese at Man Wah and the champagne-filled meals at Krug Room.

Wynn Macau

6

MACAU

This ostentatious casino resort received buzz for its opulent décor (bold carpets, a garden-encased pool and countless crystal chandeliers), but a first-rate collection of restaurants (Swarovski crystal dragon-adorned Wing Lei, red-clad Mizumi, Performance Lake-facing Il Teatro and unique Tan-cuisine-serving Golden Flower) and a sumptuously serene spa earned this palace a cluster of six Five-Star awards. F

COURTESY OF WYNN PALACE, MANDARIN ORIENTAL, HONG KONG, BARBARA KRAFT FOR WYNN MACAU

SEYCHELLES: MEETING THE COMPLEX NEEDS OF GLOBAL BUSINESSES

The country's forward-thinking tax and regulatory frameworks accommodate not only international investors looking to expand into Africa, but also cutting-edge firms in the fintech space.

With its stable political environment, robust regulatory framework and a sophisticated portfolio of entity structures, the Republic of Seychelles in the Indian Ocean is an established international financial jurisdiction that offers businesses and investors a range of products to meet their increasingly complex needs. Today, a host of global financial institutions, law firms and corporate service providers have set up operations on the archipelago, attracted by the country's many tax and business benefits.

"Seychelles as a jurisdiction has a very solid regulatory framework that is a hybrid of English common law and French civil law. Having a legal system with such flexibility enables us to provide innovative structures to meet the needs of companies," says Dr. Steve Fanny, Chief Executive Officer of Financial Services Authority, the regulatory body for non-bank financial services in Seychelles.

Fanny adds that Seychelles also enjoys low crime and unemployment, and a literacy rate of more than 95%. "In a nutshell, we have in place the necessary infrastructure for good economic development and growth. That is what differentiates the Seychelles from other jurisdictions," he says.

Gateway to Africa

Made up of 115 islands that lie 1,500 kilometers east of mainland Africa in the Indian Ocean, Seychelles is ideally positioned as a gateway for international investors into the fast-growing economies of the African continent. In particular, there has been growing interest from Chinese investors in recent years to use the Seychelles as a jurisdiction to expand into Africa.

Seychelles has had a long relationship with China; the two countries established diplomatic relations in 1976. "Our relationship with China has grown over the years and the two countries have one of the best double taxation agreements. Seychelles is also supporting China with the Belt and Road initiative," says Fanny.

Innovative Structures

Seychelles provides companies and investors with a wide range of entity structures to meet their various needs. For instance, the International Business Company (IBC) is a simple and flexible structure that is ideal for any business, from personal services companies to collective investment schemes operating locally or internationally. Another structure,

Dr. Steve Fanny, CEO, Seychelles' Financial Services Authority (FSA)

the Company (Special Licence), or CSL, is a Seychelles domestic company that is allowed to conduct business both internationally and within Seychelles. Both IBCs and CSLs are not subject to Seychelles' tax or duty on income or profits if they do not derive assessable income in the country.

For investors looking for asset protection, Seychelles offers trust and foundation structures that appoint a trustee/council to manage assets on behalf of the beneficiaries. There are also a host of fund structures that create pools of funds for specific investments.

In the face of a fast-evolving global landscape, Seychelles is designing new products to meet the changing needs of businesses around the world. The jurisdiction will soon publish a set of regulations for a regulatory sandbox to accommodate the increasingly important financial technology (fintech) sector. The sandbox will provide a regulated environment that will allow fintech companies in the capital market space to carry out live testing of their innovative products or services. There has been marked interest from several large fintech companies to participate in this initiative. Says Fanny, "Fintech is a fast-growing industry and we are seeing many players coming to Seychelles."

Seychelles - Eden Island

FSA

sib Seychelles Investment Board

A Greater GOOD

BY CHRISTIAN BARKER

Founder of Global Rapid Rugby, Andrew Forrest poses for a photo during the match in Singapore between the Asia Pacific Dragons and Western Force.

SUHAIMI ABDULLAH/GETTY IMAGES

Australia's most generous philanthropist, Andrew "Twiggy" Forrest, was in Singapore in May when he and his wife Nicola announced that they had donated an additional A$655 million ($460 million) to their Minderoo Foundation, based in Perth. Their most recent gift brings the couple's total charitable outlays to A$1.5 billion ($1.05 billion).

Although the iron mining magnate's visit was primarily to promote Global Rapid Rugby, the new Asian competition he launched in 2017, Forrest also chose to make public the news of his donation as a challenge and rallying cry to Asia's wealthy. The region's most fortunate—including his fellow Australians—need to raise their philanthropic game, he says.

Once Australia's richest man, Forrest's net worth peaked at $12.7 billion in 2008 when shares of his Fortescue Metals Group reached an all-time high. His net worth is now estimated at $7.5 billion, and he's already told his three children—daughters Grace, 25, Sophia, 24, and son Sydney, 19—they won't inherit that immense fortune because he wants to give it away. In an interview during his visit to Singapore, Forrest explained why and how he believes Asia's wealthy can employ their resources and skills for the greater good.

FORBES ASIA: How do your children feel about your wealth going to charitable causes and not to them?

FORREST: Our kids feel zero entitlement to their parents' wealth. We've encouraged that from a very early age. At a certain point, we got together as a family and said, "Look, wealth can really make people miserable. You know that it actually is no guarantee of success in life. It's no guarantee of happiness or joy or satisfaction in life. But the accumulation of your own wealth, of your own achievements, that's different. Maybe it will not be marked in money, it could be just marked by the things that you've done for others, or the things you've done in your own career, it might not reflect itself in capital—generally it doesn't. But when you achieve something yourself, you feel that inner satisfaction." We asked our children, "How would you feel if we give away the wealth we've made to causes that really, desperately need it? You kids aren't going to starve. You'll still inherit personal effects and things. But this huge rump of wealth, let's put it to hard work. Do you kids agree that's a good idea or not? Let's have it out." And they all agreed.

Forrest at his iron ore mine in Cloudbreak, Australia in 2010.

You feel Asia's wealthiest citizens should be more generous. Have they answered the call?
Across Asia, including Australia, there's a defensive mindset [among the wealthy]. It's a mindset that you made it all, so you could lose it all, so you should really hang on to it. Actually, we live in a civilized world where laws are enforceable and reliable, and it's not going to get taken off you. But the way you should share it is by giving it away—and not randomly. The skill you have, which allowed you to accumulate that capital: you should use that skill to distribute capital in the wisest, highest-leverage, highest-benefit way possible.

Why ask others to contribute—doesn't the Minderoo Foundation have enough funding already?
Nicola and I realize that we can't do anything on our own. We can't achieve diddley-squat as Lone Rangers. We need to collaborate. Together, we can address and stop, once and for all, plastic going into the ocean. We can be the generation that saves the world's oceans, rather than the generation that ruined them for all time. We can be the generation that eliminates the scourge of modern slavery. Within a few short years, a third to half of the world's billionaires will be located here in Asia. And to all these newly minted billionaires, we're saying, let's band together and let's not repeat the mistakes of Australia, where we haven't been entirely philanthropic. Whether Thai, Indonesian, Singaporean, Chinese or Australian, we're all Asian, despite our idiosyncrasies and cultural quirks.

Some suggest that privately-funded philanthropy is all well and good, but if the wealthy just paid their fair share of tax, couldn't we let the government solve society's ills?
I'd say that is moronic—at its kindest. The greatest waste has happened under political leaders who say that. I've seen train wrecks created by politicians who've said, "Actually, we should just pay more tax." My response is, "Well, can you show me what you achieved with everyone else's money, once you got your hands on it in the past?" Answer? A train wreck. To those who'd suggest, "Oh, you should just pay more tax," I'd say, "What, so politicians can waste more of it?" F

"To all these newly minted billionaires, we're saying, let's band together and let's not repeat the mistakes of Australia, where we haven't been entirely philanthropic."

FAIRFAX MEDIA/GETTY IMAGES

CONTROL

"Our anxiety does not come from thinking about the future, but from wanting to control it."
Kahlil Gibran

"Freedom is the only worthy goal in life. It is won by disregarding things that lie beyond our control."
Epictetus

"Humility means accepting reality with no attempt to outsmart it."
David Richo

"Life is to be lived, not controlled, and humanity is won by continuing to play in the face of certain defeat."
Ralph Ellison

"We are ruled by the forces of chance and coincidence."
Paul Auster

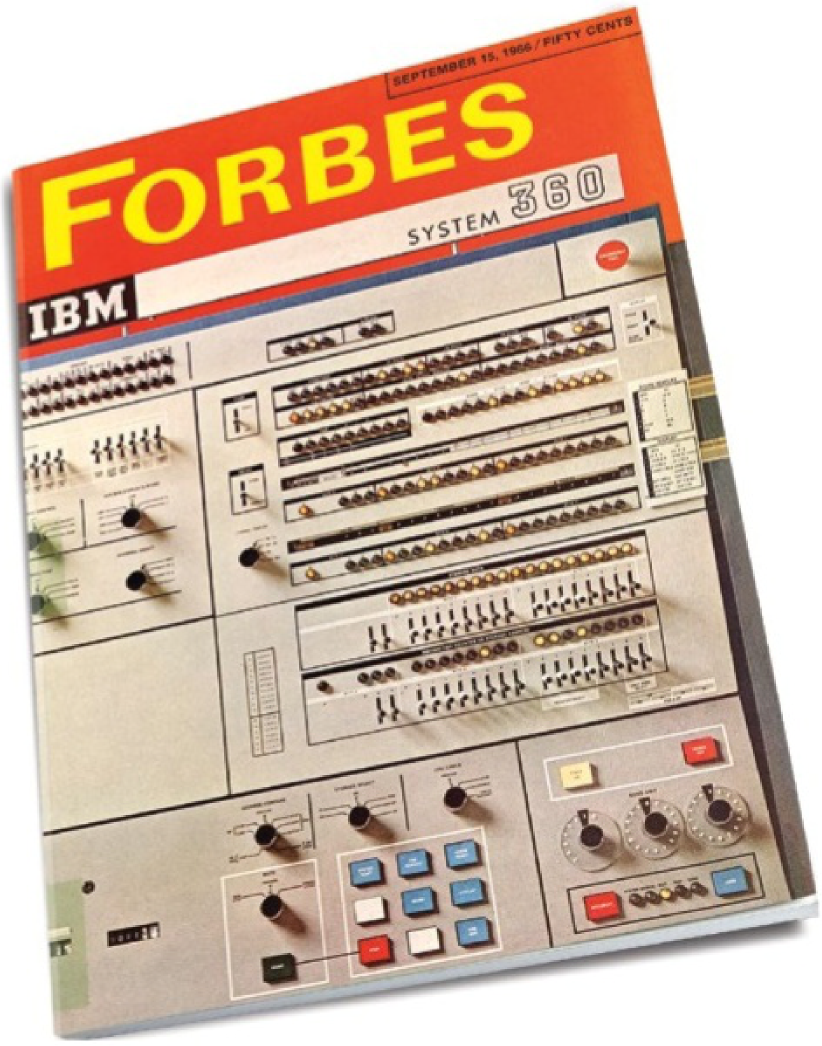
"If guilt is the price we pay for the illusion that we have some control over nature, many of us are willing to pay it."
Elaine Pagels

"Is it true that dictators never dream, because they can change their smallest fantasies into realities if they want to?"
Alfred de Musset

"Men are more easily governed through their vices than through their virtues."
Napoleon Bonaparte

"Don't despair. Despair suggests you are in total control and know what is coming. You don't. Surrender to events with hope."
Alain de Botton

"Better a patient person than a warrior, one with self-control than one who takes a city."
Proverbs 16:32



September 15, 1966

Two years after introducing the storied System/360 mainframe, IBM had a hammerlock on the global computer market, accounting for two thirds of the $8 billion industry ($62.5 billion in today's money). The 360, the smallest version of which cost $2,700 a month to lease ($21,100 today), was on 24-month back order.

So successful was IBM that trustbusters were a constant concern. Company chairman Thomas J. Watson Jr. noted that the firm's market share had shrunk a bit the previous few years: "We *hope* the Justice Department will be satisfied." IBM also engaged in "indoctrination of its employees," regularly screening films starring Watson, in which he urged his workers to be "wild ducks" and take risks. Messages from the chairman were also piped in periodically over the office phone system. **"Some employees resent this and refer to the company as 'Big Brother,'"** we wrote, "a nickname IBM detests."

Watson bristled at any insinuation of paternalism: "We devote more time to people than anything else."

SOURCES: INVISIBLE MAN, BY RALPH ELLISON; THE FIVE THINGS WE CANNOT CHANGE, BY DAVID RICHO; EAT, PRAY, LOVE, BY ELIZABETH GILBERT; LORENZACCIO, BY ALFRED DE MUSSET; DISCOURSES, BY EPICTETUS; WHY RELIGION?, BY ELAINE PAGELS.

"My life didn't please me, so I created my life."
Coco Chanel

"She thought: How hard it is to change one's life. And again she thought: How terrifyingly simple it is to change the lives of others."
Cynthia Ozick

"The human race divides politically into those who want people to be controlled and those who have no such desire."
Robert A. Heinlein

"If you can't learn to master your thinking, you're in deep trouble forever."
Elizabeth Gilbert

"The greater a man's talents, the greater his power to lead astray."
Aldous Huxley

"Put all the things you can control in order. Repair what is in disorder, and make what is already good better. It is possible that you can manage, if you are careful."
Jordan Peterson

FINAL THOUGHT

EVERETT COLLECTION-NEWSCOM

"Authority is shared only when the sharer is sure of his."
Malcolm Forbes