

# BUSINESS

## THE INFORMER

### EVENTS

**Monday, April 15:** Canadian Chamber of Commerce lunch: "A talk on the 'Lantau Tomorrow Vision'". HK Club.

**Tuesday, April 16:** Canadian Chamber of Commerce evening: "Successful Canadian women in healthcare". HK Convention and Exhibition Centre.

**Wednesday, April 17:** British Chamber of Commerce breakfast: "Managing the impact of interest rate benchmarks reform".

British Chamber of Commerce evening: "Planning ahead and making the most of your time in Hong Kong".

**Thursday, April 18:** American Chamber of Commerce lunch: "Cybersecurity on the cloud: Conjuring a storm?".

**Wednesday, April 24:** American Chamber of Commerce lunch: "Smart city: Smart engineering".

Canadian Chamber of Commerce afternoon: "Prospective business opportunities and industry updates".

### RESULTS

**April 15 AGM:** Gemini Investments (Holdings)

**April 16 Final:** Yorkshine Holdings

**April 17 1st Quarter:** China Tower Corporation  
**AGM:** Beijing Capital Grand, Pacific Basin Shipping

**April 18 1st Quarter:** Central China Securities, China Overseas Grand Oceans Group, China Overseas Land & Investment, Sany Heavy Equipment Int'l Holdings, Vinco Financial Group  
**AGM:** Tsit Wing Int'l Holdings

**April 19 1st Quarter:** DaChan Food (Asia)

**April 23 1st Quarter:** Changhong Jiahua Holdings, China Unicom (Hong Kong), Shandong Xinhua Pharmaceutical  
**AGM:** Beijing Capital Land, China Lilang

**April 24 1st Quarter:** Beijing North Star, China Galaxy Securities, Lanzhou Zhuangyuan Pasture, Vinda Int'l Holdings, Xinjiang Tianye Water Saving Irrigation System, Xinte Energy  
**Interim:** Wisdom Education Int'l Holdings  
**Final:** Aeon Credit Service (Asia)

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### INSIDE TODAY'S



**GIFTING MADE EASY WITH BYDEAU**

>SECTION 1

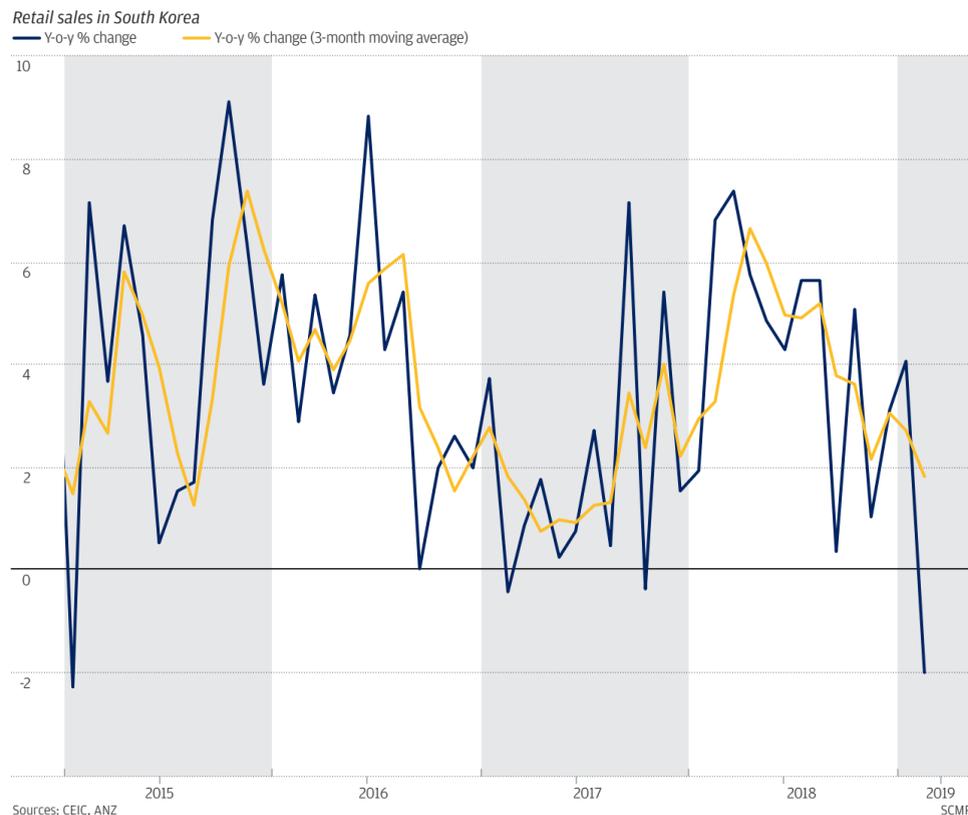


**AN UNFULFILLED PROMISE**

>SECTION 1

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## Chart of the day: Keeping the status quo



The Bank of Korea is expected to hold its policy rate steady at 1.75 per cent at its meeting on Thursday after last raising it by 25 basis points in November. Admittedly, recent economic and inflation data for the country has been disappointing. Retail sales have been losing momentum, with the latest February data showing a 2 per cent year-on-year decline in volumes. However, the Bank of

Korea is in no hurry to adjust its monetary policy stance, with governor Lee Ju-yeol recently reiterating that a rate cut is not warranted yet, ANZ says in a recent report. The central bank is likely to leave interest rates unchanged for an extended period unless growth significantly deviates away from its 2.6 per cent projection for 2019, the report concludes.

## TECHNOLOGY

# GREAT FIREWALL SET TO SPARK 5G MARKET SPLIT

Concerns grow over the compatibility of the infrastructure equipment as the technology landscape is increasingly divided by national security issues

**Daniel Bases**  
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China's Great Firewall, erected over the past 15 years to restrict domestic access to the internet, may be a bigger problem than concerns over the spread of its 5G technology, according to a US venture capitalist investor.

Fears that networking equipment made by China's national champion Huawei Technologies could offer Beijing a back door to spy on computer networks might not be as big a deal as the country's Great Firewall effectively dictating how devices connected through this new technology would be manufactured, said Sean O'Sullivan, founder of SOSV, a US\$650 million venture capital firm.

"By having a bifurcated internet, it has created a very effective trade barrier for hardware. Everything that is being manufactured has to be for the China market and then the rest of the world market," O'Sullivan said on the sidelines of the 2019 China Institute Executive Summit in New York.

"The Great Firewall used to be just for software. Now it applies to all manufactured things just because the connectivity of manufactured things is being built into everything."

In China's case, the creation of the firewall meant Beijing had been rebuilding the internet in its own image for quite some time, O'Sullivan said, and whatever Washington was doing to forcefully stop Huawei on 5G would be overshadowed.

O'Sullivan, a long-time investor in Chinese technology companies, has not been deterred by the row between China and the US. He said Beijing's support in the past three years for domestic start-ups had resulted in some



Fears have risen over China's Great Firewall, erected over the past 15 years to restrict domestic access to the internet. Photo: AFP

miserable failures because of "unskilled" venture capital funds. He has recently allocated 300 million yuan (HK\$350 million) to scoop up assets that has fallen from "artificially inflated valuations".

The US contends that back doors could be built into Huawei gear that could facilitate Chinese intelligence efforts, a claim that the firm has repeatedly denied.

Washington's stance has split many of its European allies. Britain's foreign intelligence chief has said an outright Huawei ban may be excessive, while Italy's deputy prime minister said his country's intelligence had no security concerns about Huawei.

Germany's economy minister Peter Altmaier has said any restrictions must apply to all potential service providers.

While China has its 5G champion in Huawei, Finland has Nokia and Sweden has Ericsson. The US, however, has no hardware maker ready to come to market with scale and depth.

Fifth-generation wireless networks are expected to revolutionise everything from the internet of things to autonomous driving, smart cities and virtual reality, with billions of dollars of economic benefit set to accrue to countries that are able to keep up with the technology.

The development and dominance of 5G technology has become a matter of economic and national security since its data

**Third-party economies ... are being told to make a choice now and they don't want to**

ADAM SEGAL, COUNCIL ON FOREIGN RELATIONS

transfer speeds can be as much as 100 times faster than those currently available, with ultra-low latency, meaning near-instantaneous response.

The importance of 5G highlighted by its inclusion in the December 2017 US National Security Strategy outlined by Trump administration.

"As far as I know, [this was] the first time a telecoms technology had been mentioned in the strategy," Adam Segal, director of digital and cyberspace programme at US think tank Council on Foreign Relations said ahead of the summit.

"I think we are moving towards a world where we will have systems that are separated. I don't know how compatible they will be. We may end up in a world where 5G is the under grid and we have services that are on top. Some of it may be incompatible."

While the US and China clashed over who will dominate 5G technology in the short term, the longer-term impact will be felt in other countries, those forced to choose between two competing systems of infrastructure equipment makers.

"The issue will not be so much China/US because those systems are already beginning to pull apart and separate, creating these security barriers. I think the issue is going to be more the developing third-party economies," Segal said.

"They are being told to make a choice now and they don't want to do that. They won't or they will try to continue to play off both or they will choose China because it is cheaper."

Analysts at Eurasia Group have said there could be compatibility issues as a result of the division. "There could even be some limited interoperability issues—for example, around low-versus high-frequency bands if the US and China push ahead with separate [radio] spectrum strategies," they wrote in a November white paper.

## COMMENTARY

# The problem with the investment logic behind Uber

Regulatory clouds are gathering over companies that grow by using the personal data they collect

Howard Yu and Shan Jialu

Uber is reportedly seeking a valuation of between US\$90 billion and US\$100 billion in its initial public offering. That would value it at three times the market capitalisation of Ford Motor, twice that of General Motors and about the same size as Volkswagen.

There is one key difference, however: Ford, GM and VW have been profitable for a very long time, while Uber said it lost US\$3.3 billion last year.

That's why Uber's chief executive, Dara Khosrowshahi, has to convince investors that not only will the firm's 70-country operations break even, but the combined growth prospects of ride-hailing, bike and scooter rentals, freight hauling, food delivery and the self-driving car division will be absolutely compelling, something unseen in the history of the transport industry.

That would have been a big ask in the past; it is an almost impossible task today.

The extreme growth of tech companies has been caused by the way they leverage their data advantage. Any data scientist would agree that data sets become geometrically more valuable when you combine them.

Combined data sets often reveal insights and business opportunities that could not have been imagined previously. When Google introduced Gmail, it built a dataset that was able to accurately create a user's identity. Combining the two data sets generated a huge increase in value, as future AdWords ads would have more worth for the advertiser and, by extension, to Google.

This is the same with Lyft, Uber and other start-ups heading for listings, including Pinterest and Zoom. They can recombine data from their core business and then move into adjacent business lines for growth.

It's curious, however, that such business logic could still hold at a time when Silicon Valley has squandered its goodwill.

In an effort to thwart the treating of consumers as commodities, Europe has introduced its General Data Protection Regulation (GDPR).

Consumers must give their consent before companies can start to collect personal data, and

a company must explain why data is collected and how it is used; it is not allowed to use that data for different purposes later on.

There has been talk in Germany about forbidding Facebook from integrating Messenger with Instagram and WhatsApp. Another German initiative proposes that dominant platforms must share anonymised data with competitors, meaning all transport firms would have access, for instance, to Uber's information about traffic patterns in Europe.

These impending regulations would either prohibit the way data is currently leveraged, or worse, turn proprietary data into public information shared by competitors. Regulators are becoming wary of tech monopolies.

**The investment thesis inspired by the data economy of the past cannot hold**

What happens in Europe will have limits, the most obvious being the lack of large numbers of giant tech firms located on the continent, and Uber is not headquartered in Brussels.

And yet, Europe remains the most profitable market outside the US. It's also a market whose principles are emulated by many countries around the world, including those behind GDPR. Even Mark Zuckerberg of Facebook conceded in a *Washington Post* op-ed that "it would be good for the internet if more countries adopted regulation such as GDPR as a common framework".

Thus, the investment thesis inspired by the data economy of the past—winners take all, competition is for losers—cannot hold. There might not be a tech bubble that bursts as badly as in the 1990s, but the growth prospects of Lyft, Uber and other tech companies will surely not be as great.

Howard Yu is the LEGO professor of management and innovation at IMD business school in Switzerland. Shan Jialu is a research associate at IMD's global centre for digital business transformation

## Connect Watch

**Northbound trading**  
Turnover (m yuan) Buy Sell Total  
13,337.7 13,396 26,733.7

Top 5 most actively traded stocks (m yuan)

| Rank | Stock                | Buy   | Sell    |
|------|----------------------|-------|---------|
| 1    | Kweichow Moutai      | 518.9 | 1,608.5 |
| 2    | Ping An Insurance    | 495.3 | 467.4   |
| 3    | China Merchants Bank | 234.5 | 358.5   |
| 4    | Anhui Conch Cement   | 377.7 | 187.2   |
| 5    | Citic Securities     | 296.3 | 250     |

**Southbound trading**  
Turnover (HK\$m) Buy Sell Total  
3,333.3 2,967.2 6,300.5

Top 5 most actively traded stocks (HK\$m)

| Rank | Stock                                   | Buy   | Sell  |
|------|---|-------|-------|
| 1    | Geely Automobile                        | 78.8  | 721.1 |
| 2    | China Construction Bank                 | 560.9 | 33.8  |
| 3    | Sunac                                   | 73.9  | 250.3 |
| 4    | Tencent                                 | 103.9 | 168.4 |
| 5    | Industrial and Commercial Bank of China | 225   | 1.4   |

## Shenzhen-Hong Kong Stock Connect

**Northbound trading**  
Turnover (m yuan) Buy Sell Total  
12,329.4 12,778.3 25,107.7

Top 5 most actively traded stocks (m yuan)

| Rank | Stock                    | Buy   | Sell  |
|------|--------------------------|-------|-------|
| 1    | Gree Electric Appliances | 659.3 | 637.9 |
| 2    | Wuliangye Yibin          | 700.8 | 569.8 |
| 3    | Midea Group              | 379.6 | 849.8 |
| 4    | Jiangsu Yanghe Brewery   | 222.8 | 236.9 |
| 5    | Ping An Bank             | 154.2 | 201.9 |

**Southbound trading**  
Turnover (HK\$m) Buy Sell Total  
1,968.9 1,770.6 3,739.5

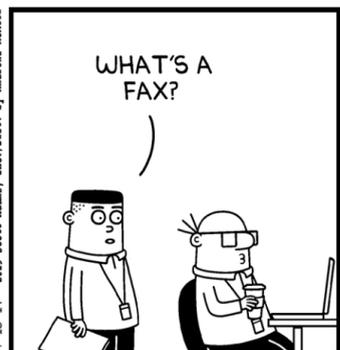
Top 5 most actively traded stocks (HK\$m)

| Rank | Stock            | Buy   | Sell |
|------|------------------|-------|------|
| 1    | Sunac            | 144.9 | 60   |
| 2    | Geely Automobile | 86.6  | 47.9 |
| 3    | Tencent          | 60    | 45.1 |
| 4    | WH Group         | 68.7  | 29.1 |
| 5    | Great Wall Motor | 15.3  | 67   |

Source: HKEX

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## DILBERT



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