BUSINESS

THE INFORMER

EVENTS

Tuesday, February 12: British Chamber of Commerce breakfast: "Retail financial services in the Greater Bay Area".

Wednesday, February 13: British Chamber of Commerce breakfast: "Hong Kong real estate outlook".

Thursday, February 14: British Chamber of Commerce breakfast: "How technology and customer behaviour are shaping the consumer of tomorrow".

Tuesday, February 19: American Chamber of Commerce breakfast: "Making zero impact fashionable".

British Chamber of Commerce breakfast: "Financial and professional services in the digital era".

Thursday, February 21: American Chamber of Commerce breakfast: "The consumer of tomorrow: Drivers of change - Customers + Tech".

RESULTS

February 4 3rd Quarter: Goal Forward Holdings, Prime Intelligence Solutions Group
Special Dividend: Huayu Expressway Group

February 8 Interim: Summi (Group) Holdings
3rd Quarter: Expert Systems Holdings, F8 Enterprises (Holdings) Group, Grand T.G. Gold Holdings, My Heart Bodibra Group On Real International Holdings, Sun International Group, Wan Leader International

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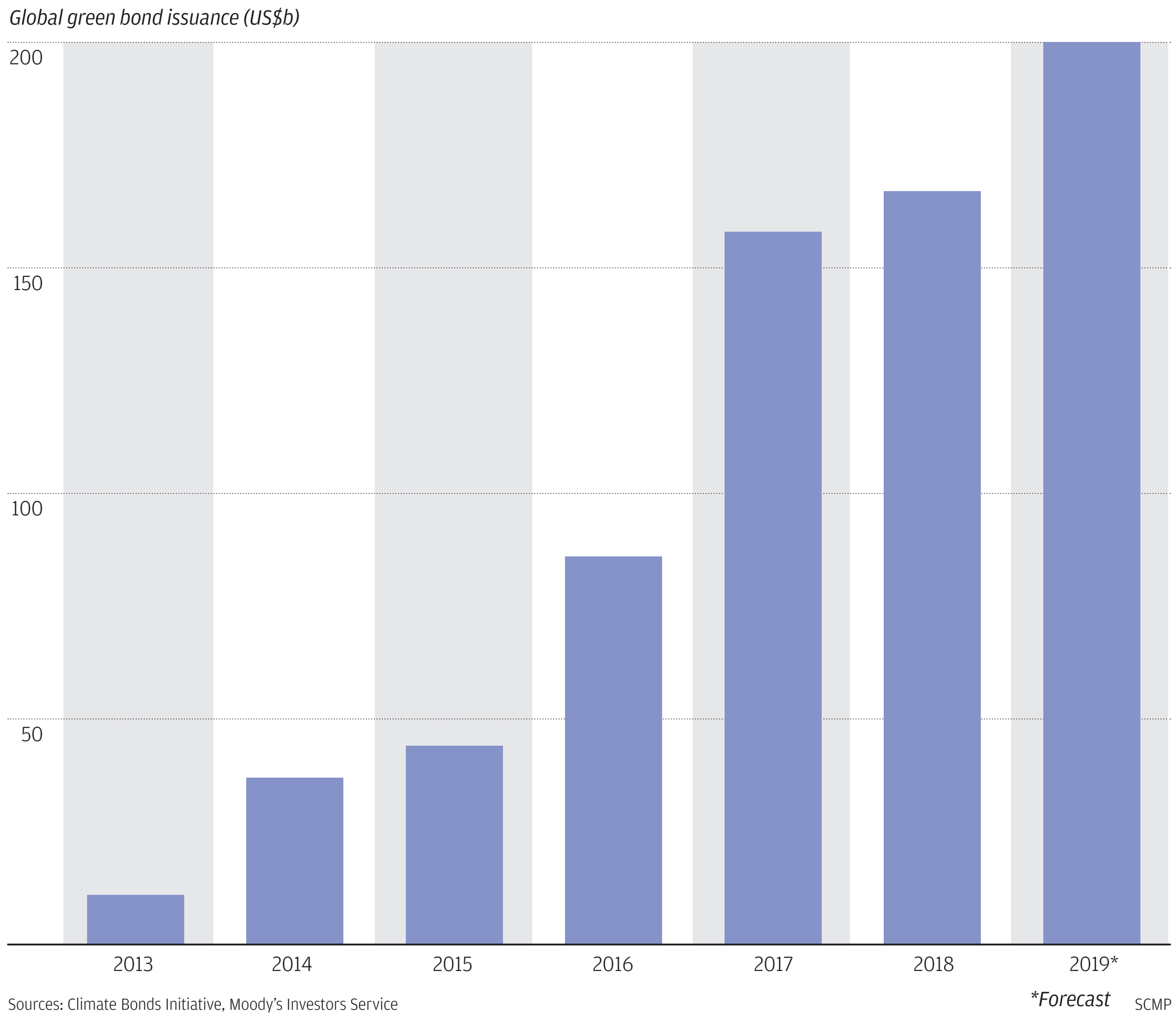
Chart of the day: Green push slows



Global green bond issues are expected to reach about US$200 billion this year after market growth moderated in 2018. This level of issuance would represent a 20 per cent rise over 2018, when the green bond market grew just 6 per cent, Moody's Investors Service says in a report. The forecast by the credit ratings agency suggests a second consecutive year of relatively slower market growth following a near-doubling in annual issuances in 2016 and 2017. From the green bond market's inception in 2007 until the end of 2018, issuers have brought a cumulative US$515 billion of green bonds to market, the report says.

CRYPTOCURRENCIES

DATING AND RAP: LIFE AFTER CRYPTO BUBBLE

Since the value of digital money tumbled last year, many early enthusiasts are turning their focus to blockchain technology through some novel ways

Huang Zheping
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There are many ways to measure the bursting of the cryptocurrency bubble last year: bitcoin fell 80 per cent from its peak; more than 900 digital tokens became worthless; the vaporised value of digital assets exceeded US$600 billion.

Some ways are more personal, however, such as the struggles of those on the ground who helped inflate the bubble.

Over the past year, Michael Zhang, a 26-year-old telecommunications engineer in Hangzhou city, put 40,000 yuan (HK$46,599) into cryptocurrencies, only to see his investment shrink to one-eighth of its original value. At one point, he bought EOS, a popular form of digital money, when it was trading at nearly US$20. Now it is worth a little over US$2.

"Later I developed a Buddhist-style mindset," Zhang said. "I don't check on prices any more."

China has a booming cryptocurrency space, with start-ups involved in everything from wallet apps to blockchain protocols. It is home to the world's biggest makers of cryptocurrency mining rigs, such as Bitmain, and top exchanges like Huobi. Even after the government banned exchanges from targeting local users, cryptocurrency trading still flourishes in the country through channels such as online chat groups.

But after taking big hits from the 2018 cryptocurrency collapse, entrepreneurs and investors are wondering what is next for them. While some have cut back their investments, others have shifted their focus elsewhere – effectively forgetting about the craze, at least temporarily.

The value of bitcoin fell 80 per cent last year from its peak and the lost value of digital assets exceeded US$600 billion. Photo: Reuters

In Shenzhen, Pan Yanlin, 28, quit the online retail platform she co-founded to become a blockchain vlogger at the start of last year – before the bubble burst.

The views she gets for her videos, ranging from cryptocurrency 101 to global travels using mostly bitcoin, are too low to generate enough revenue to keep her going. In August, she decided to take care of her love life by signing up for a popular TV matchmaking show.

After appearing in more than 10 episodes, Pan hooked up with a hip-hop dancer who she felt was right at first sight. "I also have deep knowledge of blockchain," the man told her on stage.

Wu Xing, 30, resigned from her marketing role at Huobi in September after four years with the Beijing-based firm. Since then, she has been taking it easy at home with her coder boyfriend. Her daily routine includes learning new recipes to cook and walking her three-year-old corgi.

"People say 'a day in the crypto space equals a year on earth'," Wu said, referring to an online meme describing the fast pace of the cryptocurrency community. "But now it's actually 'a day on earth equals a month in the crypto space'."

Xiong Yue, 32, has a similar perspective. "2017 was a year that you could make money on any investment," said the chief operating officer of Bixin, a cryptocurrency wallet app. "2018 was the opposite."

The current bear market could be the worst ever, Xiong said, because competition was now brutal after a new wave of industry players emerged during the last bull run. The mainland is now home to more than 5,000 firms with "blockchain" in their names, up from just 500 in 2017, according to government data gathered by qixin.com.

While his company has been forced to cut back on operations, Xiong has turned to rap music.

Under the stage name TCG Yinyang, he wrote several cryptocurrency-themed rap songs over the past year. In *I got bitcoin remix*, he raps in his Chongqing dialect, "close your eyes, don't look at the price, there ain't no plunge if there ain't no price". On another track, he disses the rampant scams in the crypto world, with lyrics that roughly translate as "fakers are everywhere, I'll break their legs when I bump into them".

> **I developed a Buddhist-style mindset ... I don't check on prices any more**
> MICHAEL ZHANG, TELECOMS ENGINEER

Chen Weixing, a 35-year-old serial entrepreneur, made waves on social media last year when he lashed out at blockchain projects he suspected of being outright scams. The founder of Kuaidi Dache, the one-time rival of ride-hailing giant Didi Chuxing, is now building a blockchain-powered on-demand service platform. But he has yet to deliver a real product six months into his new venture.

"We didn't raise any money when crypto was hot, and we are still insisting on sticking to ourselves during the bear market," he said. "Now everyone can tell who is doing the real job here."

As bitcoin prices have stabilised at about US$3,500 in recent weeks, the social networks where mainland cryptocurrency enthusiasts gather are full of people who believe the next bull run is just a matter of time.

After his recent job move, Zhang, the engineer, has resumed his plan to invest several thousand yuan every month in EOS as he thinks applications such as gaming and gambling are gaining momentum on blockchain.

Wu, the former Huobi employee, plans to join her boyfriend in launching their own start-up in blockchain education after the Lunar New Year. Although she is not yet sure of the business model, some friends in the community have agreed to fund the project and will offer free office space.

Pan, the vlogger, is figuring out how to use her network to build a blockchain consultancy business. After the dating show ended, she kept in touch with the hip-hop dancer on WeChat for a couple of weeks but decided not to start dating because they live in different cities and she prefers a partner who is not into blockchain.

"It's already very tiring to be an entrepreneur," she said. "Why would I find someone to talk about work every day?"

DILBERT

COMMENTARY

Remittances start Alibaba's clever bid for the cloud

Tech giant's blockchain-based payment app can boost the firm's reputation as a strategic partner

Jason Davis

Baidu, Alibaba Group and Tencent Holdings have gone from success to success in China.

In recent years, some of these large tech companies have also made significant forays overseas, particularly in Southeast Asia. Just think of Tencent's WeChat and Alibaba's investment in Lazada's Southeast Asian e-commerce business. Cloud services may just be their next big target.

While Amazon is the undisputed king of cloud players, with a global market share of 33 per cent, Microsoft, IBM and Google are also doing well. This comfortable position has allowed US tech to adopt what some could describe as a complacent, monolithic approach, based on minimally customised, generic solutions. Meanwhile, Alibaba owns a mere 4 per cent of the global cloud market, but its hunger may boost its entrepreneurial spirit.

Alibaba co-founder Jack Ma had long promised Filipinos that they could one day use a service like Alipay to send money home and save on remittance fees. When Alibaba learned it couldn't acquire MoneyGram, Ma quickly turned around and, in partnership with Standard Chartered and Globe Telecom, launched a blockchain-based mobile service that allows Filipino workers in Hong Kong to send money home in a quick, secure and cheap way.

The use of blockchain, a technology enabling secure transactions without the need for third-party verification, is ingenious. While many predict that blockchain will disrupt proprietary clouds, this remittance solution shows how this technology could in fact complement the cloud services of big tech companies.

In the near future, a business running on Alibaba Cloud may only need to flick a switch to offer blockchain-based payments. This could give rise to a whole new ecosystem of transactions benefiting from improved speed, security and costs.

This use of blockchain illustrates how technology can be used to both solve a local problem while weakening giants such as MoneyGram and Western Union. There are currently 200,000 Filipino workers in Hong Kong, remitting about HK$4.4 billion per year to their families. They stand to save more than HK$150 million per year in fees, not to mention the convenience of avoiding physical queues while increasing the speed of transactions – AlipayHK users can transfer money in seconds to GCash mobile app users in the Philippines.

With a growing number of Chinese travelling or living overseas, the service would also fit Alibaba's home customer base.

Alibaba gets to experiment with blockchain as a new cross-border technology, at a time when there are still few examples of such applications deployed at scale. This could give Alibaba a first-mover advantage.

With its partners, Alibaba can showcase its ability to forge strategic efforts with international players, and its remittance solution acts as a proof-of-concept. Most importantly, it is an opportunity for Alibaba to build its reputation as a problem-focused partner capable of managing strategic alliances across borders. This could be key to boosting its position in the global cloud market. Multinationals in foreign markets could be Alibaba Cloud's best shot at explosive growth, considering its already dominant position at home.

> **A business running on Alibaba Cloud may only need to flick a switch to offer payments**

Lastly, it's worth noting that Alibaba picked a sympathetic market as its first test case: for the most part, the Filipino workers targeted are poor domestic workers. This makes for excellent public relations, combating the negative image that many Chinese tech companies face when going abroad.

In May last year, Ma accepted an honorary doctoral degree from the University of Hong Kong. In his acceptance speech, he said that "real businesspeople make money by solving social problems for others". Case in point, Alibaba's remittance solution exemplifies how business could leverage technology to solve problems for us all.

Alibaba owns the *Post*.

Jason Davis is an associate professor of entrepreneurship and family enterprise at INSEAD. He is an expert on digital transformation and innovation in large enterprises and start-up strategies in digital platform ecosystems

INVESTMENT

History points to rally in mainland shares: AllianzGI

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Now is the time to invest in the mainland stock market if history is any guide, according to the head of Allianz Global Investors (AllianzGI), one of Europe's biggest asset managers.

Andreas Utermann, chief executive of AllianzGI, said low valuations in the A-share market and a relaxation of restrictions on international investors meant a strong rally was on the cards.

After the benchmark Shanghai Composite Index shed a quarter of its value last year, it was now at a level that historically tended to precede a sharp rise, he said during a recent visit to Hong Kong.

The price-book ratio for the MSCI China A-share Index has started the year at 1.54 times, close to a low of 1.47 times in 2014.

Utermann said that in the three times since 2005 when the price-book ratio breached 1.6 times, the index went on to enjoy big gains in the following 12 months, with average annual total return at 55 per cent.

"It suggests a lot of bad news is already priced in and we could be near an inflection point. According to past experience, it is time to see the index rise again," he said.

So far this year, his theory has been vindicated. The Shanghai Composite Index rebounded 3.6 per cent last month.

While the US-China trade war would ensure the mainland economic environment remained challenging in the first half of this year, Utermann said he was positive about full-year growth.

"The Chinese government has introduced a lot of countercyclical measures such as monetary easing and tax cuts to support economic growth," he said.

Beijing's efforts to open up financial markets further to foreign investors would attract more funds into A shares this year, Utermann said.

On January 14, the government doubled the combined quota under the qualified foreign institutional investor scheme to US$300 billion.

Previous measures include the Stock Connect schemes linking Hong Kong's market with those of Shanghai and Shenzhen.

"China's stock markets were once notoriously difficult to access, but it is encouraging to see the government has made a concerted effort to open its markets, including launching the Stock Connect programmes," he said.

The net buying of A shares by international investors through the schemes last year was up 50 per cent to a record US$44.7 billion, according to a BNP Paribas report released last month.

AllianzGI is part of German insurance giant Allianz Group, which in November last year became the first foreign insurer to be approved by Beijing to set up a wholly owned holding company in Shanghai.