

BUSINESS

THE INFORMER

EVENTS

Tuesday, November 6: British Chamber of Commerce breakfast: "Burning a Stradivarius for firewood: Converting Fanling golf course to high-rise housing?"

Wednesday, November 7: British Chamber of Commerce lunch: "Protect your business from cybercrime".

Thursday, November 8: American Chamber of Commerce lunch: "ISS Group: How we bring smart facility management to life". Bank of America Tower.

American Chamber of Commerce lunch: "Qualcomm: Mobile communications and the importance of IPR to innovation". Grand Hyatt Hong Kong.

Joint chamber evening: "Barriers or bumps? Navigating trade tensions in China". HK Bankers' Club.

Friday, November 9: British Chamber of Commerce lunch: "Marketing in the fast lane: Lessons from Lamborghini's chief marketing officer".

Wednesday, November 14: Joint chamber lunch with Chief Executive Carrie Lam Cheng Yuet-ngor.

RESULTS

Today AGM: Shenzhou Space Park Group

November 5 Interim: DLC Asia, KML Technology Group, WAC Holdings, Wine's Link International Holdings
3rd Quarter: China Futex Holdings, China Youzan, DaChan Food (Asia), HM International Holdings, Icicle Group Holdings, KW Nelson Interior Design and Contracting Group, Keen Ocean International Holding
AGM: Kirin Group Holdings

November 6 Interim: Grand Brilliance Group Holdings, Mansion International Holdings, North Asia Strategic Holdings, Sheung Moon Holdings
3rd Quarter: Advanced Semiconductor Manufacturing Corp, Alpha Era International Holdings, Astrum Financial Holdings, Basetrophy Group Holdings, Chong Sing Holdings FinTech Group, ETS Group, Global Digital Creations Holdings, Goal Rise Logistics (China) Holdings, Jia Group Holdings, Sheng Ye Capital, South China Assets Holdings, Victory Securities (Holdings), Wing Fung Group Asia
AGM: In Technical Productions Holdings

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INSIDE TODAY'S



BAIN MD GOES DIGITAL

>SECTION 1

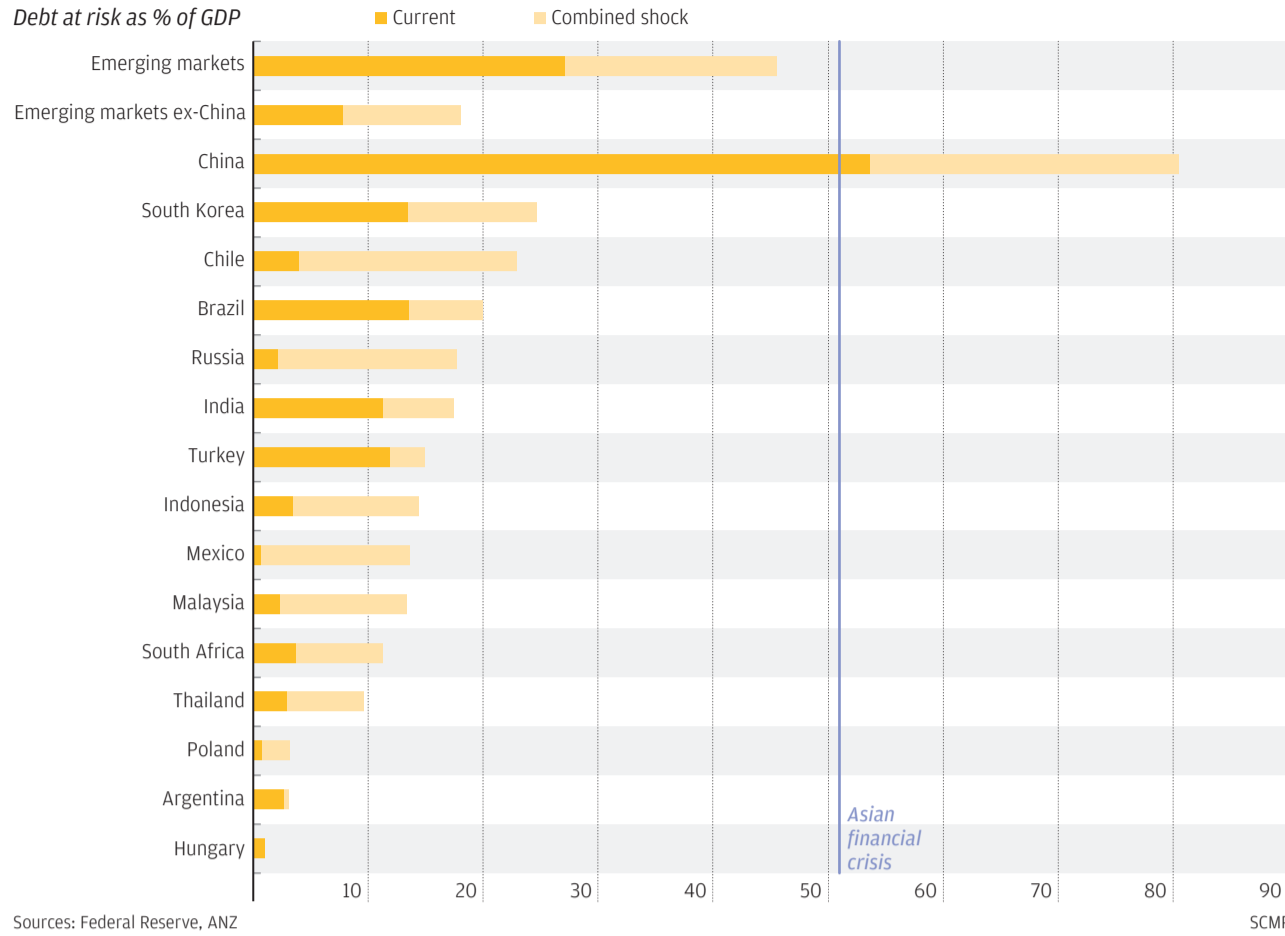


KNOW YOUR TRUE WORTH

>SECTION 1

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Chart of the day: Debt woes



In August, ANZ highlighted that rising interest rates in the United States and slowing emerging market growth were a double whammy for the developing economies. A recent Federal Reserve paper put the emerging markets under a stress test in terms of the sensitivity of their non-financial corporate debt at risk to changes in interest rates, foreign exchange rates and earnings. The authors found that a combined shock to earnings

(a 20 per cent decline), interest rates (a 1-percentage-point rise) and currency exchange rates (a 20 per cent drop) saw debt at risk as a share of gross domestic product grow about 15 percentage points. Excluding China, the share still increased 10 percentage points. Given that China stands out from the pack, the Beijing government is already implementing a number of measures to combat mounting headwinds to growth, ANZ says in a report.

RESTAURANTS

ROBOTS HAVE THE CODE TO ALL HOTPOT DESIRES

Haidilao's automated Beijing outlet can cater to tastes with machine-like precision, but humans will still have a role if entire chain adopts the tech

Li Tao in Beijing
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When I first learned that Haidilao would employ robots and become the world's first "smart hotpot restaurant", my first reaction was not excitement, but worry.

As a self-anointed hotpot connoisseur who has patronised the Beijing-based chain's restaurants 33 times in less than two years, I believe that friendly and meticulous service was what made Haidilao what it is today. Can robots, with their preprogrammed responses, cater to the mainland's demanding hotpot warriors?

The restaurant chain's good service is legendary within the food and beverage industry. If a waiter sees a patron having hotpot alone, he or she will place a big cuddly soft toy in the seat opposite you so that you feel less lonely. Having your birthday? Here is a bowl of complimentary noodles and a birthday song.

It is probably a curiosity that the company put "being nice to one another" as a core value for employees in its listing prospectus. About 83 per cent of its staff found their compensation satisfactory, while 79 per cent were content with the promotion system, it noted in the filing, citing survey findings by Sullivan. The firm went public in Hong Kong in September.

But back to the eating. The reservation was made for a week-day evening at the restaurant in Beijing's Guomao business district (the booking was made through the company's public relations team because Haidilao's queues are as legendary as its service. The *Post* paid for the meal.)

When I arrived with my *Post* colleagues, we found a small cinema-like resting area where customers can relax while waiting their turn for a table. There were free snacks and boxed juices. Patrons can scan QR codes to play lottery games that give free dishes and discount coupons.



Waitresses prepare to serve dishes brought out by a robot at the new Haidilao Smart Restaurant in Beijing. Photo: Simon Song

Just how "smart" is the restaurant? As you enter the venue, an automated cold room kept at zero to four degrees Celsius is on view, where queues of robotic arms prepare and deliver raw meat and fresh vegetables according to the orders placed by patrons through an iPad at each table.

No humans are involved in the food preparation and food past their use-by date are tracked and disposed of automatically. Large displays show a live stream of the kitchen, a measure to maintain customer confidence after reports in August last year of rats found in Haidilao restaurants in Beijing.

The robot-run kitchen was a project between the restaurant chain and Japanese electronics giant Panasonic, according to Haidilao chief information officer Shao Zhidong, who accompanied the *Post* team on a tour of the kitchen. We saw how the soup base, originally packaged separately and mixed in the pot by humans, is now prepared by robots that can cater to individual tastes and specific requirements with machine-like precision, each and every time.

Your favourite soup-base recipe and special combination of spices, various oil and key ingredients are documented and uploaded to the cloud.

Inside the kitchen, monitors on the walls display key information, such as real-time inventories of each dish, including how much of the food material will soon expire.

The automation is expected to eventually benefit as many as 5,000 restaurants worldwide, according to Shao. For example, the current restaurant is projected to save at least 10 per cent on electricity consumption from a smart feature that detects the weight of the hotpot that automatically turns the heat up or down.

Given that each hotpot restaurant averages 200,000 yuan (HK\$227,000) in monthly electricity bills, that feature alone could result in substantial savings if adopted in more of its restaurants.

Then there are the humanoid robots. Six of them roam the

Before the dish comes to table, it's logistics. But after that, it's called service

SHAO ZHIDONG, HAIDILAO

restaurant delivering food while four others fetch used trays. But they are not enough to take care of all 93 tables in the restaurant, which still rely on human waiters to bus the tables.

For now, the delivery robots are a novelty, and patrons often stand in their way to take photographs with them.

"Ideally, we will bring down the staff size to about 130 to 140 per restaurant from the current level of 170," Shao said. "But it would never be possible for a restaurant to go unstaffed... It is said that dining is a combination of two – before the dish comes to table, it's logistics. But after that, it's called service."

The automation push for now was aimed at cutting the number of staff who worked in the kitchens and boosting efficiency, he said.

The chain will not cut back on frontline service staff, who still hand out hot towels, guide customers through the menu and orders, and help with putting the food into the sizzling pot.

Haidilao would aim for new restaurants to adopt some of the automation features being tested while the company improved on the technical details, Shao said, and the ultimate aim was to roll out the features fully to all its restaurants.

As part of the effort, two more restaurants will soon go "smart" in Beijing. Back at our table, I could finally sit down and order. The familiar menu, an array of raw meat fit for the most hungry of carnivores, was in front of me on the iPad.

I refused to be distracted by the snowy mountains and cherry blossoms projected onto the walls.

I placed the order and waited in anticipation for my 34th time eating at Haidilao. The robots did not disappoint, and more than 20 dishes of beef, pig brain, cow stomach and tofu soon began to arrive – after a wait of only 10 minutes.

Some of my colleagues surprised me with their appetite. As for my secret soup-base combination, now that is a secret between me, Haidilao and its cloud.

CAPITAL MARKETS

Exiting the dragon: examining options for returning capital

Beijing wants more companies to use domestic markets to realise value, but is the plan working?

Ian Potter and Claudia Zeisberger

In mid-September, China hosted the "Summer Davos" meeting of the World Economic Forum in Tianjin.

The meeting's focus was the "Fourth Industrial Revolution" or, simply, tech. If, as many delegates did, you arrived in Beijing and took the fast train to Tianjin, you would be forgiven for thinking that the revolution had arrived.

Cruising at 350km/h, the "Fuxing" trains are a manifestation of Beijing's ambitions to develop leading domestic technologies and the perfect vehicle to deliver delegates to the conference.

In the last decade, capital has flowed into the mainland and into tech investments at an ever-increasing scale. Many red unicorns have emerged as champions in their sectors and taken the competition for leadership to their Silicon Valley peers. However, less capital than headlines has been returned to investors, raising questions on the long-term health of the ecosystem.

In a well-functioning venture ecosystem, capital is invested with visionary entrepreneurs, grown and returned to investors through private and public exits where investors are allowed to sell their equity. Beijing has made it a policy goal to encourage more companies to use the domestic capital markets for exits.

To that end, the "Third Board", or NEEQ, was relaunched in January this year with a centralised trading system. Today's concerns over market valuations, volatility and risk prompted us to see if the plan is working.

While complete data is hard to get (trade sales are a particular concern as transaction details are often confidential), since January 2015 it appears the initial public offering and trade sale exit routes on the mainland are in good health. The value of transactions along each exit route is tilted 63 per cent in favour of listings.

However, trade sales are declining as a proportion of the whole, suggesting the offer path is becoming more popular (or that industry experts are willing to pay less than the public markets).

So it would seem progress towards a domestic listing market is on track. Or is it? Of mainland firms seeking a public market exit

over the period, 74 per cent listed on domestic exchanges. However, of floats that raised more than US\$100 million, only 21 per cent by value listed on mainland exchanges.

Why the gap? Are the foreign-listed offers expensive or the domestic ones cheap? It is hard to be conclusive. Anecdotally, there appears to be a quality gap. Many of the smaller domestic floats appear to be struggling after listing, raising the question of whether these are "clean-up" exercises for funds seeking to move on.

Trade sales (the sale of the venture-capital-backed company to a corporate buyer in the industry) paint a different picture. Declining as an exit route in absolute and relative terms, activity is dominated by domestic sales processes. This is true of trade sales where the value exceeded US\$100 million, where more than 90 per cent

It would appear the domestic listing markets and NEEQ still have some growing up to do

were domestic. Given the level of activity of the three big groups – Baidu, Alibaba Group and Tencent, known as BAT – this may not be a surprise. But nor might it be healthy.

So how should investors interpret the data? It would appear the domestic listing markets and NEEQ still have some growing up to do. A successful venture capital manager is likely to be steering a path towards having a choice of being bought by BAT or an overseas float to maximise portfolio returns and value.

Policy progress is being made, but domestic entrepreneurs and investors are still heavily reliant on overseas capital for validation and liquidity and lack the optionality so desired by venture capitalists for the exit avenue.

Ian Potter is a distinguished fellow at INSEAD. Claudia Zeisberger is a professor at INSEAD and academic director of the school's global private equity initiative

Connect Watch

Shanghai-Hong Kong Stock Connect

Northbound trading			
Turnover (m yuan)	Buy	Sell	Total
18,122	7,109.2		25,231.2

Top 5 most actively traded stocks (m yuan)			
Rank	Stock	Buy	Sell
1	Kweichow Moutai	1,936.5	312.8
2	Ping An Insurance	1,494.7	322.3
3	China Merchants Bank	1,490.6	164.1
4	Jiangsu Hengrui Medicine	912.3	294.5
5	Anhui Conch Cement	736.1	83.5

Southbound trading			
Turnover (HK\$m)	Buy	Sell	Total
6,426.5	5,455.9		11,882.3

Top 5 most actively traded stocks (HK\$m)			
Rank	Stock	Buy	Sell
1	Tencent	642.4	903.8
2	China Construction Bank	449.7	163.8
3	HSBC Holdings	570.3	4.4
4	Industrial and Commercial Bank of China	256.4	156.4
5	China Merchants Bank	221.8	188.4

Shenzhen-Hong Kong Stock Connect

Northbound trading			
Turnover (m yuan)	Buy	Sell	Total
11,971.8	5,599.9		17,571.7

Top 5 most actively traded stocks (m yuan)			
Rank	Stock	Buy	Sell
1	Midea Group	1,496.1	625.3
2	Hangzhou Hikvision Digital Technology	943	437.2
3	Wuliangye Yibin	1,090.4	188.2
4	Gree Electric Appliances	929.7	114
5	Jiangsu Yanghe Brewery	627.6	293.8

Southbound trading			
Turnover (HK\$m)	Buy	Sell	Total
3,127.8	3,558		6,685.7

Top 5 most actively traded stocks (HK\$m)			
Rank	Stock	Buy	Sell
1	Tencent	389.5	506.3
2	Geely Automobile	68.5	203.1
3	ZTE	123.8	117.4
4	Sunac	69.2	86.8
5	SMIC	98.9	30.9

Source: HKEX

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