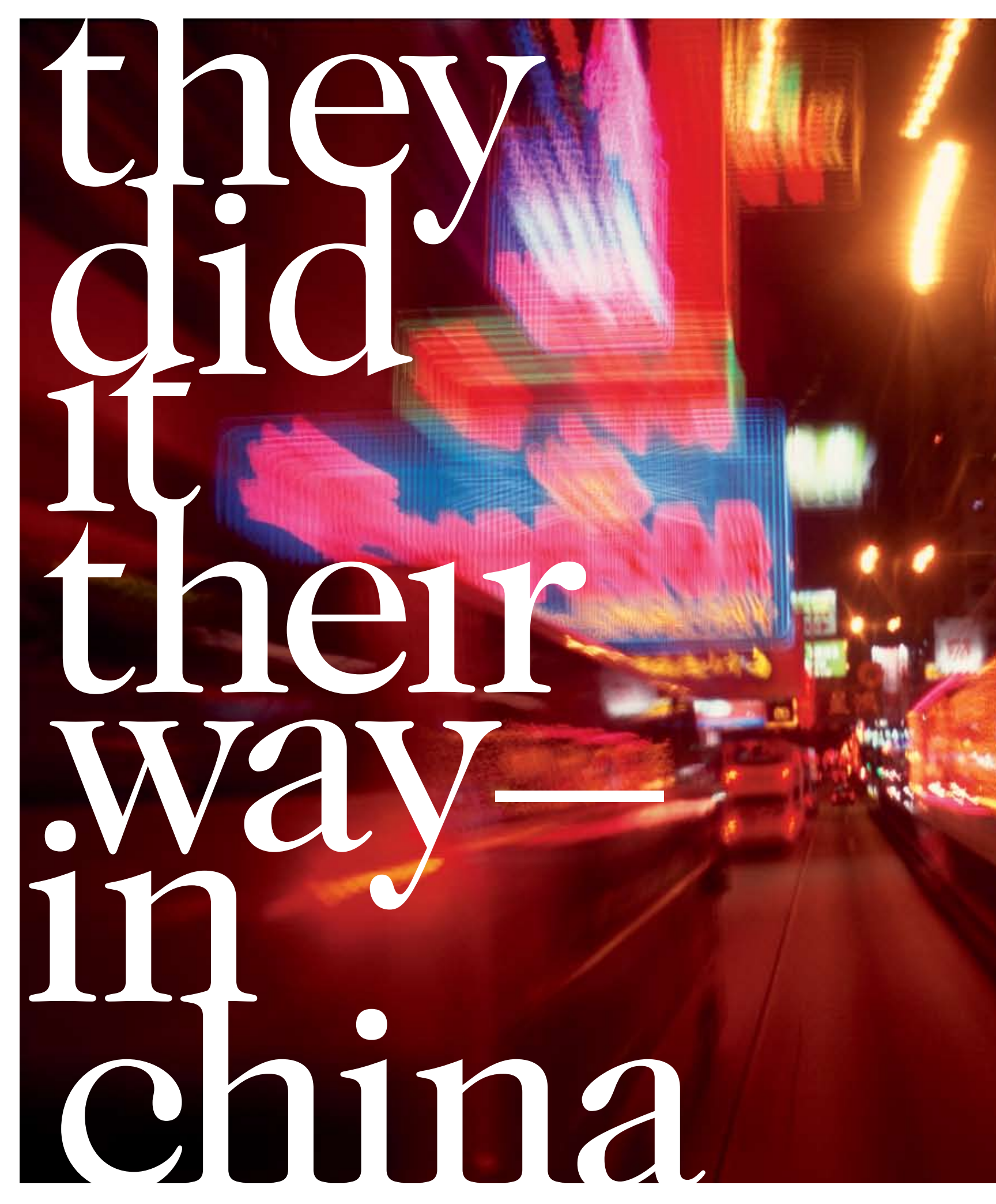


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# China's **entrepreneurs** are developing products, seizing market opportunities and going public. Together they are helping drive the world's most populous country toward modernization.

BY JOHN BOYD

Leading the way in China's rapidly changing business environment are not just the large government-controlled enterprises, but also a new breed of entrepreneurs — individuals who are identifying business niches. In the process of providing products and services that were often unavailable or unreliable in the past, these companies are creating quality jobs and helping raise the standard of living of China's 1.3 billion people.

The new entrepreneurs are well educated, some having studied abroad, others having worked for international companies in China. Observing the best business practices of large multinationals at work has often provided the stimulus for starting their own companies. Inspired by their own growing successes and those of the country, they are now seeking to emulate and even better Western models, the upstart CEOs say.

"There's a sense of patriotism in China, and these entrepreneurs want China to take a leading role in the business world," observes Chris DeAngelis, a director at Vermilion Partners Ltd., a corporate advisory and private-equity firm headquartered in Beijing. "Some are beginning to look beyond simply copying Western products and services and are becoming more innovative. They believe they can compete on equal terms domestically and, eventually, abroad."

## ■ IMPACT OF FIVE

Profiled in the pages that follow are five such entrepreneurs. Beyond bringing new products and services to 21st-century China, these individuals are having myriad — and deeply felt — effects on the communities in which they operate. Under the leadership of Chairman Simin Zhang, for example, **CHINA NEPSTAR CHAIN DRUGSTORE LTD.** (NPD) has modeled itself on U.S. chain stores to deliver health-care services through the corner pharmacy. "We have brought quality-assurance methods to drug dispensing in China, as well as pharmacy services provided by trained pharmacists," he says.

Michael Yu, chairman and CEO of **NEW ORIENTAL EDUCATION & TECHNOLOGY GROUP INC.** (EDU), notes that proficiency in English is vital to students who want to progress through China's educational system. "In providing real language training from kindergarten on, and in preparing students to take standardized tests for admission to overseas universities, we are helping thousands of students position themselves to find better jobs every year through a solid education," Yu points out.

When Xu Hang and Li Xiting founded **MINDRAY MEDICAL INTERNATIONAL LTD.** (MR) in 1991, virtually no



market in China existed for sophisticated electronic medical equipment, says Chairman and Co-CEO Xu. “Any such equipment that could be found was imported, very expensive and regarded as very special,” he recalls. “So we decided to develop and manufacture our own equipment at affordable prices for the Chinese people.” Today, Xu says, Mindray is China’s leading domestic supplier in three product segments: patient-monitoring systems, ultrasound equipment and diagnostic laboratory instruments. “Our products are now used in more than 27,000 hospitals and clinics around China,” he adds, noting that Mindray employs 3,700 people.

In energy-hungry China, **SUNTECH POWER HOLDINGS CO. LTD. (STP)** is providing an environmentally friendly alternative. Dr. Zhongrong Shi, CEO, points out that solar power was a very small industry in China until the entrepreneur returned to his hometown of Wuxi from his studies and work in Australia to set up a plant to manufacture solar cells. According to Dr. Shi, Suntech, which now has 7,000 employees, has grown to become a leader in the global industry. “What differentiates us from some of our overseas competitors is that we are a pure solar player,” he says. “We focus entirely on our core competency and make decisions quickly, so we can rapidly expand our production capacity and advance our R&D.”

And life is not all work in today’s China. When it comes time to play, individuals from the large population centers as well as many smaller towns and villages across the vast hinterlands log on to an Internet game created by **GIANT INTERACTIVE GROUP INC. (GA)**. Movie theaters and opera houses are few and far between in rural and

mountainous areas, points out Giant founder Yuzhu Shi. So people seeking entertainment visit Internet cafés where, for a few dollars, they can compete against avatars from Beijing and Shanghai in Giant’s widely popular ZT online role-playing game. “Online gaming has now become a major form of entertainment, particularly for China’s youth,” says Shi, who is an avid game player himself.

#### ■ GLOBAL AND LOCAL TRAINING

Some of the entrepreneurs got their start when studying abroad, where they picked up ideas and business knowledge that they adapted upon returning home. Suntech’s Dr. Shi says he was ready to settle down with his young family in Australia when working there as a research scientist. But as he rose to prominence in solar-cell research, he was lured back to China to launch a domestic solar-energy industry.

Other entrepreneurs recognized opportunities with China’s fast-growing modernization. “I set up my first one-classroom school teaching English in Beijing simply as a way to



save the money I needed to study in the U.S.,” says Yu. “I never expected all this,” he adds, referring to his education empire that now counts more than 1 million students every year.

One commonality among these five entrepreneurs is that each had to overcome obstacles in an environment that was heavily regulated. “It took me two years to learn how to negotiate with government officials in order to get a license to open my school,” recalls New Oriental’s Yu. “When no one knows you and you don’t know anyone, it is very difficult to get government support.” They also earned the distinction of listing their companies on the New York Stock Exchange; that experience, they note, has raised their businesses’ profiles in China and globally. “Abiding by the strict corporate guidelines required to list on the NYSE has increased people’s trust in us, and now more people want to do business with us,” Giant’s Shi says.

Beyond educating and enhancing the skills of their employees, the entrepreneurs say they are also reaching out to the communities in which they operate. For example, Giant is involved with projects that help to build primary schools both near Shanghai and in rural areas and is working with handicapped associations to pay tuition fees for students confined to wheelchairs, Shi says.

“China’s entrepreneurs are starting to think about things other than making money,” points out DeAngelis. “They are beginning to ask how they can also better their country.” Indeed, these entrepreneurs are changing the face of China by helping improve the lives of its citizens and raising living standards.

■■■ Beyond enhancing the skills of their employees, China’s **newest companies** are embracing social responsibility, improving the lives of the nation’s citizens and raising living standards.

■ **TITLE: CHAIRMAN**

■ **COMPANY: CHINA NEPSTAR CHAIN DRUGSTORE LTD. (NPD)**

■ **HEADQUARTERS: SHENZHEN** ■ **LAUNCH: 1995**

■ **IPO DATE: NOV. 9, 2007** ■ **RAISED: \$334.1 MILLION**

■ **MARKET NICHE:** China's largest drugstore operation with outlets in 62 cities supplying prescription drugs, over-the-counter medications, herbal remedies and nutritional supplements.



During travels to the U.S. in the early 1990s, Simin Zhang recalls, he came across chain-store pharmacies that offered a wide variety of products and efficient services in convenient locations. Having already launched a company involved in pharmaceutical R&D and manufacturing, Zhang, 45, followed the U.S. model to found China Nepstar in 1995. Beyond prescription drugs, the new company stocked nutritional supplements and over-the-counter medications as well as traditional Chinese herbal remedies.

A dozen years later, Nepstar reported having 2,002 stores, 13,000 employees and expected revenues of between \$270 million and \$272 million in 2007. "We are now opening two stores and hiring six or seven people in each store daily," says Zhang. "Wherever we go, we are creating employment."

Zhang says a big challenge in launching Nepstar was acquiring licenses, given that the central government had not designated pharmaceutical retailing as an area open to private-equity investment. So he set up in Shenzhen, one of four areas then open to foreign investment and encouraging a private-sector economy.

"Nepstar has become an almost indispensable part of communities because we provide quality products and services," says Zhang, who received an economics PhD from Nankai University in 2001. Nepstar also provides free blood pressure testing and helps patients with advice on self-medication, explains Zhang.

Looking to the future, Nepstar intends to expand as fast as is feasible, possibly with the help of acquisitions. "Our goal is to create a network of stores that cover the entire country," says Zhang. "In the U.S., the top three drugstore chains account for around 60 percent of the retail market; we have less than 1 percent here. With an urban population of some 600 million, we clearly have a long way to go."



# Simin Zhang



# Zhengrong Shi

■ **TITLE:** CHAIRMAN AND CEO  
■ **COMPANY:** SUNTECH POWER HOLDINGS CO. LTD. (STP)  
■ **HEADQUARTERS:** WUXI ■ **LAUNCH:** 2001  
■ **IPD DATE:** DEC. 14, 2005 ■ **RAISED:** \$455.1 MILLION  
■ **MARKET NICHE:** Manufactures solar cells and solar-cell modules for sale in China and throughout the world; about 80 percent of sales come from Europe.



After receiving a PhD in electrical engineering from the University of New South Wales and starting a family in Australia in the 1990s, Dr. Zhengrong Shi says he expected to remain in that country. Instead he joined a solar-cell manufacturer. Dr. Shi says his passion for the technology led him to take out 11 patents and to return to China in 2001 to establish Suntech Power in his hometown of Wuxi.

“While the Wuxi government encouraged me to return home and gave me backing, capital was at a premium, so we operated on a tight budget,” recalls Dr. Shi, 45. “I was involved in everything: setting up production lines with used equipment, establishing R&D facilities and a research team, finding customers — all on a shoestring budget.” Today Suntech employs more than 7,000 people and had 2007 sales of more than \$1.3 billion. Dr. Shi says the company ranks No. 1 worldwide among solar-module makers based on photovoltaic-module production, with most of the output shipped overseas.

The company reports that it also has donated solar systems worth some \$840,000 to poor Chinese farmers. Other charitable involvements include providing goods to a Shanghai nursing home, funding Wuxi’s opera company and giving educational funds to students in Tibet.

“Suntech’s focus now is to improve our technology and reduce our manufacturing costs until solar power becomes cost-competitive with retail electricity rates worldwide,” says Dr. Shi, who anticipates reaching grid-parity pricing by 2012. At that point, “we believe the market for solar power will grow dramatically,” he adds.

When the company listed on the NYSE, Dr. Shi acknowledges, he became a billionaire overnight. Says the CEO: “Back in Australia, I never dreamed I’d become a rich entrepreneur.”

■ **TITLE: CHAIRMAN AND CO-CEO**

■ **COMPANY: MINDRAY MEDICAL INTERNATIONAL LTD. (MR)**

■ **HEADQUARTERS: SHENZHEN** ■ **LAUNCH: 1991**

■ **IPO DATE: SEPT. 26, 2006** ■ **RAISED: \$310.5 MILLION**

■ **MARKET NICHE:** Designs, develops and manufactures **medical equipment**, such as patient-monitoring systems, as well as diagnostic laboratory instruments for the domestic and overseas markets.



Xu Hang and Li Xiting had worked for a joint venture that imported high-priced medical equipment such

as MRI scanners. But their own company targeted less expensive equipment that clinics and health-care centers as well as hospitals would use. “When we began Mindray in 1991, we focused on products that monitor patients’ vital signs,” explains Xu, who is chairman and shares the co-CEO title with Li.

By budgeting 10 percent of sales — of about \$300 million in 2007 — to R&D, the company indicates, it is able to offer patient-monitoring devices, ultrasound equipment, diagnostic laboratory instruments and anesthesia machines. About 1,000 of its 3,700 employees work on R&D, producing seven to nine new products a year, says Xu. “Our aim is to develop equipment comparable to or better than imported products, but costing 20 percent to 30 percent less.”

Reporting annual growth rates of around 50 percent, Xu adds that the company is “aware of its responsibility to society.” As a member of nongovernmental Project Hope, Mindray has paid to build two schools. After an outbreak of severe acute respiratory syndrome (SARS) and following a typhoon, the company donated both medical equipment and cash. “Our employees also donate during such times,” says Xu. “We match their contribution dollar for dollar.”

The company says it intends to invest more in its sales and support staff and strengthen its distribution network. Currently, Mindray has 29 offices in China and 11 overseas. About half of its output is exported, with Europe taking the largest share, followed by South Asia. “One benefit of listing on the New York Stock Exchange is that it has helped build our brand awareness among the public,” says Xu.



■ ■ ■  
xu hang

# Michael Yu



- **TITLE:** CHAIRMAN AND CEO
- **COMPANY:** NEW ORIENTAL EDUCATION & TECHNOLOGY GROUP INC. (EDU)
- **HEADQUARTERS:** BEIJING ■ **LAUNCH:** 1993
- **IPO DATE:** SEPT. 7, 2006 ■ **RAISED:** \$104.6 MILLION
- **MARKET NICHE:** Provides private education services to Chinese consumers, with a focus on language training and test preparation.



In 1990, when Michael Yu rented a classroom to do some private tutoring at the primary school where he taught, he was just hoping to make enough cash to go to the U.S. to study international relations and media. He soon realized he could make more running his own school than teaching for others. After two years of spadework, he obtained a government license to open a school in 1993. “I gave free lessons for three months to attract students — a tradition that continues today in the form of free lectures that New Oriental offers to its students,” recalls Yu, who holds an English degree from Peking University. “Little by little, word spread and more came.”

Today, Yu, 45, heads what he calls the largest private English-language training organization in China, with more than 1 million students every year. Its 38 schools and 126 learning centers located throughout China contributed 2007 revenues of \$136.4 million. Beyond teaching English, New Oriental also offers test preparation and cultural studies to prepare students for studying abroad. “English is a requirement from Chinese elementary school onward,” explains Yu. “We also prepare students to study abroad. They eventually come back and contribute to society through the jobs they perform.”

The company reports it is a member of Project Hope, which builds schools in poor areas. It also covers training and housing expenses for some 500 teachers so they can study at New Oriental facilities in Beijing for up to 20 days a year. In addition, the company contributes toward tuition fees and scholarships for 1,000 university students per year.

Going public on the NYSE “raised our credibility, because listed companies must live up to high standards,” says Yu. “And it helped raise capital for expansion. So it has taken us to a new level, ultimately providing the Chinese population with ever greater opportunities.”

■ **TITLE: CHAIRMAN AND CEO**

■ **COMPANY: GIANT INTERACTIVE GROUP INC. (GA)**

■ **HEADQUARTERS: SHANGHAI ■ LAUNCH: 2004**

■ **IPO DATE: NOV. 1, 2007 ■ RAISED: \$1.04 BILLION**

■ **MARKET NICHE:** Offers role-playing games through networked servers, on which large numbers of players connect and interact.



Based on the sheer number of users, Giant says it is one of China's leading online game developers. Its ZT Online role-playing game now counts more than 3 million active daily players generating 2007 revenues of more than \$209 million, just two years after the game's 2006 debut.

"When I started Giant, we faced tough competition from three major online game developers," recalls Yuzhu Shi, 45, who holds a bachelor's degree in mathematics from Zhejiang University. "But I began the company anyway because I enjoyed playing online games so much myself." Shi says he had both the experience and personal wealth to indulge his passion, having established several businesses during the previous 15 years, including software, health-care and nutritional-supplement companies.

The entrepreneur credits Giant's success to a staff of more than 400 software engineers and game designers who created a game "that's great fun to play." Equally important, he adds, is the company's sales and marketing army of 2,500 agents who introduce ZT Online to new players and conduct promotional activities at more than 116,500 retailers, including bookstores, software stores and Internet cafés.

Giant had its IPO on the NYSE in late 2007. "Listing will help Giant attract the most talented people and contribute to our goal of becoming a Chinese corporate icon," says Shi.

The CEO's plans for Giant include local versions of ZT Online for licensees to distribute in adjacent markets in Asia. The company also expects to launch three new games in 2008. Still, Shi says, Giant's first priority is to use its sales force to deepen its penetration in the smaller towns and villages of China's vast domestic market.

# yuzhu shi