Think Ahead

ACCA

China's next 100 global giants

2016 edition

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Two years on from the first global giants report, this report identifies the next generation of 100 fastest-emerging Chinese businesses that will be competing globally over the next three to five years. These businesses have established strong bases in China, are internationalising more rapidly and, perhaps most importantly, continue to grow at rates that are far faster than either global or domestic growth. China's 2016 next global giants are bucking the trend of a slowdown in economic activity worldwide.

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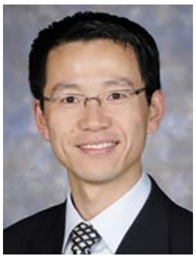
ZHAN GAO



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Foreword

China is on the radar of many businesses, no matter which country or sector they represent, and this interest is only likely to intensify. ACCA's biennial ranking of China's emerging businesses is a fresh perspective on the future of Chinese business. It does this by identifying the fastest-growing emerging businesses that have the potential to become the next global giants.

The continuous advancement in technology has been the key for China, turning out-performing domestic businesses on the cusp of international expansion into truly global giants. Nonetheless, technology is not the only catalyst. Over the course of two years, Chinese businesses have been increasingly focusing on research and development (R&D), acquisitions, and more sophisticated business strategies that represent a step change from the primary focus on mass-produced goods seen in the past.

As chairman of the Accountancy Futures Academy, I have been looking at the future of the accountancy profession and of businesses locally and globally. The annual growth rate of the 100 companies identified in this report outstrips not only the nation's GDP, but also that of the global economy – and their future trajectory is expected to continue this strong trend.

Professional accountants must keep their eyes on tomorrow, anticipating the ever-changing world around them, so they can be at the forefront of discussions about their business and the wider business world.

These next Chinese global giants will be building partnerships, investing heavily in R&D and, in all likelihood, outperforming many businesses in developed economies; and I, for one, will be watching them with an eagle eye.

Ng Boon Yew
Chairman and CEO Raffles Campus Pte Ltd and chair of ACCA's Accountancy Futures Academy

Executive summary

China in 2016 is even more international than it was in 2014.

In 2014, the research team at Lancaster University and ACCA published the first *China's next 100 global giants* report.[1] It identified 100 fast-growing Chinese businesses that were going global. Most were not especially well known outside China, even though many were established and recognised domestically. These businesses were growing rapidly, had clear business strategies, and had dominant market positions inside China. They were starting to globalise, building markets and partnerships in other countries and acquiring other businesses and know-how. Examples include Huapont Life Sciences, Hongfa Technology and Zhejiang Unifull Industrial Fiber. If the fast-growing businesses included in the 2014 ranking carry on along this trajectory, as many already have, they will become some of the most competitive and successful businesses in the world.

Two years on, this 2016 report looks again at China's emerging global businesses, revisiting companies that were in the first top 100 ranking and also identifying new entrants into this league table. They follow in the footsteps of large and now well-known Chinese businesses such as Haier, Lenovo, Alibaba and less well-known, but still global, companies. Over these two years, Chinese businesses have expanded overseas, not only through exporting but also increasingly through mergers and acquisitions, strategic partnerships, and by establishing R&D and innovation centres worldwide. China in 2016 is even more international than it was in 2014, and this globalisation is being driven by leading businesses such as the 2016 global giants identified in this report.

In order to identify these businesses, companies listed on domestic Chinese and international stock exchanges were considered. The companies were filtered by size. Five-year growth rates were also considered, in order to ensure that businesses were growing sustainably over a longer period. Maintaining high levels of annual growth over time indicates that a business has a sound business model and the capacity to cope with growth. The ranking also considers the market positioning and performance of emerging Chinese businesses, using the criteria: domestic market presence in China; extent of activity in international markets outside China; and business model and strategy.

This multidimensional approach produced a detailed rating of the overall competitiveness of the identified businesses. This report, as a result, is very different to other rankings, which rely on a small number of financial measures, typically size, rather than on wider considerations of performance and competitiveness. ACCA and the research team are confident that this approach to ranking China's emerging global giants is a deeper and more wide-ranging analysis than other league tables of Chinese businesses.

This report identifies the 100 fast-growing Chinese businesses that are emerging as global giants. Their growth and overall competitiveness indicate that they are likely to continue to expand. Over the next few years, if they continue on their current trajectories, many of these businesses will become China's next generation of giant global corporations.

1 ACCA, *China's next 100 global giants* (2014), <http://www.accaglobal.com/content/dam/acca/global/PDF-technical/futures/pol-afa-cngg-chinas-next.pdf>, accessed 12 October 2016.

1. China's next 100 global giants

The ranking used in this report is based on a business performance framework that takes into account multiple dimensions of competitiveness.

The ranking used in this report is based on a business performance framework that takes into account multiple dimensions of competitiveness. Five measures were used: size (as measured by turnover); growth (in revenue); domestic presence; international presence; and business model and strategy. Each of these measures was scored between 0 (no evidence of activity or success) to 3 (highly effective) in the ranking. The rationale for this approach can be summarised as follows.

1. **Size** provides an indication of (i) scope to generate sufficient surpluses to invest or to secure funding for continued growth, and (ii) sufficient scale to be able to compete from a position of strength in domestic and international markets.
2. **Growth** over a considerable period demonstrates the ability of the business to scale up and to do this in a sustainable way. The businesses included in this 2016 report have generated at least five consecutive years of annual revenue growth of between 12.2% and 63.4% over 2010-14. Given that the Chinese economy over that period grew by between 5.5% and 6.5% per year, the slowest growing of the ranked companies expanded at double the pace of national GDP increases and the fastest at 10 times national growth rates. Most grew rapidly, with 60 of the 100 increasing their turnover by at least 20% per year over five years and 21 of the 100 by over 30% annually.

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Of the 2016 top 100 emerging global giants, 46 were in the 2014 top 100 ranking. In other words, roughly half the 2014 global giants have kept their place.

3. **Domestic presence**. China's global giants establish a strong domestic market presence before building markets overseas. The Chinese market represents a platform for international expansion once these businesses had achieved commercial success in their home market. This success helps develop an effective business model and in most cases generates sufficient resources to fund international expansion.

4. **International presence**. In the 2014 ranking, this was largely defined by export markets, and export sales are used as a key measure. Since then, international presence has expanded to include international acquisitions, partnerships and presences, including in particular logistics hubs and design and R&D centres. This reflects the widening of patterns of internationalisation by Chinese companies. Hence, not only export sales but also other forms of internationalisation have been considered.

5. **Business model and strategy**. This was assessed by the clarity of the company's strategy and evidence that this strategy had generated growth and competitive advantage. The business model was evaluated from evidence that the company was well organised, had effective systems and processes, and competitive products or services. Although this was the most complex measure to determine and assess, it was also the most significant, in the sense that the case studies and interviews with the ranked companies indicate that getting this right is essential for business success and growth. Business models tend to evolve and be refined over time. They were challenged, and validated, during internationalisation in particular, when the effectiveness of the business model was considered the most important success factor in entering other markets outside China.

THE NEXT 100 GLOBAL GIANTS

The next 100 emerging Chinese giant companies, ie those that ranked highest on the scoring system, are presented in Table 1.1. There is real diversity across the businesses included in the ranking. Overall, the scores varied considerably, from a high of 222 to a low of 32. This spread indicates very different levels of performance. The two highest-ranked businesses are Huapont Life Sciences (which manufactures pharmaceutical, pesticide and active pharmaceutical ingredients) and Hongfa Technology (which primarily manufactures and sells relays – an electrical device that switches electrical circuits on and off). Both performed particularly strongly, generating scores well ahead of the other companies. They were highly ranked in the 2014 report (at second and seventh) and since then have continued to grow at very high rates while securing dominant domestic and international presence and operating highly competitive business models. The growth rates for these two businesses increased since 2014, even though the global and Chinese economies have tapered. On any basis, this is outstanding sustained growth that indicates that these two companies are becoming globally competitive businesses.

Of the 2016 top 100 emerging global giants, 46 were in the 2014 top 100 ranking. In other words, roughly half the 2014 global giants have kept their place and just over half have been replaced by new entrants in the ranking. Some notable companies were among those that dropped out of the 2016 ranking. This indicates that even highly successful businesses face challenges in sustaining high to very high growth over a sustained period. That just over half the 2016 global giants are new entrants indicates the dynamism of competition and business emergence in China.

Table 1.1: China's next 100 global giants

2016 rank	Change from 2014	Company name	Score	Revenue (mil. RMB)	Revenue growth (2010-14)	Domestic dominance	Internat'l presence	Business model & strategy	Sector	Location
1	1	Huapont Life Sciences Co.	222	4,867	63.4%	3	3	3	Chemicals & allied	Chongqing
2	5	Hongfa Technology Co.	205	4,063	58.5%	3	3	3	Electronics	Wuhan
3	2	Hangzhou Hikvision Digital Technology Co.	134	17,233	38.5%	3	2	3	Compt. & comm. eq.	Hangzhou
4	new	Zhejiang Unifull Industrial Fiber Co.	130	2,479	37.0%	3	3	3	Chemicals & allied	Huzhou
4	new	Sanan Optoelectronics Co.	130	4,580	41.0%	3	2	3	Compt. & comm. eq.	Jingzhou
6	-5	Jiangsu Hengtong Photoelectric Stock Co.	121	10,444	34.7%	3	2	3	Electronics	Suzhou
7	63	Shunfeng International Clean Energy	116	35,408	39.5%	3	2	2	Compt. & comm. eq.	Wuxi
8	-5	Zhejiang Dahua Technology Co.	115	7,332	40.5%	2	2	3	Compt. & comm. eq.	Hangzhou
8	new	Bitauto Holdings	115	2,442	40.5%	3	1	3	Internet & information	Beijing
10	new	Suzhou Dongshan Precision Manufacturing Co.	113	3,524	35.8%	3	2	3	Metal & non-metal	Suzhou
11	4	China Xd Plastics Co.	107	6,844	37.6%	2	2	3	Chemicals & allied	Harbin
12	1	Shenzhen Desay Battery Technology Co.	102	6,390	38.3%	2	3	2	Electronics	Shenzhen
13	new	21vianet Group Inc.	100	2,857	39.8%	2	1	3	Internet & information	Beijing
14	7	Eternal Asia Supply Chain Management	97	22,098	30.9%	3	1	3	Business services	Shenzhen
15	new	Suzhou Jinfu New Material Co.	95	2,653	30.1%	2	3	3	Compt. & comm. eq.	Suzhou
16	new	Nanjing Xinjiekou Department Store Co.	90	7,825	38.5%	1	3	2	Retail	Nanjing
17	-5	Ningxia Zhongyin Cashmere Co. Ltd.	87	3,104	24.8%	3	3	3	Textile & apparel	Lingwu
17	new	Tal Education Group	87	2,674	30.7%	3	1	3	Ed. & entert'n	Beijing
19	new	Accelink Technologies Co.	83	2,433	26.1%	3	2	3	Compt. & comm. eq.	Wuhan
20	34	Shanghai Fosun Pharmaceutical Co.	83	12,026	23.7%	3	2	3	Pharmaceutical	Shanghai
21	41	Ningbo Huaxiang Electronic Co.	82	8,713	26.0%	2	3	3	Automobiles	Ningbo
21	new	Shenzhen Tat Fook Technology Co.	82	2,451	27.4%	3	3	2	Compt. & comm. eq.	Shenzhen
21	new	Wolong Electric Group Co.	82	6,893	23.3%	3	3	3	Electronics	Shangyu
24	-17	Zhejiang Wanfeng Auto Wheel Co.	80	5,535	22.9%	3	3	3	Automobiles	Shaoxing
24	new	Eging Photovoltaic Technology Co.	80	3,249	34.4%	2	2	2	Electronics	Cixi
26	new	Skyworth Digital Co.	77	3,502	21.9%	3	3	3	Compt. & comm. eq.	Suining
26	3	Huayi Brothers Media Corporation	77	2,389	24.2%	3	2	3	Ed. & entert'n	Dongyang
28	new	Dalian Huarui Heavy Industry Group Co.	75	8,239	32.1%	2	2	2	Eq. & machinery	Dalian
28	58	Soufun Holdings	75	4,331	26.6%	3	1	3	Internet & information	Beijing
28	new	Alpha Group	75	2,430	23.6%	3	2	3	Paper, print & staples	Shantou
31	new	Ever-Glory International Group Inc	74	2,835	27.6%	2	3	2	Textile & apparel	Nanjing
32	-6	Ctrip.com International Ltd.	71	7,297	22.3%	3	2	3	Transp't & logistics	Shanghai
33	new	Haining China Leather Market Co.	70	2,439	22.0%	3	2	3	Business services	Jiaxing
33	23	Apeloa Pharmaceutical Co.	70	4,233	29.8%	2	2	2	Pharmaceutical	Dongyang
35	-18	Zhuzhou Times New Materials Technology Co.	67	6,008	21.0%	3	2	3	Rubber & plastics	Zhuzhou
35	new	Shenzhen Zowee Technology Co.	67	3,587	33.3%	1	2	2	Compt. & comm. eq.	Shenzhen
37	-31	Hosa International	66	7,497	26.5%	2	1	3	Textile & apparel	Wanchai
38	new	Shenzhen Deren Electronic Co.	65	2,635	23.1%	2	2	3	Compt. & comm. eq.	Shenzhen
39	56	Xinjiang Zhongtai Chemical Co.	65	11,177	25.4%	2	2	2	Chemicals & allied	Urumqi
40	new	Suzhou Victory Precision Manufacture Co.	64	3,256	21.3%	3	3	2	Compt. & comm. eq.	Suzhou
41	new	Tianshui Huatian Technology Co.	63	3,305	27.2%	1	3	2	Compt. & comm. eq.	Tianshui
41	-5	Beijing Tongrentang Co.	63	9,686	22.1%	3	1	3	Pharmaceutical	Beijing
43	new	Cpt Technology Co.	61	7,018	26.2%	1	3	2	Compt. & comm. eq.	Fuzhou
43	new	Yantai Jereh Oilfield Services Group Co.	61	4,461	40.4%	1	2	1	Eq. & machinery	Yantai
43	new	Cofco Tunhe Co.	61	8,939	30.4%	1	2	2	Food & beverages	Changji
46	-29	Xi'an Longi Silicon Materials Co.	60	3,680	17.2%	3	3	3	Metal & non-metal	Xi'an
47	new	Jiangsu Huifeng Agrochemical Co.	59	2,429	29.3%	1	2	2	Chemicals & allied	Yancheng
47	33	Fujian Furi Electronics Co.	59	3,511	20.9%	2	2	3	Wholesale	Fuzhou
47	new	Holitech Technology Co.	59	3,053	23.7%	1	2	3	Compt. & comm. eq.	Zibo
50	-25	Jiangxi Black Cat Carbon Black Co.	58	6,168	18.4%	3	2	3	Chemicals & allied	Jingdezhen
50	new	Jiangsu Yangnong Chemical Co.	58	2,820	16.6%	3	3	3	Chemicals & allied	Yangzhou

2016 rank	Change from 2014	Company name	Score	Revenue (mil. RMB)	Revenue growth (2010-14)	Domestic dominance	Internat'l presence	Business model & strategy	Sector	Location
52	new	Leo Group Co.	56	2,874	21.1%	2	3	2	Internet & information	Wenling
53	new	Zhejiang Huahai Pharmaceutical Co.	55	2,585	20.8%	2	3	2	Pharmaceutical	Taizhou
54	new	Shenzhen Laibao Hi-Tech Co.	54	2,343	19.1%	2	2	3	Compt. & comm. eq.	Shenzhen
55	-24	Changyuan Group	53	3,349	18.8%	3	1	3	Compt. & comm. eq.	Shenzhen
55	-17	China Lodging Group	53	4,931	26.4%	2	1	2	Hotels	Shanghai
57	-18	Fiberhome Telecommunication Technologies Co.	53	10,721	15.3%	3	2	3	Compt. & comm. eq.	Wuhan
58	new	Hollysys Automation Technologies	52	3,213	22.4%	2	2	2	Instruments and other	Beijing
58	-22	Tianma Microelectronics Co.	52	9,322	19.6%	2	3	2	Compt. & comm. eq.	Shenzhen
60	-51	Anhui Zhongding Sealing Parts Co.	51	5,040	16.9%	3	3	2	Rubber & plastics	Xuancheng
60	-9	Jiangsu Changjiang Electronics Technology Co.	51	6,428	14.6%	3	3	3	Compt. & comm. eq.	Jiangyin
62	new	Merry Garden Holdings	50	4,321	27.1%	1	3	1	Furniture & related	Zhangping
62	new	Shenzhen MTC Co. Ltd.	50	7,108	21.3%	1	3	2	Compt. & comm. eq.	Shenzhen
62	-33	New Oriental Education & Technology	50	7,683	17.6%	3	1	3	Ed. & entert'n	Beijing
65	new	Zhejiang Narada Power Source Co.	49	3,786	26.5%	2	2	1	Electronics	Hangzhou
66	new	Grinm Advanced Materials Co.	48	2,423	23.8%	1	2	2	Metal & non-metal	Beijing
67	-52	Whirlpool China Co.	47	5,505	14.9%	3	2	3	Electronics	Hefei
68	4	Keda Clean Energy Co.	46	4,466	19.7%	3	1	2	Eq. & machinery	Foshan
68	new	Zhongshan Broad-Ocean Motor Co.	46	4,443	17.4%	2	3	2	Electronics	Zhongshan
70	-44	Lianhe Chemical Technology Co.	45	3,990	16.8%	2	3	2	Chemicals & allied	Taizhou
70	new	Jiangsu Zhongtian Technologies Co.	45	8,641	17.0%	3	2	2	Electronics	Nantong
72	-14	Zhejiang Sanhua Co.	44	5,824	14.8%	3	3	2	Eq. & machinery	Shaoxing
72	new	China National Complete Plant Import	44	2,538	24.0%	1	3	1	Wholesale	Beijing
72	-25	Homeinns Hotel Group	44	6,229	18.9%	3	1	2	Hotels	Shanghai
75	new	Sina Corp	43	4,734	13.7%	3	2	3	Internet & information	Shanghai
75	-29	Zhejiang Supor Co.	43	9,535	12.2%	3	3	3	Metal & non-metal	Hangzhou
77	-34	Humanwell Healthcare Co.	42	7,052	28.3%	2	1	1	Pharmaceutical	Wuhan
77	new	Qinchuan Machine Tool & Tool Group Co.	42	3,501	15.6%	3	2	2	Eq. & machinery	Baoji
77	-46	Han's Laser Technology Industry Group Co.	42	5,566	13.4%	3	2	3	Eq. & machinery	Shenzhen
77	-5	Hubei Angel Yeast Co.	42	3,654	13.3%	3	2	3	Food & beverages	Yichang
77	-21	Jinkosolar Holding Co.	42	9,910	14.1%	3	3	2	Compt. & comm. eq.	Shangrao
77	new	Kingold Jewelry Inc.	42	6,825	16.7%	2	1	3	Instruments and other	Wuhan
77	new	Bolina Holding Co.	42	5,334	17.9%	2	2	2	Metal & non-metal	Zhangzhou
84	-64	Zhejiang Dun'an Artificial Environment Co.	40	6,601	14.1%	3	1	3	Eq. & machinery	Zhuji
85	new	Zhongtong Bus & Holding Co.	39	3,612	13.9%	2	2	3	Automobiles	Liaocheng
85	new	Zhe Jiang Xinan Chemical Industrial Co.	39	7,716	14.8%	3	2	2	Chemicals & allied	Hangzhou
87	new	Longxing Chemical Industry Co.	38	2,438	13.4%	2	2	3	Chemicals & allied	Xingtai
87	new	Guangdong Vanward New Electric Co.	38	3,978	14.4%	3	2	2	Electronics	Foshan
89	7	Sohu.Com Inc.	37	10,310	22.7%	2	1	1	Internet & information	Beijing
90	new	Yihua Lifestyle Technology Co.	37	4,427	16.0%	1	3	2	Furniture & related	Shantou
90	-18	Changyou.com Ltd.	37	4,654	18.6%	2	1	2	Internet & information	Beijing
92	new	Changshu Fengfan Power Equipment Co.	36	2,354	15.6%	2	2	2	Metal & non-metal	Changshu
92	new	Wuxi Baichuan Chemical Industry Co.	36	2,905	15.3%	2	2	2	Chemicals & allied	Jiangyin
94	-32	E-Commerce China Dangdang*	35	7,903	29.8%	1	1	1	Retail	Beijing
95	new	Shenzhen Salubris Pharmaceuticals Co.	34	2,883	20.5%	1	1	2	Pharmaceutical	Shenzhen
96	new	Fujian Longking Co.	33	6,027	16.4%	2	1	2	Eq. & machinery	Longyan
97	new	Nanjing Redsun Co.	32	6,812	13.9%	2	2	2	Chemicals & allied	Nanjing
97	new	Avic Aero-Engine Controls Co.	32	2,576	13.6%	3	1	2	Other Transp't eq.	Zhuzhou
97	-64	Sinoma Science & Technology Co.	32	4,424	13.9%	3	1	2	Metal & non-metal	Nanjing
97	new	Cosco Shipping Co.	32	7,663	14.7%	3	2	1	Transp't & logistics	Guangzhou

> Many headquarters are based in China's major cities or along the eastern coast, reflecting the extent of economic development in these parts of China.

NO ONE CITY OR INDUSTRY DOMINATES

These emerging 100 companies are relatively diverse in both geography and sector. The geographical spread of businesses within China itself is wide, although major cities are well represented, especially Beijing, Shanghai, Shenzhen and Wuhan (Table 1.2 and Figure 1.1). The ranked 100 companies were based in many different parts of China. Many headquarters are based in China's major cities or along the eastern coast, reflecting the extent of economic development in these parts of China. The overall geographical spread, however, is wider, with businesses located across the country. The three most developed provinces housed the greatest number of the listed companies: Zhejiang (18), Guangdong (17) and Jiangsu (15). Beijing continues to be an important location, with 13 of the firms headquartered there, unsurprisingly, owing to the access to the state and the connections and opportunities offered by this proximate location. Although this geography is relatively dispersed, the major cities and eastern coastal provinces house the majority of the ranked companies, which is perhaps not surprising given that these parts of China are wealthier and more developed than cities and provinces further inland. In 2016, 63 of the 100 companies were located in Beijing, Guangdong, Jiangsu and Zhejiang.

Table 1.2: China's next 100 global giants by location of headquarters

Province and municipalities	Number in 2016	Number in 2014	Change from 2014
Anhui	2	8	-6
Beijing	13	17	-4
Chongqing	1	1	–
Fujian	5	3	+2
Gansu	1	0	+1
Guangdong (Shenzhen)	17 (11)	11 (7)	+6 (4)
Guizhou	0	1	-1
Hebei	1	0	+1
Heilongjiang	1	1	–
Henan	2	1	+1
Hong Kong	0	1	-1
Hubei	7	4	+3
Hunan	0	2	-2
Inner Mongolia	0	1	-1
Jiangsu	15	11	+4
Jiangxi	2	3	-1
Liaoning	1	0	+1
Ningxia	1	1	–
Shaanxi	2	1	+1
Shandong	3	3	–
Shanghai	5	7	-2
Sichuan	1	1	–
Tianjin	0	1	-1
Xinjiang	2	1	+1
Yunnan	0	1	-1
Zhejiang	18	18	–
Singapore	0	1	-1
Total	**61**	**60**	

Different sectors are represented in the top 100, and the presence of services and intangible products among their outputs points to an increasingly diverse economy and a move away from manufacturing and production.

There appears to be a shift southwards among these companies. In the 2014 ranking, Shenzhen was the headquarters for seven emerging giants. In the 2016 report, the number there has risen to 11, and the number with headquarters in Beijing has fallen, from 17 to 13. This reflects the growing economic significance of Shenzhen, which is closely connected to Hong Kong and to the world economy.

There has also been some shift away from overseas listing, with several emerging global giants leaving international stock exchanges and issuing shares in Shanghai or Shenzhen instead. Seven of the top 100 were listed on the New York Stock Exchange, of which five were in the top 20 in this year's ranking; 12 were listed on NASDAQ and four in Hong Kong. The rest are listed in China or, in a small number of cases, have recently been acquired or bought out and so are no longer public.

MOVING AWAY FROM MANUFACTURING TO SERVICES

Different sectors are represented in the top 100, and the presence of services and intangible products among their outputs points to an increasingly diverse economy and a move away from manufacturing and production (see Table 1.3, Figure 1.2). As in 2014, the services and digital economy are relatively well represented.

Computing and communication equipment was the most common sector in which the top 100 were active, with 21 of the top 100 in this category. This compares with 19 in 2014. Chemicals (12), electronics (10), equipment and machinery (8), internet and information (7), metal and non-metal products (7), and pharmaceuticals (6) were also well represented. In total, 18 companies were in non-tangible markets, including digital, services and advice, compared with 17 in 2014.

Figure 1.1: Headquarter locations of China's next 100 global giants

Figure 1.2: Industry sectors represented by China's next 100 global giants

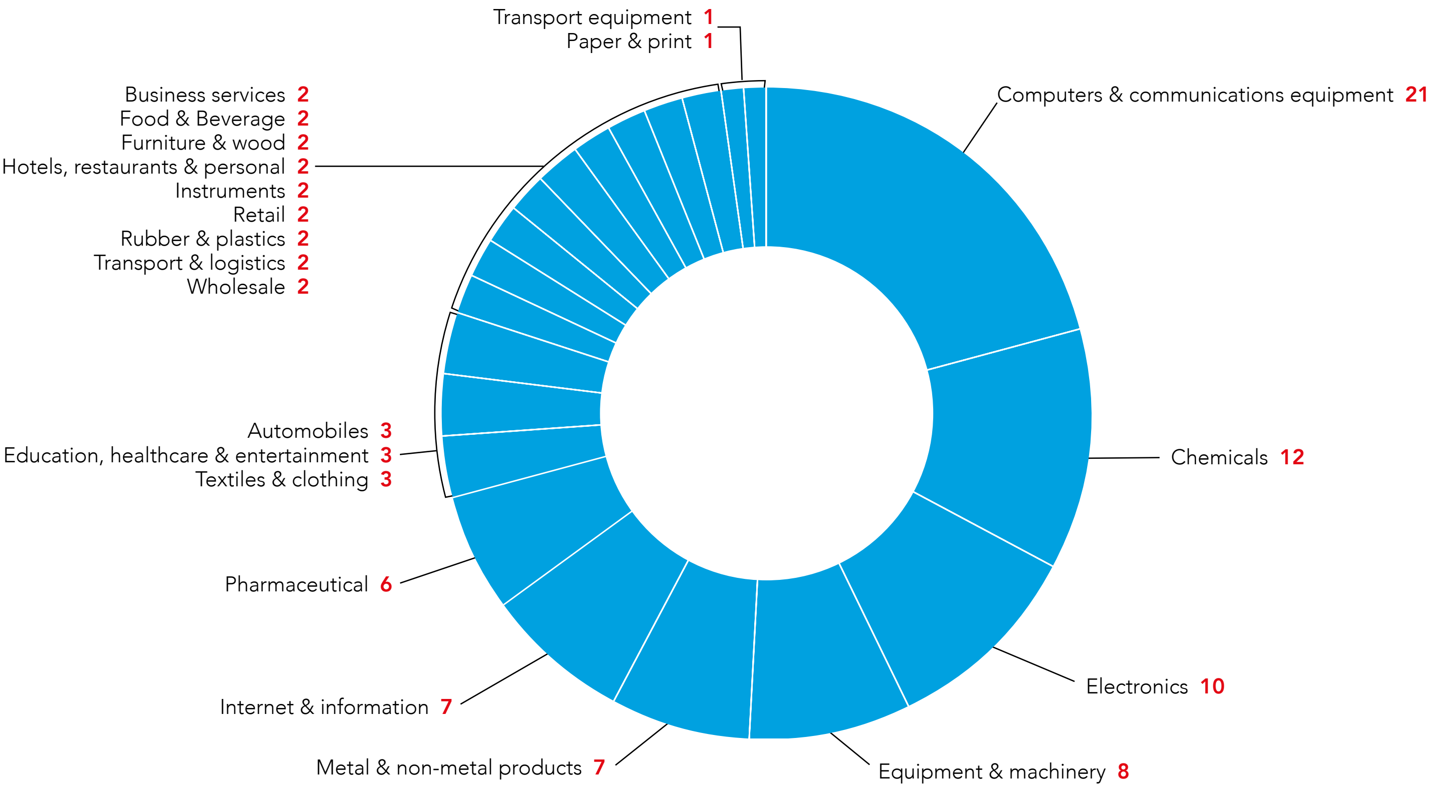

Table 1.3: China's next 100 global giants by industry sector

Sector	Number in 2016	Number in 2014	Change from 2014
Automobiles	3	5	-2
Business services	2	1	+1
Chemicals	12	5	+7
Computers and communications equipment	21	19	+2
Education, healthcare and entertainment	3	2	+1
Electronics	10	13	-3
Equipment and machinery	8	8	–
Food and beverages	2	4	-2
Furniture and wood	2	0	+2
Hotels, restaurants and personal services	2	2	–
Instruments	2	1	+1
Internet and information	7	9	-2
Metal and non-metal products	7	11	-4
Paper and print	1	0	+1
Pharmaceutical	6	6	–
Retail	2	1	+1
Rubber and plastics	2	2	–
Textiles and clothing	3	7	-4
Transport and logistics	2	1	+1
Transport equipment	1	1	–
Wholesale	2	2	–
Total	**100**	**100**	**100**

> A common feature of almost all the top businesses was a highly effective business model. Overall, those running these businesses demonstrated in-depth knowledge of the dynamics of their industries, as well as the needs of their customers.

BUSINESS TURNOVER RATES ARE RISING

Broadly, the top 100 firms can be characterised as relatively large businesses measured by their turnover, although there is variation in size. The average (mean) turnover in 2016 was RMB5.7bn, compared with RMB 4.75bn in 2014. This indicates a larger average size for the 2016 global giants – at approximately £660m (£450m in 2014) or US$850m ($750m in 2014). The largest company had a turnover of more than RMB35bn and the smallest RMB2.3bn.[2] There is therefore considerable variation in the size of these companies.

Their future growth trajectory appears strong. If these businesses sustain their current growth rates, they will be competing against established giants both in China and in other markets. Among the top 100, growth rates varied between 12% and 64%, meaning that the lower rate is below 2014's 'floor' threshold of 16% but the higher rate is greater than the 49% 'ceiling' in 2014. All but three (Ningxia Zhongyin Cashmere, Accelink Technologies and Shanghai Fosun) of the top 20 had sustained annual growth rates of 30% or higher, while the top two businesses (Huapont Life Sciences and Hongfa Technology) had growth rates of more than 55% a year. These annual levels of growth were measured over five years, demonstrating sustained performance and higher growth rates. This is especially impressive given further cooling of the Chinese economy in recent years, as shown by a drop in growth to a national GDP growth rate of around 6%. In other words, the slowest growing of the ranked companies was expanding at more than twice the national GDP growth rate, and the fastest-growing of them at 10 times national growth rates. Those of 'the next global giants' included in the both the 2014 and 2016 rankings have been growing at these annual rates for more than seven years. Managing these levels of growth over such a long period is a major business achievement and indicates a high level of managerial capability.

Businesses that grow at an annualised rate of 12% double in size in six years. Those growing at over 30% per year (all but one of the top 20) will more than double their turnover in three years, and those that grow at 60% will grow by 250% in three years. By any account, this is significant growth. The annual growth was measured over five years (from 2010 to 2014), so all the ranked businesses more than doubled in size over this period.

Extrapolating turnover from the average growth rate of 16.3%, the typical top 100 business will have a turnover of over RMB12bn by 2020, and many will have annual turnovers of almost RMB30bn by then. On these indicative calculations, the top 100 will likely be major businesses globally, as measured by size, within the next five years.

A common feature of almost all the top 100 businesses was a highly effective business model. Overall, those running these businesses demonstrated in-depth knowledge of the dynamics of their industries, as well as the needs of their customers. Strategies were clear and coherent, and there was evidence of strong management control of the businesses and their performance.

Almost all the companies were very strong, if not dominant, in their domestic markets, creating a 'home base' for globalisation. China's next global giants, in other words, have developed sound business models by building market share and power domestically. Most are now applying their successful business models in other markets, building stronger presences overseas.

A number of businesses (Huapont Life Sciences, Hongfa Technology, Zhejiang Unifull Industrial Fiber, Ningxia Zhongyin Cashmere, Wolong Electric, Zhejiang Wanfeng Auto, XianLongi Silicon, Jiangsu Yangnong Chemical, Jiangsu Changjiang Electronics and Zhejiang Supor) secured maximum scores, on the scoring system

2 Accounting data for US and Hong Kong listed firms are in US dollar initially. They are converted to RMB using the average exchange rate over a year.

A greater number of the top 100 scored lower on international presence than in 2014.

used for this report, for domestic dominance, international presence and business model, indicating that they are highly competitive businesses that will continue to expand globally and be competitive in new markets. They also posted very different annual turnover growth rates, in contrast with 2014, where maximum scores tended to be more strongly correlated with higher annual growth. Some (eg Anhui Zhongding Sealing Parts, Hans' Laser, Hosa International, Xi'an Longi Silicon Materials, and Zhejiang Wanfeng Auto) may be experiencing lower growth as they mature, but they are still highly competitive businesses that along with those that are still growing at high rates remain most likely to be China's most successful next generation of global giants.

A greater number of the top 100 scored lower on international presence than in 2014.[3] Some of the 2016 businesses were strong in their home market and had started to develop some international presence in recent years, but were still focusing on the domestic Chinese market. These businesses were earlier in their cycle of internationalisation than those scoring highly for international presence, but they look likely to become more globalised in the next few years. Others appear to be refocusing back on China, probably in response to lower growth in other markets, an overall decline in global trading conditions, and relatively strong demand in China. Overall, the 2016 next global giants are still outward facing , with one-third of the top 100 being highly internationalised.

3 Eight companies in the 2014 listing no longer meet the minimum criteria of internationalisation and have dropped out of the 2016 list. Among those remaining in the 2016 list, six companies scored at least one mark lower than they had in 2014.

These companies have adapted to a less positive economic environment by developing counter-cyclical business models that have enabled them to grow very rapidly, even though demand has softened.

There seems to be some bifurcation among the top 100 global giants, as a result. On the one hand, more businesses are focusing on the domestic Chinese market than in 2014, even though they are still internationalising. These businesses appear to be responding to a wider downturn in global economic conditions, which have been lower recently than China's recent falls in GDP growth. These businesses are balancing international expansion with pursuit of growth opportunities in their domestic market. On the other, more businesses are become highly international in activity and business focus, and appear to be edging towards becoming global businesses with a trans-national presence. This may lead to one group of 'China platform' businesses, which use domestic market power to fund international expansion, and a second group that will form China's first generation of globalised businesses, which will increasingly define themselves by their worldwide markets and presence. The former group see China as their 'home', whereas the latter are starting to consider the world as their market.

GROWING AND GROWING

Annual growth was more significant for the 2016 ranking than in 2014, when the business model appeared to be the most significant factor in determining a high ranking.

Most of the businesses ranked in the top 50 scored on all three criteria (ie domestic dominance, internationalisation, and business model and strategy), whereas those ranked 50 to 80 tended to have one of these criteria ranked as 1, and those placed in the 90s had two of the criteria ranked at 1. The performance, however, was more closely bunched this time, with many lower-ranked businesses securing one or more scores of 3.

In other words, those businesses that were able to sustain high growth during a period when China's national growth fell and global economic growth has been suppressed were more highly ranked. These companies have adapted to a less positive economic environment by developing counter-cyclical business models that have enabled them to grow very rapidly, even though demand has softened (Huapont Life Sciences, Hongfa Technology and Hangzhou Hikvision). As noted above, this is an impressive achievement and testament to the quality of China's emerging global giants.

2. Case studies of China's next 100 global giants

This section focuses on six specific example of businesses included in the 2016 top 100 ranking.

This section focuses on six specific examples of businesses included in the 2016 top 100 ranking. These companies come from a range of industries and have sustained their growth and built market leadership or influence over many years. They are well established in China and are increasingly engaged in other markets. Most, however, are still in the early phases of internationalisation and so have some way to go to become fully global businesses.

Each in its own way reflects not only the diversity of China's emerging global giants, but also the distinctive and innovative business models that are emerging in China. There is an increasing focus on R&D and product superiority. In each case, domestic success and often dominance of a domestic market has been a foundation for exploring and developing new markets.

Acquisition of expertise and technologies from businesses in other countries, especially more developed economies, has been a particular interest of those businesses that are competing increasingly through technological improvements and superiority. These cases also highlight the importance of the digital economy, national networks and centres across China, and the use of complementary technologies and control systems and software that make their offer and products more user-friendly.

Eternal Asia has been successful because it was an early provider of integrated supply chain services, which became a key aspect of China's national economic policy for trade and export.

RANKED 14TH: ETERNAL ASIA SUPPLY CHAIN MANAGEMENT (UP SEVEN PLACES)

Established in 1997, Eternal Asia has since grown to be a major supply chain management company in China. It has sustained rapid growth over more than seven years, and was ranked 21st in ACCA's 2014 *China's next 100 global giants* report. Eternal Asia was one of the first companies in China to develop integrated supply chain management services. It started in the IT and computing industry, offering a range of services, including customs clearing, warehousing, logistics, product sourcing, and customer relationship management.

The company listed on the Shenzhen Stock Exchange in 2007, and experienced rapid growth between 2009 and 2012. Since 2012, it has focused on consolidation and developing a national network in order to secure as wide a coverage of local markets in China as possible. This has been achieved through an aggressive programme of acquisition of other companies and development of a national platform offering supply chain services in all major and secondary cities (ie regional and national economic centres and provincial capitals).

Since 2012, Eternal Asia has acquired more than 200 companies – mainly local agents and distributors – across China. These firms have been integrated into the business, and all use the same control and fulfilment systems in order to ensure consistent and efficient practice across the company.

Acquisition of other businesses is part of Eternal Asia's '380' strategy, which seeks to establish service platforms in all 380 Chinese cities. These cities range from major metropolises, such as Beijing, Shanghai and Tiamjin, to local cities. The aim is to offer a fully integrated supply chain management service that brings together end retailers, producers and the intermediate entities involved in the supply chain. The 380 platform will give Eternal Asia reach into all China's urban markets.

Eternal Asia benefited from early adoption of a supply chain approach, which was attractive to Chinese and international buyers and was also encouraged by the government through a national policy. It has since established itself as a market leader in China, and is relatively well protected from new entrants because of the costs involved in setting up national networks such as its '380' platform.

The company is increasingly internationalised, and is particularly active in sourcing, distribution and supply chain management in East and South East Asia. In these regions (including China), Eternal Asia works with major global businesses such as GE and Philips and has built long-term relationships with these companies. It is now looking to develop a regional equivalent of its 380 platform in China to build access to markets across East and South East Asia. In order to achieve this, it has acquired a distribution business in Singapore, which will be the headquarters for Eternal Asia's South East Asia operations. The company has also acquired business in the US, which provides supply chain management services including design, procurement and distribution of sportswear for certain US brands across North America.

This business has been successful because it was an early provider of integrated supply chain services, which became a key aspect of China's national economic policy for trade and export. Eternal Asia was able to build a national network before other competitors, and this now represents a barrier to entry for most companies looking to build supply chain businesses in China.

Fosun Pharma is increasingly international in its activities, in particular in pharmaceutical manufacturing and R&D.

RANKED 20TH: FOSUN PHARMA (UP 34 PLACES)

Shanghai Fosun Pharmaceutical (Group) Co. Ltd. ('Fosun Pharma') ranked 54th in 2014, and rises to 20th in the 2016 ranking. This is largely due to its significant growth in size, as well as its business model and its international activities. Fosun Pharma is owned by the Fosun Group, which is a large Chinese conglomerate that owns many business units. Each of these units operates in a highly autonomous manner, with minimal interference by the group in day-to-day operations. The managers of the business units are expected to grow their businesses.

Fosun Pharma has four business segments: pharmaceutical manufacturing and R&D, healthcare services, manufacturing of medical diagnosis and medical devices, and distribution of medical diagnosis and medical devices. As of 30 June 2016, it operates five private hospitals and is opening more across China. Hospital operation is the fastest-growing area of business, and there is significant demand across China for high-quality private medical care, which will sustain this growth.

The overall strategy for Fosun Pharma is to integrate the medical value chain into its business. In order to supply hospitals, including its own, with drugs, Fosun Pharma has co-founded Sinopharm as the second largest shareholder, which is the largest pharmaceutical distribution group in China.

Fosun Pharma is increasingly international in its activities, in particular in pharmaceutical manufacturing and R&D. As of 30 June 2016, the Group has set up national level enterprise technical centres and highly efficient international R&D teams in Shanghai, Chongqing, Taipei and San Francisco. This has given the company access to leading researchers and drug development practices in mature markets.

The success of Fosun Pharma is based on three aspects of its business. Firstly, it focused on innovation and R&D in the long run and continued to increase investment in R&D. During the 2015 financial year, the R&D expenditures accounted for 6% of the revenue of the pharmaceutical manufacturing and R&D segment. Secondly, its income sources are diversified and the business is not overly dependent upon a small number of products or contracts. And, thirdly, it has increased its size significantly in recent years through acquisition, allowing it to grow its turnover and market share to become one of the dominant domestic pharmaceuticals and medical services companies in China.

As Ctrip.com has grown, it has continued to invest in its online presence, enhancing its website and developing a new online booking and travel information platform.

RANKED 32ND: CTRIP.COM INTERNATIONAL, LTD. (DOWN SIX PLACES)

Ranked 26th in 2014, travel company Ctrip.com International, Ltd. is placed 32nd in the 2016 global giants ranking. This is in large part because its annual growth has fallen slightly, by around 4%, to 22.3%. Annual growth of over 20% for more than seven years is impressive, however, and indicates that Ctrip has continued to expand at a rate that many businesses would find challenging to sustain. Ctrip's growth rate is slightly ahead of the online travel market overall, which is expanding at 20% per annum.

The business model continues to be based on online travel bookings, and Ctrip still focuses on Chinese customers, although it offers English-language website access. Chinese customers have also become increasingly international in their travel choices, and as a result Ctrip has significantly expanded its overseas presence and partnerships in key destination countries. Over the last two to three years, Ctrip has developed its bookings in east and southeast Asia, in particular Japan, Korea and Singapore, where it has set up teams to source partners locally. Outbound travel bookings are the fastest growing part of the business, and this is expected to continue. In the period 2017–21, the Chinese leisure travel market is expected to move from being primarily domestic to having a more overseas focus (even though domestic travel will continue to be important, given the size of the Chinese population). Ctrip is looking to exploit this by strengthening its international offering, and in doing so opening up new destinations for outbound Chinese travellers.

As Ctrip has grown, it has continued to invest in its online presence, enhancing its website and developing a new online booking and travel information platform. It has also changed organisationally, with decision-making devolved to business units within the company. These business units are expected to generate profits, and each has its own executive board and corporate structure. Ctrip is also developing new business units, in order to develop new product areas and sources of income.

Ctrip's continued growth and success as the leading Chinese online travel agency is based on a business model that the company continues to refine and develop, alongside its ability to attract highly capable staff locally, where its brand has become increasingly prestigious over time. The technical performance of its website, and the additionality it can provide through enhanced information provision, also underpin its continuing success.

Changyuan's success is based on application of R&D to new innovations, combined with strong sales in niche areas where it can have dominance in domestic Chinese markets and global leadership or significance.

RANKED 55TH: CHANGYUAN GROUP (DOWN 24 PLACES)

Ranked 31st in 2014, Changyuan is 55th in the 2016 ranking. It was set up in 1986 by the Chinese Academy of Sciences for commercial exploitation of research and discoveries made by the Academy. It has since expanded and includes almost 20 first-tier subsidiaries as well as doctoral training, research and technology centres at municipal and provincial levels. Changyuan has over 8,000 employees across the multiple subsidiary units within the company.

The company specialises in electric vehicle-related materials, smart plant equipment and smart power grids technology and equipment. It seeks to compete on technological advantage and has focused on this as a means of increasing profits even as turnover growth has decreased a little in recent years. To underpin this, it actively looks to patent discoveries and technologies internationally as well as domestically.

The business is active in acquisitions, but seeks gradual integration of new businesses, as it wants to protect the knowledge and technology within these acquired businesses. This type of integration can take time, but is considered to improve the prospects for the future success of businesses that Changyuan has acquired.

Changyuan is a market leader in several niche sectors, or sub-sectors, in China, in particular lithium battery additives, composite insulators, heat shrink insulation tubing and electrical grid protection equipment. Some of these businesses are also globally significant, in particular lithium battery additives and composite insulators, where the company has a strong market share.

The company is developing its international presence through entry to markets, such as India and Thailand, for smart grids and other applications where it is acting increasingly as primary contractor. It is also looking at acquisitions in the US and is considering developing a greater share of its business outside China.

The company's success is based on application of R&D to new innovations, combined with strong sales in niche areas where it can have dominance in domestic Chinese markets and global leadership or significance. A significant number of its employees undertake R&D, providing a significant commitment to innovation and new product development. This allows Changyuan to develop new innovations. It has focused this R&D on smaller, niche markets where it can grow quickly to dominate or hold significant market share.

> Homeinns' success has been achieved by adapting its model to improve financial performance and allow for increased scale nationally, making it a genuinely national chain.

RANKED 72ND: HOMEINNS HOTEL GROUP (DOWN 25 PLACES)

如家酒店集团
Homeinns Hotel Group

Homeinns was established in 2002 and has become a leading budget hotel chain in China, one of the 'big four' alongside 7 Days, Htiins and Jinjiang. Budget, or economy, hotels, as they are called in China, experienced rapid growth from 2002 to 2014. Since then, price competition, new entrants and slower domestic economic growth in China have all dampened sector growth and increased competition.

In response, the big four are exploring alternative growth strategies, including developing new market segments, upgrading existing products and consolidating smaller hotels in order to build market share. Homeinns has developed its franchise model in order to expand its network in a financially efficient way, and as a result has seen continued growth above the average for the sector. This approach is financially efficient because Homeinns has moved from ownership of hotels, to management of hotels built by other parties, and increasingly to franchising the brand and operation. Over time, Homeinns has shifted its business model from 'lease and own' to hotels that are franchised but are managed by an appointed Homeinns manager. This has allowed it to generate growing profits and expand the Homeinns network nationally. It is now expanding to a fully franchised model, without the introduction of its own managers into the franchised hotels.

Homeinns is also enhancing its interactions with its customers, through improved customer relationship management and strengthening of its members' scheme. This is creating opportunities for associated business opportunities and sell-on products and offers to visitors, focused particularly on household products, travel products, food and gifts. It is also improving its online presence, making booking easier and offering better online access.

Although Homeinns focuses almost exclusively on the domestic Chinese market, it has started to explore proximate markets in East Asia, in particular Hong Kong, Taiwan and Singapore. In 2006, it was the first budget hotel chain to list on an overseas shares market (NASDAQ). Other budget chains have since followed suit. Since then, Homeinns de-listed from NASDAQ in April 2016, and has become a subsidiary of Beijing Tourist Hotel Group (a company listed in the China A stock market) since then.

Homeinns' success has been achieved by adapting its model to improve financial performance and allow for increased scale nationally, making it a genuinely national chain. Expanding into the faster growth mid-scale segment, it continues to explore new forms of franchising to sustain this growth, and is ready to operate different business models simultaneously.

> Han's Laser Technology has been successful in a still small but growing market in China through its R&D capacity, strong sales network, and ability to bring its technology into integrated systems using software and robotics.

RANKED 77TH: HAN'S LASER TECHNOLOGY (DOWN 46 PLACES)

Ranked 31st in 2014, Han's Laser Technology stays in the top 100 ranking for 2016. Although annual revenue growth is lower, it still has a strong domestic market presence, a clear and effective strategy and a growing international presence. After growing steadily but not rapidly between its establishment in 1996 and 2008, the company has experienced much higher growth rates because of internal restructuring and external changes in demand.

The internal restructuring created a flatter hierarchy and extended share options to a wider group of staff in order to increase the incentives for working for the business. In addition, the company developed supporting systems and technologies that made the core laser technology easier to use in its main applications, in particular inspection systems and robot technologies. Han's Laser Technology has added non-laser technology, so extending its offer to customers, in particular in the areas of testing and drilling. External demand has increased as laser technology has become more accepted, and demanded, by customers.

The company focuses closely on R&D and sales, with 2,000 of its 8,000 staff involved in the former area and 3,000 in the latter. R&D has focused on improving the applications of laser technologies in various industries and processes, and on enhancing the controls and other systems supporting the use of this technology. Many of the company's products are customer-tailored or customised, which gives it market advantage over competitors that do not modify their products as much. The company has also created a national sales network that offers significant reach across China.

Han's Laser Technology is internationalising, particularly through acquisitions and investments that give it access to technologies and expertise it does not have within the business. It does not necessarily acquire companies outright, and instead is a major, but not the largest, shareholder in several companies. The focus has been on investing in businesses that have successful laser technologies that they are using commercially with major customers in places such as Europe and North America.

Although the laser market is still small in China, the use of this technology is growing, which in turn creates a positive environment for future growth. With its R&D capacity, its strong sales network, and its ability to bring its technology into integrated systems using software and robotics in particular, Han's Laser Technology has been successful in a still small but growing market in China. The reason that this market is still relatively small is that many companies have not yet embraced laser technology. As a result, Han's Laser Technology grew at around 13% during 2010–14, compared with 25% in the five years before 2014. This lower growth has caused it to fall in the ranking, even though its business fundamentals continue to be strong.

3. China's emerging banks

In 2016, eight banks met the criteria, compared with six in 2014, signifying the growing importance of emerging and private banks.

As with the 2014 study, the research looked at emerging banks that had the potential to join the world's largest finance institutions, as well as being among the key funders of many of China's emerging global giants. Although China is dominated by a small number of state-funded banks (ie Industrial and Commercial Bank of China, Agricultural Bank of China, Bank of China, and Construction Bank of China, known as the Big Four), the businesses listed in Table 3.1 have become more important within China in the last couple of years. In 2016, eight banks met the criteria, compared with six in 2014, signifying the growing importance of emerging and private banks. These emerging banks are large by global standards, although in China they are much smaller than the Big Four, which have some of the highest levels of capitalisation in the world.

The eight banks in this 'middle' group have developed strong business models and strategies, demonstrating financial innovation. Nonetheless, they are not dominant in their domestic market, but are still dwarfed by the Big Four. They are still domestically focused, although most have growing international links and are developing a presence outside China by partnering with banks and other institutions in other countries. In particular, investment in these banks and partnering arrangements with overseas banks continue to grow. In some cases, they are creating international branch networks to support Chinese businesses and entrepreneurs in their growth outside China.

These banks have significant growth rates, between 19% and 35% each year over five years, and so will become more important over time as this growth increases their turnover and capitalisation. These rates of annual revenue increase are comparable with those found in China's next global giants, as highlighted earlier in this report.

Table 3.1: China's emerging banks

2016 rank	Change from 2014	Bank name	Score	Total assets (bil. RMB)	2014 Revenue (mil. RMB)	Revenue growth (2010-14)	Domestic dominance	Internat'l presence	Business model & strategy
1	+3	Shanghai Pudong Development Bank	62	4,196	121,234	21.8%	2	2	3
2	+4	Ping An Bank	56	2,186	70,637	33.5%	1	1	2
2	new	China Merchants Bank	56	4,732	157,326	19.9%	2	2	3
4	-3	Industrial Bank	54	4,406	122,671	27.1%	2	1	2
4	-2	CITIC Bank	54	4,139	120,243	19.2%	2	2	3
6	-3	Minsheng Bank	42	4,015	131,789	21.2%	2	1	2
6	new	Everbright Bank	42	2,737	77,558	19.3%	1	1	3
8	-3	Hua Xia Bank	38	1,852	53,915	19.0%	1	2	2

4. Where to now for China's next 100 global giants?

The 2016 emerging global giants can therefore be characterised as strong in their home market, increasingly looking internationally for opportunities, increasingly sophisticated in their strategies, and still very fast-growing.

Generally, China's next 100 global giants are more internationalised and have more sophisticated business models and strategies than their predecessors in 2014. A greater number are acquiring international businesses, typically to gain access to expertise and technology that they do not have within China. Much of this acquisition activity focuses on the US and Europe, and is fuelled by internal profits, the accumulation of significant corporate cash holdings, and the improving availability of funds within China.

They are also building service centres, distribution networks and sales outlets overseas. Typically, these start in east and south east Asia, in markets near to China to which customers and businesses are moving, either as part of lifestyle choices made by the former or because of labour and other costs that affect the latter. Over time, these networks will extend to other parts of the world, and some of the emerging global giants have already started to globalise aspects of their businesses. This will take time, however, not least because although the 2016 emerging giants are more internationally focused, their businesses are still heavily reliant on demand in China.

A countervailing trend can also be found among some of the emerging giants. Many, as seen in some of the case studies, are strengthening their market share and presence in China itself. This seems to be because they are more confident about achieving leading market share or influence in their home market, and using this dominance to generate future growth. It also appears to be a response to lower growth rates and suppressed demand in some international markets.

Overall, the 2016 giants are growing more slowly than those of 2014. This is evident in the range of annual turnover growth rates and in particular a lower threshold for entry to the rankings of about 12% annual growth. As the economies of China and the world remain sluggish, the ability of these companies to sustain high levels of growth will be reduced.

Even the slowest-growing businesses in this ranking are outstripping national GDP growth in China by around two-fold. Being able to outgrow the Chinese and global economy by these proportions is impressive and indicates that these companies have the management capability and business models to sustain high levels of growth even when macro-conditions are much less conducive than they were before the 2008–9 global financial crisis.

There is an indication that more of the companies are focusing on R&D, product and service development, integration of value chains and being more innovative as key dimensions of their strategies. This makes them more competitive, more able to compete against leading innovators in their markets, and improves their ability to sustain growth. What impact it will have on profits remains to be seen – although it will probably be positive over the longer run, in the short term high levels of investment in R&D and innovation can be costly, especially when more than one-quarter of a company's workforce is committed to these activities.

The 2016 emerging global giants can therefore be characterised as strong in their home market, increasingly looking internationally for opportunities, increasingly sophisticated in their strategies, and still very fast-growing. Their growth outstrips global growth considerably, and they have sustained a track record of hyper-growth over many years. Their future prospects appear bright, and they look very likely to outperform businesses in other emerging economies and in the developed world – in the latter case, by quite some margin.

PI-CHINA-GLOBAL-GIANTS

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