China's Next 100 Global Giants

Think Ahead

Through the effective implementation of strategic plans, the companies included on the list have proven themselves by successfully seizing market opportunities and achieving fruitful development, demonstrating great potential to become the industry leaders of the future.

Four years after the publication of the first *China's Next 100 Global Giants* report in 2014, many Chinese companies have improved their market competitiveness and expanded their overseas operations, and have already taken solid steps towards becoming world-class enterprises. On the one hand, with the rapid growth of the Chinese economy, the overall scale of operations and the competitiveness of mainland China's local enterprises have constantly increased, and these enterprises are now among the most important participants in their respective industries in the global market. Many of the companies listed in ACCA's previous reports (ACCA 2014, 2016), such as Fosun Pharma, have already evolved from 'rising stars' to industry leaders through steady and rapid growth; therefore, they are no longer among mainland China's 'next' 100 global giants. On the other hand, through the effective implementation of strategic plans, some companies that were not previously ranked have proven themselves by successfully seizing market opportunities and achieving fruitful development since 2014, thus demonstrating great potential to become the industry leaders of the future and satisfying the criteria for inclusion on the 2018 list of *China's Next 100 Global Giants*. In order to discover mainland China's next generation of giants with huge growth potential in ever-changing markets, while ensuring the timeliness and effectiveness of the rankings, ACCA has collaborated with the Shenzhen Finance Institute to conduct in-depth research and analyses of nearly 3,000 private enterprises listed in mainland China and abroad. On the basis of these findings, we have compiled the ranking of *China's Next 100 Global Giants* (2018 edition).

In creating the ranking, we have used the criteria described below.

First of all, the 2018 ranking has focused on private enterprises. Because state-owned enterprises are unique in their policy regulation, business type and corporate scale, their development prospects and business models are not comparable with those of private enterprises. Therefore, state-owned enterprises have been excluded from the ranking. It has been noted that the Third Plenary Session of the 18th Communist Party of China (CPC) Central Committee stated that both the public and private

These enterprises have relatively rapid growth. They support the concept of innovative development with a long-term vision, while being strategically oriented at the international level, enjoying positive media coverage and having a strong focus on R&D.

sectors are 'important foundations of mainland China's economic and social development', and the Committee further called for 'eliminating hidden barriers and stimulating the vitality and creativity of the private sector'. During the Fifth Plenary Session of the 18th CPC Central Committee, the Committee also emphasised that it is necessary to 'encourage private enterprises to lawfully set foot in more business sectors, while introducing non-state-owned capital to participate in the reform of state-owned enterprises and further stimulating the vitality and creativity of the private sector . By the end of 2017, there were more than 27 million private enterprises operating in mainland China, with registered capital exceeding 165 trillion CNY. Generally speaking, mainland China's private sector is characterised by the '50%–60%–70%–80%–90%' rule, which means that the private sector contributes more than 50% of taxes, more than 60% of mainland China's GDP, more than 70% of technological innovations and more than 80% of urban employment, while representing more than 90% of the total number of enterprises in mainland China (Jingji cankaobao 2018). Among the World's Top 500 enterprises, the number of Chinese private enterprises has increased from one in 2010 to 28 in 2018 (Huaxia News 2019). Chinese private enterprises have become an indispensable force in propelling mainland China's economic development. They represent not only a key sector for entrepreneurship and employment, but also a primary source of technological innovations and an important source of national tax revenue, which in turn plays an important role in areas such as the growth of the Chinese market economy, the transformation of government functions and the transfer of the rural surplus workforce to urban areas, as well as the nation's expansion into the international market. Equipped with a pioneering, innovative mindset and in the spirit of perseverance, numerous private entrepreneurs have provided leadership to tens of millions of workers and have strived to establish their enterprises, while putting great effort into their business operations. Indeed, mainland China's economic miracle owes much to its private enterprises. In consideration of this, the 2018 ranking focuses only on mainland China's private enterprises, with the aim of promoting their excellence to the rest of the world. By showcasing their achievements, we hope to facilitate the sharing of successful experiences, which could in turn lead to further innovations and growth.

Secondly, only listed companies are included in our ranking. The research team selected 2,691 private enterprises for analysis, all of which are listed either in mainland China or overseas. Being listed on a stock exchange indicates that a company has prepared effective financing channels for further growth. The listing regulations and the public demand for information ultimately create a natural advantage in assessing these companies, in data availability, credibility and comparability.

Third, the current ranking is based on a number of diverse indicators. The factors considered include the company's size, growth, profitability, innovativeness, level of internationalisation, and media coverage, among others.

Fourth, besides including a diverse set of indicators in the evaluation system, the research team has also **adopted a machine-learning-based natural language analytical method** and designed a specialised indicator with which to assess the media coverage of each company. By using the latest technology, we can now make better use of the publicly available sources in the market and conduct a more in-depth analysis.

Based on a comprehensive multi-aspect analysis of 2,691 listed Chinese private enterprises, the research team first selected the 130 leading companies; eliminating the largest 30 companies resulted in a list of the next Top 100 companies. **Arguably, these Chinese companies have great potential for future growth, and can be expected to continue leading or creating a further impact in their respective industries.** Most of the 100 companies have already achieved success and have come out on top amid fierce competition, but they are not widely known internationally. On the whole, these enterprises have a relatively rapid growth scale. They support the concept of innovative development with a long-term vision, while being strategically oriented at the international level, enjoying positive media coverage and having a strong focus on research and development (R&D). Now, they are accelerating the pace of their internationalisation, following the example of prominent Chinese corporations such as Alibaba, Tencent and Huawei. If the enterprises on the 2018 list are able to continue their current growth trend over the next few years, many of them will become the stars of the next generation, taking up places among the global giants. Please note that the analysis and conclusions in this report do not constitute investment recommendations or advice. The rankings are solely designed to assess the long-term potential of the companies for becoming global leaders in their respective industries: no equity valuation metrics have been used in the ranking process.

China's Next 100 Global Giants: The Evaluation System

The evaluation system used for ranking the companies is based on analyses of the historical performance and potential for future growth, as both are considered indispensable.

The evaluation system used for ranking the companies is based on analyses of the historical performance and potential for future growth, as both are considered indispensable. The company's historical performance represents its past business achievement. It also shows the market's recognition of the company's operations, corporate strategy and business model, and serves as a basis for the company's future growth. By reviewing a company's historical indicators, its future growth can be predicted to some extent, but an analysis that solely considers the historical indicators undoubtedly has some limitations. The company's capability for grasping future market opportunities, eg in the form of R&D investments, will also play a decisive role in its future growth.

To assess historical performance, the research team used the following five indicators: corporate scale (sales revenue), growth, rate of return, earnings quality, and cash flow. For the company's future growth, the research team used a further six indicators: R&D investment, investable index, CapEx (capital expenditure), overseas strategy, industry prospects, and media coverage. Also, in order to avoid fluctuations in the ranking caused by the annual volatility of individual indicators, the research team determined the average value of each individual indicator for each company's for at least two years before 2017.

On the basis of each individual indicator, the research team arranged all 2,691 selected companies in 100 groups of roughly equal size, and assigned them scores in order from 1 to 100. A score of 1 meant the company belonged to the group with the lowest rank for that individual indicator, while a score of 100 meant the company belonged to the group with the highest rank. Then, the company evaluation system took the simple average of each company's scores in all 11 indicators as the final score, and the final ranking was entirely based on this score.

The research team designed 11 indicators, with five of these measuring the companies' historical performance and six predicting their future growth.

Specific details of the indicators are as follows.

1. Corporate scale

The research team measured the size of each company by considering its sales revenue, which allowed for an accurate measurement of the company's growth potential . The corporate scale of a company reflects its market position, and also represents the market recognition of its business operations, to a certain extent. A sustainable and stable sales revenue enables a company to maintain its existing market presence and to seize future market opportunities.

2. Growth

The growth rate of the sales revenue is an indicator of the company's ability to expand. When the company's products are increasingly competitive and its business model creates more economic added value, it will enjoy better market prospects. In general, the higher the company's growth rate, the stronger its competitiveness in its respective industry.

3. Rate of return

The rate of return on the net assets represents the ratio of a company's net profit to its ownership interest, and it is one of the key indicators of the continued survival of the company. The basis for the development of an enterprise are its profitability and comparative advantages. Good profitability means that the business model, strategy and core competitiveness can bring added value to the company, as well as providing a competitive edge over its competitors in the future.

4. Earnings quality

The profitability of a company cannot always be taken at face value, owing to the practice of earnings manipulation. So it is especially important to consider the quality of the earnings. Where earnings quality is high, measurements of a company's growth are credible and predictive, while the earnings are also more sustainable than for poorer-quality revenues. At the same time, companies with a higher earnings quality carry less risk than other firms, indicating a strong commitment to their investors and other stakeholders as well as the sustainability of their existing development models. A company can manipulate its earnings data in its books mainly through transactions that involve non-cash settlements, such as accounts receivable, accounts payable and other corresponding transactions. The research team considers such accounting profits to be accounting accruals, ie a company's net profit minus the net cash flow from its operating activities, and the earnings quality is determined by calculating the ratio of the accounting accruals to the total assets. According to contemporary academic findings, corporate earnings with high accruals tend to have relatively low sustainability, and thus a relatively low earnings quality. As a result, a higher value for accruals resulted in a lower score in the ranking.

5. Cash flow

This indicator is derived from the ratio of the cash flow generated by a company's operating activities to its total assets, and represents the ability of a company to generate cash through its main business. The higher the ratio, the greater is the cash flow from the company's operating activities. A higher ratio also provides assurance that the company has an abundant cash flow and can be free of financial constraints on future development by using its internal capital. Because earnings can be manipulated, as discussed above, a review of a company's cash flow can, to a certain extent, offer supplementary information to what is already reflected in the earnings data.

Besides including a diverse set of indicators in the evaluation system, the research team has also adopted a machine-learning-based natural language analytical method and designed a specialised indicator to assess the media coverage of each company.

6. R&D investment

This indicator shows the ratio of a company's corporate R&D investment to its sales revenue. The improvement of a company's technological research capability represents an enhancement of its core competitiveness, which also enhances its use of new technological advancements. Therefore, the importance and implications of the internal R&D investment for developing technological innovations are self-evident. Companies with a larger R&D investment will tend to adopt a differentiated strategy for the future, in order to gain added value for their products and better growth potential.

7. The 'investable index'

The 'investable index' takes the form of an F-score, based on a set of investment strategy metrics that were designed and developed by Joseph Piotroski (2000) at Stanford University. A company's satisfactory performance in these metrics will help to boost its return on investment (ROI). There are nine financial fundamentals of a company that are embedded in the investable index, among which are: income, cash flow, growth, capital structure, liquidity, and operations. Specifically, with 9 points as the full score, a company scores 1 point if it satisfies each of the following conditions: positive return on assets, positive operating cash flow, increasing net income, negative difference between the net profit and operating cash flow, decreasing long-term debt ratio, increasing liquidity ratio, no new issuing of ordinary shares, increasing gross profit margin, and an increasing asset turnover. This indicator comprehensively reflects a company's financial fundamentals, and having good current fundamentals is the basis for its future development prospects.

8. CapEx

This indicator shows the ratio of a company's current investment in fixed assets to its total assets at the beginning of the period, which represents the maintenance or expansion of a company's operating scale. A rational expansion indicates that the company is capable of seizing investment opportunities and also reflects the development and enlargement of its business activities and operations – which are necessary ingredients for a company's organic growth. Hence, this indicator can be used to estimate the future growth of the company.

9. Overseas strategy

We evaluated a company's overseas strategy in a holistic manner to determine the value of this indicator. Accordingly, the research team calculated a company's overseas sales revenue as a percentage of its total sales revenue, and established a score based on the result. A score of 0 was given if the company's financial report did not disclose its overseas sales revenue. Because data about overseas sales revenue is not subject to mandatory disclosure, the research team performed the following adjustments to eliminate deviations in the scores. First, if the company did not disclose the specific amount of its overseas sales, but mentioned in its financial report the existence of overseas operations, 10 points were added. But if the research team learned about the existence of overseas acquisitions or operations via open channels that were not mentioned in the annual report, no points were given. Secondly, we understood that overseas financing is an important part of a company's overseas strategy, and many companies listed overseas rely on having such finance in order to expand their overseas operations and to position themselves for future overseas development. Therefore, taking this into account, if a company was listed overseas but did not disclose the specific amount of its overseas sales, 5 points were added.

10. Industry prospects

This indicator shows the development prospects of the industry to which the company belongs. The research team established the average sales growth rate per industry for all the listed companies. The companies were given a score based on a comparison with these growth rates and were ranked accordingly. It must be noted that the growth of an individual industry is not only driven by the industry's inherent development potential, but is also influenced by the relevant policy support, and therefore the research team also included government support as one of the factors to consider. For the companies that belong to certain key industries highlighted for support in the government-published work reports, a score of 100 was given to the policy support. To determine the final score of the industry prospects, a simple average was calculated from the scores of the industry growth and the policy support. It was noted that many listed companies had adopted a diversification strategy and that some of their daughter companies might enjoy local financial subsidies. Therefore, for the purposes of evaluating a company's industry prospects, the research team elected to put the companies into categories specified by the relevant securities regulatory commissions, in order to prevent deviations in the scores that could result from the fact that certain related businesses of a company belong to the industries that are under government policy support and were not taken into account.

11. Media coverage

This indicator represents how the media, as information agencies, report on the company. Other than public information, such as financial reports and announcements, news reports very often contain additional or private information; therefore, we considered the analysis of the media coverage of a company to be an important supplement to the aforementioned financial indicators. By making full use of other public information sources available in the market, an enterprise's development prospects and potential issues can be explored. In this regard, the research team considered the relevant news opinions and media coverage of the companies, and these two aspects were matched, analysed and evaluated together to examine the forward-looking role that media coverage plays in the development of a company. For the news coverage, the research team cooperated with DataGo – an independent database developer. Through machine learning and natural language processing, we sorted, analysed and verified the collected original news items meticulously and quantified each opinion given in a news report. Specifically, the quantification process used machine learning to label every sentence in a news report as positive, negative or neutral. The value of the overall opinion for the entire piece of news was determined on the basis of the proportion of 'positive' sentences to 'negative' sentences therein, calculated using the formula (number of positive sentences – number of negative sentences) / (number of positive sentences + number of negative sentences + 1), which is a continuous and comparable value, ranging from –1 to 1 (with 1 being the most positive and –1 being the most negative). For the purpose of this report, we established the average value of the company's news coverage over the previous three years. A higher score indicates the market's affirmation of the company's current business model and its optimism about the company's future. On the other hand, to examine the media coverage, the research team counted the number of news reports related to the company during the previous three years, which served as a supplement to the analysis of the news coverage. It should be noted that the research team adjusted the value of the media coverage depending on the general sentiment shown by the news (with the aforementioned average value being positive or negative). If the general sentiment was negative, the value of the media coverage was then calculated by the number of relevant news reports x –1. Our consideration here was that if negative news attracts the attention of many people and is widely reported, it could mean that the company is facing more serious issues. Conversely, if positive news attracts more recognition and coverage, the growth potential of the company could become more convincing. Finally, the research team calculated the final score of the media indicator by taking the simple average of the values of the news opinion and the media coverage.

How China's Next 100 Global Giants were Ranked

> The research team calculated the final scores of the 2,691 non-financial private listed companies by the sum of their indicator scores, and the companies were ranked on the basis of these final scores.

The research team calculated the final scores of the 2,691 non-financial private listed companies by summing their indicator scores, and the companies were ranked on the basis of these final scores. First, the research team identified the Top 130 Chinese companies, ie those ranked as the Top 130 in the evaluation system described above. The research team then finalised the ranking of *China's Next 100 Global Giants* by eliminating the 30 largest companies. This was done because the intention of the ranking is to discover the likely future business giants from mainland China; where a company qualifies for the list just because of the scale of its business, it indicates that the company has already undergone effective development and has become an industry leader, or a 'unicorn'. For example, the names of corporations such as Alibaba and Tencent already appear on many other lists. **Eliminating these companies from the ranking does not indicate doubts about their future growth; the point of this report is to reveal the companies that have equal or greater growth potential than these giants, but have yet to grow to the same scale. These companies may very possibly become the flagship enterprises in their respective industries.** On the other hand, the inclusion of giants such as Alibaba and Tencent in the Top 130 list also indicates the effectiveness and validity of the ranking.

Overall, among the companies included in the Top 100 list, the highest score was 82.73 and the lowest score was 64.09, indicating significant variation between the companies. The results from the evaluation system indicate that the companies on the list are generally of a high quality, but their corporate scale is not large enough to qualify them as 'giants' yet, although they have a lot of potential for future growth. The research team believes that there is a significant chance that the next BAT-sized company (BAT meaning Baidu, Alibaba and Tencent) will come from this list. For example, Yangtze Optical Fibre and Cable, which is ranked first on the list, received a final score very close to that of Tencent. **It is a smaller firm than the industry giant, but it is entirely possible that by effectively harnessing its growth potential, Yangtze Optical Fibre and Cable, like one or more other companies on the new list, could grow**

into a BAT-sized corporation. It should also be noted that the final scores of these companies are not necessarily lower than those of the 30 larger companies eliminated from the list, which means that despite having a smaller scale, they also have potential for similar growth.

The Top 10 companies in the 2018 list include companies that are well-known among investors, such as Yangtze Optical Fibre and Cable, Han's Laser, Beijing Weibo, Shenzhen Sunway Communication, Kingdee International, Juneyao Airlines and yonyou Network Technology, which to some extent justifies our evaluation system. After determining the ranking of the companies, the research team also consulted financial practitioners to verify whether the inclusion of those companies aligned with their professional business judgement, as well as to determine whether unusual companies were included on the list. The experts' feedback affirmed our ranking, although some of them pointed out that certain companies on the list had experienced a significant performance decline in 2018. Indeed, it must be admitted that since the new ranking covers the entire market, some companies will unavoidably have been misjudged. Some excellent companies might not have been included in the top 100, while those that are included might not all be excellent. In order to ensure the objectivity and fairness of the ranking, as well as to maintain the consistency and reproducibility of the evaluation system, the research team opted not to adjust the companies that displayed unusual behaviour after the ranking had been determined.

It was found that some companies have a relatively high overall ranking while having lower scores for some individual indicators. This arises because companies have differing focal points during their development, which in turn reflects the diverse nature of the development models among the companies in the list. It should also be noted that, even if a certain company is included, a lot of effort must be put into improving the company's quality holistically and overcoming its current shortcomings, if it is to evolve into a star enterprise of the future. Compared with the previous two lists (ACCA 2014 and 2016), the companies included in the current ranking are significantly different because only listed companies are included this time. As a result, as regards changes in the rankings or whether a company is selected for the list or not, the current rankings cannot be compared with the previous versions. The research team has also focused on the present companies and evaluation system, without much reference to the past lists. In future, the team will try to ensure that the current evaluation system can be maintained, in order to ensure the consistency of the rankings over time.

China’s Next 100 Global Giants

Rank	Company name	Listed on	Score	Sales Revenue	Growth	Rate of Return	Earnings Quality	Cash Flow	R&D Invest-ment	Investable Index	CapEx	Overseas Strategy	Industry Prospects	Media Opinion	Company Location
01	YOFC	HKEX	82.73	89	56	79	93	96	82	80	81	98	62	94	Wuhan, Hubei
02	Suofeiya	SSE/SZSE	80.91	66	99	88	93	97	79	50	48	90	86	94	Guangzhou, Guangdong
03	KUKAHOME	SSE/SZSE	79.09	85	76	94	86	97	42	100	98	59	46	87	Hangzhou, Zhejiang
04	HAN’S LASER	SSE/SZSE	78.82	86	78	94	86	97	43	80	66	95	46	96	Shenzhen, Guangdong
05	TSHT	SSE/SZSE	78.64	93	90	93	71	93	46	100	14	91	74	100	Tianshui, Gansu
06	MicroBlog	NASDAQ	77.91	87	68	60	82	82	43	90	98	98	62	87	Beijing
07	SUNWAY COMM	SSE/SZSE	75.91	89	100	17	99	99	57	80	41	65	98	90	Shenzhen, Guangdong
08	Livzon	HKEX	75.55	76	80	98	35	93	38	90	71	94	62	94	Zhuhai, Guangdong
09	Kingdee	HKEX	75.27	88	50	77	84	90	82	60	47	98	58	94	Shenzhen, Guangdong
10	Yonyou	SSE/SZSE	75.18	65	41	63	90	90	54	88	93	62	86	95	Beijing
11	Juneyao Airlines	SSE/SZSE	74.91	93	64	67	92	93	46	80	99	95	31	64	Shanghai
11	Spring Airlines	SSE/SZSE	74.91	85	63	42	91	85	42	90	80	65	86	95	Shanghai
13	Kelon	HKEX	72.91	98	48	62	96	95	91	70	29	100	31	82	Foshan, Guangdong
13	Dahua Technology	SSE/SZSE	72.91	92	70	63	87	88	46	60	85	98	31	82	Hangzhou, Zhejiang
15	HANGCHA GROUP	SSE/SZSE	72.18	87	71	88	57	84	43	70	84	92	54	64	Hangzhou, Zhejiang
15	Leyard	SSE/SZSE	72.18	96	80	91	17	55	48	80	75	99	62	91	Beijing
17	MLS	SSE/SZSE	72.09	86	84	85	32	66	43	80	64	96	62	95	Zhongshan, Guangdong
17	Vanward	SSE/SZSE	72.09	89	84	38	73	64	44	80	92	87	62	80	Foshan, Guangdong
19	TFME	SSE/SZSE	72.00	86	72	65	92	92	43	50	82	95	31	84	Nantong, Jiangsu
20	Shagang Group	SSE/SZSE	71.82	86	80	19	92	77	43	60	86	99	62	86	Suzhou, Jiangsu
21	Autohome	NYSE	71.55	85	91	95	84	97	42	60	51	6	98	78	Beijing
21	Hengrui Medicine	SSE/SZSE	71.55	93	89	97	83	98	46	70	52	85	49	25	Lianyungang, Jiangsu
23	Guangzhou Huaduo	NASDAQ	71.36	94	63	99	28	94	47	60	68	85	58	89	Guangzhou, Guangdong
23	Kunlun	SSE/SZSE	71.36	89	78	98	96	99	55	80	38	6	86	60	Beijing
25	LONCIN MOTOR	SSE/SZSE	71.09	76	80	93	34	78	38	80	39	95	98	71	Chongqing
25	Kinwong	SSE/SZSE	71.09	92	63	84	65	85	46	60	80	99	51	57	Shenzhen, Guangdong
27	Sungrow	SSE/SZSE	71.00	80	67	96	66	94	40	50	61	94	62	71	Hefei, Anhui
28	Token	SSE/SZSE	70.91	90	84	64	49	61	45	90	88	86	31	92	Wuhu, Anhui
29	Goodix Technology	SSE/SZSE	70.82	92	67	73	62	75	46	70	86	100	62	46	Shenzhen, Guangdong
30	ZTO	NYSE	70.55	60	99	93	70	93	30	50	95	80	31	75	Shanghai
30	Tuopu	SSE/SZSE	70.55	77	56	99	86	99	38	60	48	88	62	63	Ningbo, Zhejiang
32	Tianqi Lithium	SSE/SZSE	70.45	83	69	69	70	78	41	70	88	92	52	63	Suining, Sichuan
33	OPPLE	SSE/SZSE	70.36	84	79	97	77	97	42	70	36	83	22	87	Shanghai
34	3SBio	HKEX	70.27	87	67	90	87	96	43	70	65	85	31	52	Shenyang, Liaoning
35	Wangsu	SSE/SZSE	70.18	72	88	65	76	80	70	50	97	77	58	39	Shanghai
35	ROTAI	SSE/SZSE	70.18	84	58	77	43	67	42	60	95	89	86	71	Shanghai
37	New Oriental	NYSE	69.91	59	84	88	76	92	29	50	96	92	74	29	Beijing
38	momo	NASDAQ	69.82	78	99	99	96	100	49	80	38	6	86	37	Beijing
39	HC SemiTek	SSE/SZSE	69.64	68	90	53	58	60	34	100	100	72	62	69	Wuhan, Hubei
39	WangNeng Environment	SSE/SZSE	69.64	49	91	57	81	80	24	90	100	82	95	17	Huzhou, Zhejiang
41	Hongteo	SSE/SZSE	69.45	71	96	99	99	100	35	70	15	89	52	38	Zhaoqing, Guangdong
42	STO Express	SSE/SZSE	69.18	92	98	94	48	88	46	90	15	96	41	53	Taizhou, Zhejiang
42	LOMON BILLIONS	SSE/SZSE	69.18	93	68	98	92	99	46	50	90	53	31	41	Jiaozuo, Henan
44	FDTS	SSE/SZSE	68.82	90	99	100	30	99	45	80	54	85	44	31	Lanzhou, Gansu
45	Everwin Precision	SSE/SZSE	68.55	63	68	70	57	71	31	80	97	91	62	64	Shenzhen, Guangdong
45	Crystal-Optech	SSE/SZSE	68.55	90	77	60	34	44	45	70	95	90	62	87	Taizhou, Zhejiang
47	Sanan	SSE/SZSE	68.36	90	74	94	39	84	45	70	90	93	62	11	Jingzhou, Hubei
48	Wanda Film	SSE/SZSE	68.27	91	80	88	25	61	45	60	73	99	54	75	Beijing
48	Sanhua	SSE/SZSE	68.27	94	54	66	72	78	47	70	69	97	24	80	Shaoxing, Zhejiang
50	WXQC	SSE/SZSE	68.18	92	33	77	74	85	46	60	59	92	52	80	Hangzhou, Zhejiang

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51	JACK	SSE/SZSE	68.00	70	85	82	95	97	35	50	63	93	74	4	Taizhou, Zhejiang
52	CCTC	SSE/SZSE	67.91	73	40	97	45	92	36	60	89	89	62	64	Chaozhou, Guangdong
53	AIER	SSE/SZSE	67.82	66	74	68	71	79	33	50	98	92	62	53	Changsha, Hunan
53	Yihua	SSE/SZSE	67.82	89	79	47	80	75	44	80	61	99	46	46	Shantou, Guangdong
53	Victory Giant	SSE/SZSE	67.82	85	84	80	89	94	42	80	80	1	48	63	Huizhou, Guangdong
56	Het	SSE/SZSE	67.73	60	83	81	59	79	30	90	56	92	62	53	Shenzhen, Guangdong
57	Huahai Pharmaceutical	SSE/SZSE	67.55	82	60	74	50	69	41	80	83	97	58	49	Taizhou, Zhejiang
57	Weixing Group	SSE/SZSE	67.55	68	58	95	82	97	34	70	88	87	35	29	Taizhou, Zhejiang
59	Guangxin	SSE/SZSE	67.18	72	30	96	96	99	64	80	8	98	44	52	Xuancheng, Anhui
59	Flat Group	HKEX	67.18	65	87	63	97	97	32	80	71	85	41	21	Jiaxing, Zhejiang
61	Tibet Summit	SSE/SZSE	67.00	66	90	100	51	100	33	80	74	94	31	18	Lhasa, Tibet Autonomous Region
62	Qumei	SSE/SZSE	66.91	62	66	93	61	90	31	80	91	55	46	61	Beijing
62	Zeus Entertainment	SSE/SZSE	66.91	73	93	80	38	66	36	90	45	90	98	27	Dalian, Liaoning
64	Xingyu Car Light	SSE/SZSE	66.73	94	67	57	34	41	47	80	81	97	62	74	Changzhou, Jiangsu
64	Holitech	SSE/SZSE	66.73	80	67	72	91	93	40	80	66	66	52	27	Zibo, Shandong
64	yunda	SSE/SZSE	66.73	91	75	98	98	100	45	70	86	1	31	39	Ningbo, Zhejiang
67	Powerway Alloy	SSE/SZSE	66.55	85	75	62	70	75	42	80	95	95	22	31	Ningbo, Zhejiang
68	Risen Energy	SSE/SZSE	66.45	93	89	44	44	43	46	60	96	97	62	57	Ningbo, Zhejiang
69	Zhongding Group	SSE/SZSE	66.36	89	75	85	63	85	44	100	61	74	41	13	Xuancheng, Anhui
69	Junzheng	SSE/SZSE	66.36	93	79	74	57	73	46	60	85	99	20	44	Wuhai, Inner Mongolia Autonomous Region
71	Yifan	SSE/SZSE	66.27	81	62	7	94	72	81	50	39	98	86	59	Hangzhou, Zhejiang
71	CMCM	NYSE	66.27	81	64	97	45	92	40	80	56	92	58	24	Beijing
73	Kstar	SSE/SZSE	66.18	92	99	52	38	42	46	50	86	57	98	68	Shenzhen, Guangdong
73	VIP	NYSE	66.18	90	41	77	76	86	45	90	68	85	41	29	Guangzhou, Guangdong
73	XinYangfeng	SSE/SZSE	66.18	69	87	86	63	86	34	60	71	88	31	53	Jingmen, Hubei
76	Autobio	SSE/SZSE	66.09	49	81	100	68	99	24	80	85	60	58	23	Zhengzhou, Henan
77	TAL	NYSE	66.00	88	90	92	99	100	44	60	50	6	49	48	Beijing
78	CTI-CEM	SSE/SZSE	65.91	63	68	41	90	83	31	60	95	69	90	35	Shenzhen, Guangdong
79	JBU	HKEX	65.82	50	66	90	71	91	51	80	69	62	86	8	Beijing
80	Dare Power Dekor	SSE/SZSE	65.73	87	39	92	93	98	43	80	11	93	31	56	Zhenjiang, Jiangsu
81	GigaDevice	SSE/SZSE	65.64	61	76	98	15	74	30	80	61	94	62	71	Beijing
82	JPMF	SSE/SZSE	65.55	95	72	84	22	52	47	80	79	97	62	31	Jiangmen, Guangdong
83	Anysoft	SSE/SZSE	65.45	36	94	97	97	100	18	80	82	1	98	17	Hangzhou, Zhejiang
84	Devotion	SSE/SZSE	65.36	59	93	75	52	71	29	70	79	67	80	44	Guangzhou, Guangdong
85	Goldcard	SSE/SZSE	65.27	78	95	20	68	47	39	90	52	84	74	71	Wenzhou, Zhejiang
85	Sunward	SSE/SZSE	65.27	55	95	80	79	89	27	80	65	51	86	11	Changsha, Hunan
87	VASEN	SSE/SZSE	65.18	78	53	99	78	99	39	70	52	69	20	60	Taizhou, Zhejiang
87	Perfect World	SSE/SZSE	65.18	89	69	81	29	58	44	70	29	94	98	56	Huzhou, Zhejiang
89	ELLASSAY	SSE/SZSE	65.09	61	93	87	78	92	30	80	46	50	35	64	Shenzhen, Guangdong
90	WFAW	SSE/SZSE	64.82	86	73	89	88	95	43	90	4	82	41	22	Shaoxing, Zhejiang
90	Befar	SSE/SZSE	64.82	91	38	87	55	82	45	40	81	99	52	43	Binzhou, Shandong
92	Hundsun	SSE/SZSE	64.64	69	61	73	91	93	34	80	28	65	86	31	Hangzhou, Zhejiang
93	Sokon	SSE/SZSE	64.55	98	62	75	54	72	49	50	11	100	62	77	Chongqing
93	FJLM	SSE/SZSE	64.55	73	78	70	61	73	36	40	92	60	74	53	Longyan, Fujian
93	USI	SSE/SZSE	64.55	97	75	49	54	54	48	80	73	84	52	44	Shanghai
93	Giant	SSE/SZSE	64.55	71	64	90	65	89	35	50	57	57	98	34	Chongqing
97	Zhejiang Dingli	SSE/SZSE	64.45	43	89	88	75	91	21	60	34	84	74	50	Huzhou, Zhejiang
98	Lianhetech	SSE/SZSE	64.36	79	73	26	85	70	39	70	83	96	41	46	Taizhou, Zhejiang
99	CVTE	SSE/SZSE	64.09	75	45	87	74	90	37	50	44	97	62	44	Guangzhou, Guangdong
99	Ellington	SSE/SZSE	64.09	92	72	96	85	97	46	50	70	1	62	34	Zhongshan, Guangdong

Geographical distribution of China's Next 100 Global Giants

The companies on the list are mainly distributed across mainland China's first-tier cities and coastal provinces. Fewer companies based in the Central Region are included than was the case in the 2016 ranking. In general, the companies have become more concentrated along the coastal regions.

Geographically speaking, the headquarters locations of the companies on the list are unevenly distributed across mainland China, being mainly in the first-tier cities and coastal provinces. As is shown in Figure 1, Guangdong (25 companies), Zhejiang (25), Beijing (13) and Shanghai (7) are the four regions with the biggest concentration, while each of the other provinces has contributed only five or fewer companies to the list. In particular, very few companies come from the Central and Western Regions. This reflects the underlying disparity of mainland China's economic development across different geographical areas, where the economic growth is concentrated along the coastal cities and radiates towards the Central and Western Regions. Fewer companies based in the Central Region are included than was the case for the 2016 list, and the listed companies have become even more concentrated along the coastal regions. There are now more companies from Guangdong, Zhejiang, Shanghai and other comparable areas, and these companies also tend to be based in the major cities of their respective provinces, such as in Shenzhen, Hangzhou and Taizhou.

▼ Figure 1: Geographical distribution of the future giants (determined by their HQ locations)

Distribution of China's Next 100 Global Giants by sector

China's Next 100 Global Giants for 2018 operate in more than 20 industries, among which manufacturing still dominates (Figure 2). The number of companies engaged in traditional manufacturing, such as car making, pharmaceuticals, metal or non-metal processing remains largely unchanged in the current ranking. Continuing the trend shown in the 2016 ranking, the performance of the companies in the computer and internet-related sectors is particularly impressive, with 42 companies included in the new Top 100 list (of which 24 are computer and telecommunications enterprises, eight are internet enterprises, and 10 are software and IT enterprises). In the 2016 ranking, only 28 internet-related enterprises were included, so this represents an increase of 50%. In addition, more high-tech enterprises have evolved into the leaders of mainland China's future economic growth, reflecting the continuous improvement of mainland China's technological development, as well as the path set for mainland China's economic growth amid the internet revolution. Along with the rise of these internet enterprises among the 100 future giants, mainland China's overall economic development is expected to experience a new wave of changes. Technology-based enterprises, led by Baidu, Alibaba and Tencent, are constantly deepening and propelling the use of the internet for enterprise applications in areas such as industrial manufacturing and cross-sector collaborations. It is expected that the existing boundaries between sectors will start to fade, and the application of general technologies will eventually result in dramatic disruptions to traditional industries. More traditional industries, including the manufacturing and service sectors, will move toward exploring the possibility of integration with the internet industry and the use of information technologies, and the internet companies on our list will play a leading and indispensable role in this transformation.

More high-tech enterprises have evolved into the leaders of mainland China's future economic growth. Among the Top 100 companies, 42 companies are engaged in the computer and internet-related sectors. Since the 2016 ranking, the number of internet enterprises has increased by 50%.

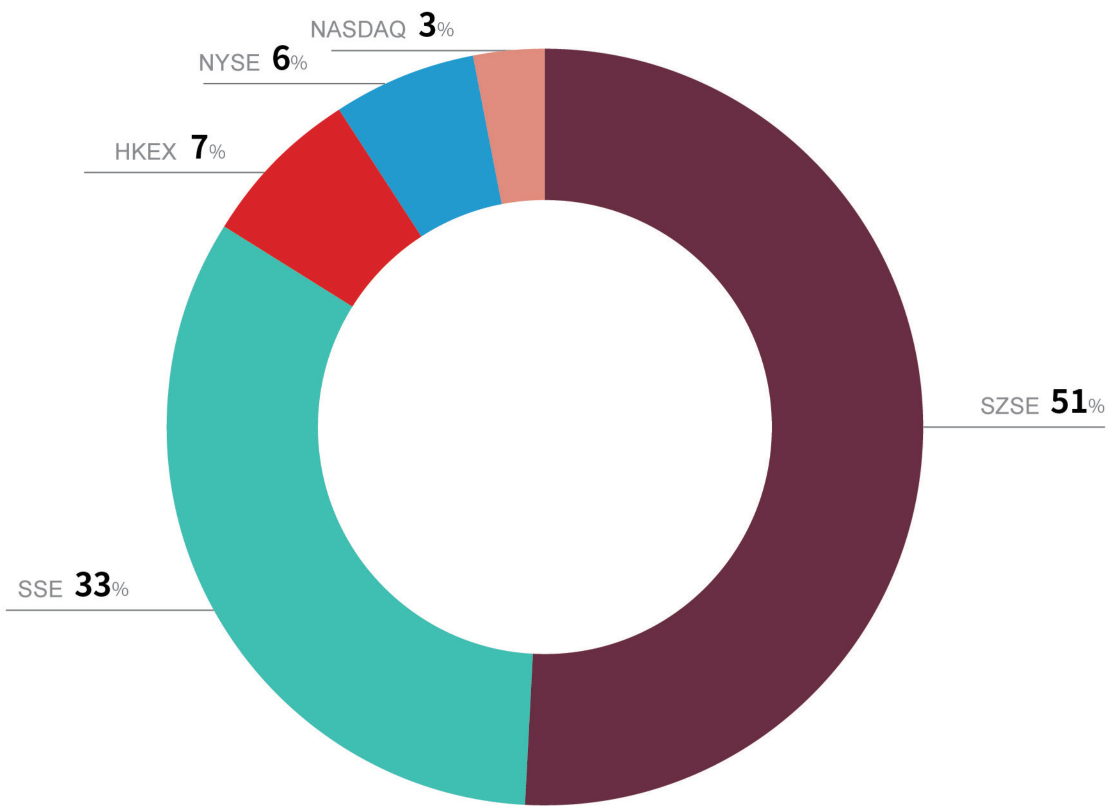
▼ Figure 2: Distribution of the future giants by sector

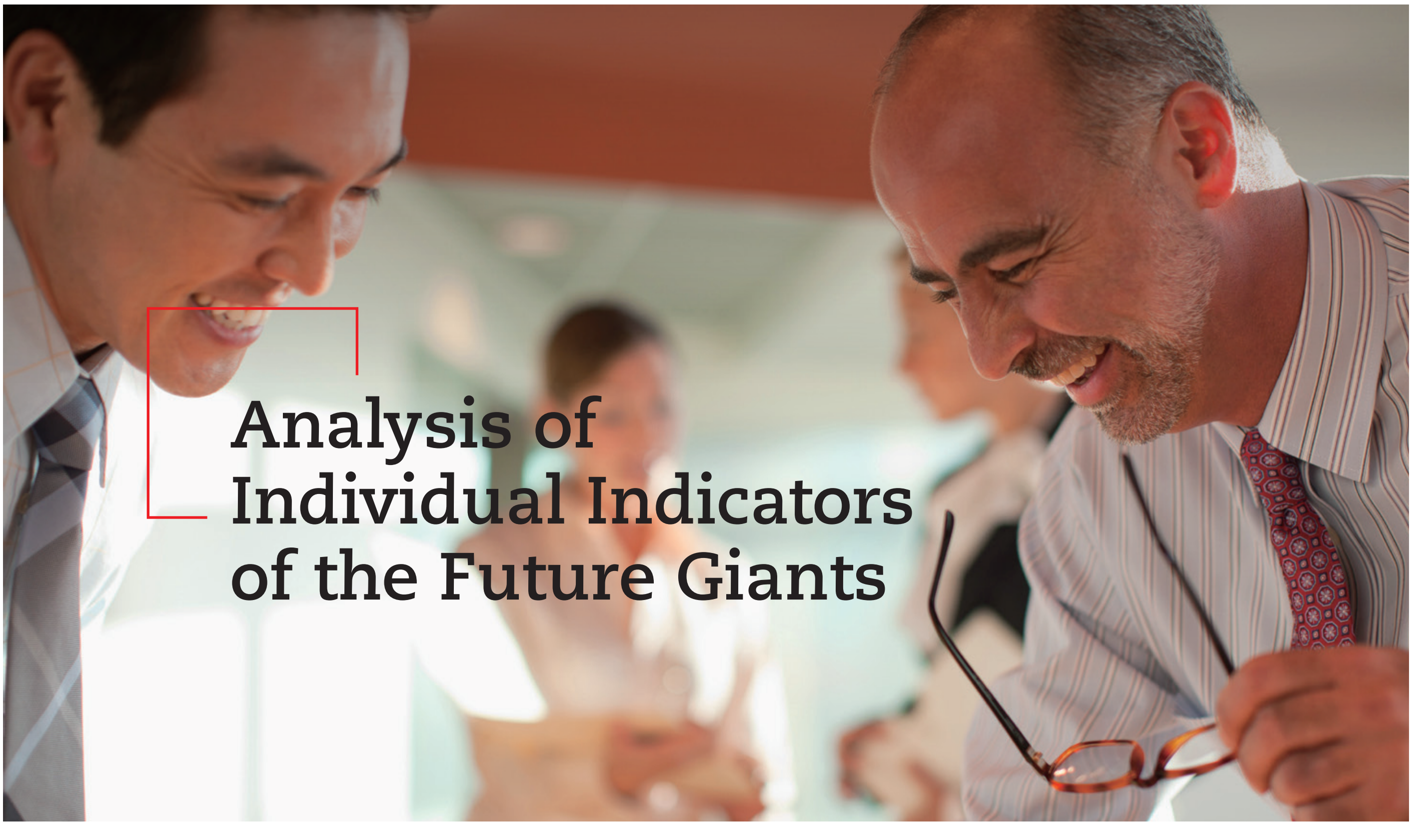
Distribution of China's Next 100 Global Giants by Stock Exchange

On the whole, mainland China's future giants are preadominantly listed on the SSE/SZSE, and they represent a fairly diverse range of industries. Those listed overseas tend to be involved in the internet, software development and other related sectors.

The companies selected as China's Next 100 Global Giants are listed mainly on four stock exchanges, and most have chosen to go public on the SSE (Shanghai Stock Exchange) or the SZSE (Shenzhen Stock Exchange) (Figure 3). In total, 33 are listed on the SSE and 51 on the SZSE, comprising 84% of the companies on the list. Nine companies are listed in the US, where three are internet-related enterprises that are listed on the NASDAQ, and the other six enterprises are on the NYSE (New York Stock Exchange), of which four are related to internet and software services. Generally speaking, the 'next 100' companies listed on a stock exchange in the US are high-tech companies engaged in internet-related development and services. The remaining seven companies are included on the HKEX (Hong Kong Stock Exchange), which covers the manufacturing, medicine and internet sectors.

Figure 3: Distribution of the future giants by stock exchange





Analysis of Individual Indicators of the Future Giants

> The companies with the best overall rankings share some common characteristics – they had better scores than other companies for corporate scale, growth, cash flow, overseas strategy and media coverage.

The evaluation system reviewed various aspects of the listed companies and ranked them on the basis of the scores they obtained for 11 indicators. If we take a closer look at the rankings and the individual scores, it can be seen that almost all the companies on the list suffered from some shortcomings, as reflected by a relatively low score for one or two indicators. This is also true for the Top 10 companies on the list, each of which had scores for one or two indicators that were lower than 60. This phenomenon is explained by the fact that, owing to resource constraints and other reasons, it is often difficult for a company to achieve growth in all areas, and it might therefore choose to focus on certain strategic aspects. Nonetheless, the companies with the best overall rankings share some common characteristics – they had better scores that other companies for corporate scale, growth, cash flow, overseas strategy and media coverage.

Corporate scale and growth

Scale and growth are the most apparent manifestations of a company's growth potential, and reflect its development patterns. Sales revenue reflects not only the current market size of the enterprise, but also the market recognition of the company's products and services, which in turn acts as the foundation for the long-term expansion of its business and plays a key role in the company's survival and development. On the other hand, the growth rate of the sales revenue reflects the company's growth, as well as the life cycle of its main products and the company's development progress. A higher sales revenue growth rate may indicate that the company's products are in the process of maturing, which results in better prospects and a higher development potential for the company. Hence, by reviewing the sales revenue and its growth rate, we can determine whether an enterprise is able to compete in the market and to evolve into an industry leader.

Judging from the overall sales revenue, the Top 100 companies on the 2018 list belong to large or above-average-sized enterprises, and they exhibit some signs of growth. In 2018, the average sales revenue of these companies amounted to CNY6.6bn (US$1bn), which was CNY0.9bn (US$0.1bn) higher than that recorded in the 2016 ranking (ACCA 2016) (the average sales revenue of the companies in the 2016 ranking was CNY5.7bn (US$0.8bn)). This illustrates the fact that the average corporate scale of the companies in the 2018 ranking has increased. The average sales revenue growth rate of these companies reached an extremely high 34%, which is also higher than the rate recorded in 2016. Although there are differences in both corporate scale and growth among these companies, they have in general shown good momentum for future growth.

After all, despite the slowdown of mainland China's overall economic growth, the current ranking shows that the companies that have won a place on the new list have higher growth and better development capabilities than was true of their predecessors in the 2016 list.

Cash flow

Cash flow reflects the profitability of a company's business operations, as well as the sustainability of its profits, and is an important indicator for predicting whether a company will grow in a healthy and sustainable manner. From the perspective of the company, cash flow represents the capital available for its continuous operations and is equivalent to the 'blood' of the company. A functional cash flow can sometimes be even more important than its revenue or profit. Generally speaking, companies with an abundant cash flow play a key role in the entire value chain - they are often found to be in a good position when cooperating with their upstream or downstream partners. Entrepreneurial companies such as JD.COM could still maintain their growth momentum despite losses because they had an ample cash flow. On the other hand, despite having promising products, companies such as LE.COM suffered from a shortage of working capital , which resulted in serious issues in their business operations. Other Chinese companies, such as Alibaba and Tencent, also benefited from a stable cash flow and were able to cover or reinforce the weaker parts of their organisation, which in turn allowed them to grow into global giants. To sum up the aforementioned experiences, a sustainable and stable cash flow is an important factor enabling companies to participate in global competition, handle economic crises and facilitate further growth.

All the Top 10 companies in the 2018 ranking had a satisfactory cash flow, and eight of the companies scored 90 or above for this particular indicator. Among the 100 companies, the average score for the cash flow indicator was 83.46, with more than half of them achieving 90 or above. It should also be noted that the average score for cash flow was the highest among all 11 indicators, reflecting the good cash flow among all these companies. This indicates the importance of cash flow and its positive correlation with a company's position in the value chain, as well as its ability to handle future challenges and its good development prospects.

Overseas strategy

An overseas strategy is an essential step for an enterprise wishing to build a global influence. After mainland China put forward the 'Go Global' strategy in support of Chinese enterprises, more and more Chinese companies began to allocate their resources globally to expand overseas. With the launch of the 'Belt and Road' initiative, the Chinese government has formulated a series of preferential policies to encourage enterprises to undertake global investments, which has further accelerated the process of internationalisation for Chinese companies. The Statistical Bulletin of China's Outward Foreign Direct Investment 2017 shows that mainland China's outward foreign direct investments amounted to US$1,809.04bn in 2017, which is 33.3% higher than the comparable figure for 2016, while there were 25,529 Chinese enterprises participating in mainland China's outward direct investments. These developments suggest that great opportunities lie ahead for the Chinese companies that are expanding overseas, and good results have already been achieved.

Most of the companies included in the 2018 ranking are already market leaders in the domestic market and have begun expanding globally in recent years. Even though many Chinese companies are still in the initial stages of internationalisation, some have already established sizable operations overseas, with a few becoming formidable competitors of other established corporations in the global market. The new ranking shows that 49 companies scored 90 or above in the overseas strategy indicator. This indicates that the companies on the list have already begun their expansion into the international market and have improved their overseas operational capabilities, which will allow them to improve how they face the risks and challenges of foreign markets. In the future, it is arguable that these companies will continue to accelerate their internationalisation process and will succeed in becoming globally influential enterprises.

Media coverage

As independent information agencies, the media can disseminate information that reflects the strengths and shortcomings of an enterprise in a timely, dynamic and comprehensive manner, allowing information users to analyse the current operational capabilities and development prospects of an enterprise holistically and effectively. With ever-intensifying competition in an increasingly globalised environment, the media are another effective source of information that may be used as part of a full analysis of the current status and future potential of a company.

The Top 10 companies in the 2018 ranking had an average score of above 90 on the media coverage indicator, with Han's Laser Technology Industry Group Co., Ltd scoring full points. Most of the companies ranked from 10th to 20th also scored above 80. This reveals that many of the outstanding listed companies are already favourably reported in the news, further reflecting their solid operational capabilities and growth potential.

Many companies that ranked in the Top 50 scored above 90 for their sales revenue, growth, cash flow, overseas strategy and media coverage, while those that ranked from 50th to 80th place had relatively low scores for these five indicators, and those that ranked around 90th had two indicators with a score lower than 60. In other words, during the slowdown of Chinese economic growth, it is likely that those companies able to maintain a higher level of growth, better cash flow, stronger internationalisation orientation and favourable media coverage will come out on top, as is indicated by their ranking.

Case Studies of Future Giants

Case Study 1: Sunway Communication – steadfastly on the path to technological advancement

Shenzhen Sunway Communication Co., Ltd (Sunway Communication, SZSE: 300136), which ranked seventh on the 2018 list, was established in 2006 and listed on the SZSE in 2010. After starting out as a supplier of mobile device antennas, Sunway adopted a multi-product approach based on core radio frequency (RF) technologies. The company now provides customers with one-stop innovative technology products that involve the development, production, sales and servicing of antenna modules, wireless charging modules, audio and RF modules, RF connectors and RF front-end devices, among others. The company is an important player among the global suppliers of mobile phone components.

Sunway scored 94 points for media coverage, which reflects an overall favourable market sentiment towards the company's fundamentals. According to Sunway's 2018 performance report, the company's sales revenue for the year was CNY4.7bn (US$0.7bn), representing a 37.04% increase on a year-on-year basis. The net profit attributable to its shareholders amounted to CNY1.024bn, which was 15.21% higher than the previous year. If we exclude the impact of government subsidies in 2017, the total net profit excluding non-recurring gains/losses grew by 58.45% on a year-on-year basis. This performance further confirms the validity of the ranking. To quote from the company management's statement, the key to success is to 'maintain an edge in the core technologies and achieve organic growth, grasp the best moment to become involved in the new technologies of the future, adopt a steady approach toward operations and pursue long-term goals'. The research team analysed information acquired by interviewing Sunway's company management, and projected the company's future growth trend; the company was seen to be fully prepared to seize market opportunities and implement strategies for the future.

At the time of its establishment, Sunway Communication was merely one of the many suppliers of mobile phone components in the market. The acquisition of Laird (Beijing) in 2012 proved to be a major strategic success for Sunway. It allowed the company to tap into the supply chains of major clients in North America and expand its share of the antenna market, which includes products such as mobile phones and tablets. Based on the already established customer relationships from its antenna business, the company gained a clear picture of the market demand and was able to provide new and effective products and technical solutions for its customers. Sunway Communication has now evolved into an important component supplier for the world's leading enterprises in consumer electronic terminals, and the company plays an indispensable role in this industry chain on a global scale, with over half its operations located in overseas markets. In addition, Sunway Communication also scored 94 points for the overseas strategy indicator, which fully reflects the effectiveness of its approach towards its foreign markets.

Since the selling of RF components is typically a business-to-business (B2B) concern, Sunway Communication maintains a forward-looking approach and has invested heavily in understanding its clients' demands, while establishing its presence wherever the world's leading enterprises in consumer electronic terminals are located. Thus, it has set up domestic branches in cities including

Shenzhen, Beijing, Shanghai and Changzhou, as well as overseas branches in the US, Japan, Korea and Sweden, in order to maintain close communication with its clients' engineers, to stay aware of the latest designs and to make adjustment to its own products accordingly, which in turn minimises inefficient R&D investments. Compared with its competitors, Sunway Communication is more capable of meeting client demand for new products and supplying better-quality components, which creates a win-win situation for the supplier and the clients. Sunway Communication insists on providing limited resources for the flagship products of its leading clients and aims to generate synergy with the top international downstream enterprises. This reduces the threat that other competitors will interfere and ensures the company's sales revenue and growth for the future.

To make certain of its product quality and subsequently its operational profit, the company applies strict controls to the pricing of its products. A strong emphasis is put on management and internal controls to avoid large-scale external purchases and the accumulation of semi-finished goods, which could lead to a 'high revenue-low profit' performance. Sunway Communication managed to score 98 points for the rate of return indicator, which fully illustrates the effectiveness of the company's practices in this regard.

Over the years, the company has adhered to the principle of 'not only using technology as a protective buffer, but applying technology to serve the products, and the products to serve the client demand'. In order to adapt to the latest technological developments, the company has been consistent in putting significant investments into its technological R&D. In addition to the R&D investments disclosed in its financial reports, the company has engaged in numerous mergers and acquisitions (M&As), as well as collaborations with research institutes, which were driven by the aim of acquiring new technologies. Through the acquisition of Laird (Beijing) and a series of small-scale M&As, the company has been able to carry out consistent technology integrations and develop the complex designs of its RF components, overcoming technical barriers, and in turn has saved a lot of time and resources that would otherwise have been spent on independent R&D. Collaborations with well-known universities and research institutes at home and abroad have also allowed the company to tap into the talent pool and resources offered by academia, where leading products can be developed for its clients.

Sunway Communication's technical background and its R&D input have made certain that the company is capable of exploiting new technologies and new opportunities. Its future strategy involves a step-by-step engagement in the technologies and talents related to automobile and 5G technology, which could reduce the technical obstacles for the company's entry to the automobile communications sector. The Internet of Vehicles (IoV) and autonomous vehicles are areas with broad market prospects, and the main driver of the company's future growth is likely to be expanding the application field of its RF technologies and continuing its acquisition strategy so as to move into the automobile sector. In 5G technology, Sunway Communication also stands out with a strong competitive edge. It recently solved a technical issue concerning poor reception during recharging, and the predictive solution it provided exceeded the client's expectations. As a result, the company is well-received by important clients as a significant supplier of 5G technology.

As a leader among the suppliers of mobile terminal components, Sunway Communication has retained a strong market position with its core technologies. By researching new products related to its core technologies and entering into new areas of growth, the company has also laid a solid foundation for its future growth. The research team expects that Sunway, ranked seventh among *China's Next 100 Global Giants*, will achieve outstanding success and a prosperous future development.

Case Study 2: Autohome Inc. – a traditional media company undergoing a successful transformation

Beijing Autohome Information Technology Co., Ltd. (Autohome Inc., NYSE: ATHM), which ranked 21st on the 2018 list, was established in June 2005 and has since evolved into the world's most-visited car website. Autohome aims to provide its customers with all kinds of vehicle-related service, including the selection, purchaseand replacement of cars, among other things, and it is committed to empowering its users and customers through comprehensive product services and extensive data support (Autohome 2004–19). Autohome has grown to become a professional car platform on the internet, with the average number of daily active user visits reaching above 30.2 million as of the end of March 2019. For the 20+ million car sales in mainland China's automobile market in 2017, Autohome alone contributed nearly 100 million sales leads (Quest Mobile).

Even with the decline in growth and fierce competition in mainland China's current automobile market, Autohome was able to outperform its benchmark and recorded a net profit of CNY1.01bn in 2018, which represents 39% year-on-year growth (the net profit in 2017 was CNY730m.). This excellent performance is a result of the company's decision to adopt a unique multi-platform information-sharing model and a light-asset platform-based development strategy. In recent years, Autohome has completed its strategic transformation from a 'vertical media' company into a 'tech company with data and technology at its core' and has achieved effective communication and sharing of data among its various internet platforms. From the user's perspective, Autohome is able to recommend in-depth services that can satisfy users' core demands by using Big Data, while its smart services cover the entire vehicle-related life cycle, including searches and purchases of vehicles, which has greatly empowered users. From the dealer's perspective, Autohome can conduct a user analysis based on four criteria – user base, value, demand and behaviour – which helps to provide accurate sales leads to the original equipment manufacturers (OEMs) and dealers, allowing them to create tailor-made marketing strategies for each stage of a car purchase.

During an interview with Mr Zhou Yu, the CFO of Autohome, the research team learned that Autohome provides nearly 100 million leads per year to nearly 28,000 dealers, and this number of leads is higher than the combined sum of all the other competing platforms. Through the application of data products, Autohome effectively helps the dealers by increasing both their success rate in selling to the customers visiting their shops and the lead conversion rate, which allows the dealers' operational capabilities to be enhanced and refined. As of 2019, the products on the internet platform are stocked by more than 14,000 shops. With 300m users (10 times more than the company's competitors) and the enormous amount of data generated from them, combined with the use of technologies in the form of AI, Big Data and cloud computing, Autohome is successfully using its traffic, sales leads, content and data and is empowering both users and dealers.

Based on its car media-related core business, Autohome is also actively expanding horizontally and has established a '4+1' growth model, which is based on the principle of 'car media, car e-commerce, car finance and car lifestyle' and is driven by technological developments. This results in an effective smart development strategy that could bring about changes to the wider automotive industry. Mr Zhou Yu explained that such a growth model has allowed Autohome to transform itself from a 'content-based vertical business' into a 'data tech-based company in the automotive ecosystem'. The core of the '4+1' principle lies in the use of content and data as an advantage in pursuibg the company's strategy, which would not be possible without a bold exploration of the use of AI, Big Data and cloud computing, as well as an active R&D plan. Another feature of Autohome's business model is its light-asset internet-platform-based strategy. The return to a media-focused approach indicates that Autohome, unlike other companies in the industry, is no longer operating through large-scale ownership of assets and inventories; instead, Autohome adheres to the e-commerce internet-platform-based model and focuses on specialised information services, content production and platform building. In the 2018 ranking, Autohome scored 95 or above for the 'rate of return' and 'cash flow' indicators, fully reflecting the effectiveness of its e-commerce internet-platform-based model. By making use of original content on its platform, Autohome is accelerating its growth while effectively reducing the risks related to inventories and financing, thus creating a business model in which all resources are put to their full use.

The research team noted that Autohome is actively engaged in a lateral expansion on a global scale, and plans are being formulated to enter the automobile internet platform markets in South East Asia, Europe and the US. Autohome's global vision, as well as its continuous understanding and innovation of its own development model, are closely related to its management beliefs. In an interview with the media, the CEO of Autohome, Mr Lu Min, mentioned that the core competitiveness of Autohome lies in its content, data and personnel (Cheyun.com 2018). The company's methods of retaining and providing incentives for its core personnel, as well as a series of human resources management measures involving the selection, training, retention and management of employees, act as an internal driver of the company's steady development. With an injection of funds from the Ping An Fund and the introduction of a 'wolf management culture', the company is able to avoid any negative impact that could result from inertia among its staff members, while encouraging scientific and effective management practices. Autohome's internal management system, combined with comprehensive financial, budget and cost controls, ensures that a healthy profit margin can be maintained while the company supports new business developments, allowing the company to evolve steadily into one of the best internet-based enterprises in mainland China and throughout the world.

Case Study 3: Aier Eye Hospital – a leader in ophthalmology

Aier Eye Hospital Group Co., Ltd. (Aier Eye Hospital, SZSE: 300015), which ranked 53rd among 2018's future giants, was founded on 24 January 2003 and listed on the SZSE on 30 October 2009.

As a professional ophthalmology medical chain, Aier Eye Hospital offers various types of ophthalmological diagnosis and treatment, surgery and optometry services, with a network spread across mainland China, Hong Kong SAR, Europe and the US that serves as a strategic foundation for its future global development. The company's unique 'hierarchical chain' growth model and its supporting business management system have enhanced its resource-sharing efficiency and the breadth of its hospital network through the functional positioning of different categories of hospitals.

As the company's medical technology and service quality have improved, significant growth has been observed. As of December 2018, the company had treated 5,735,650 outpatients through 564,542 surgeries, with an operating income of CNY8.009bn, or a 34.31% increase on a year-on-year basis. The net profit attributable to the parent company amounted to CNY1.0bn (US$0.1bn), a 35.8% increase on a year-on-year basis. Also, the net profit attributable to the parent company for non-recurring gains and losses was CNY1.1bn (US$0.2bn), representing a year-on-year increase of 39.12% (Aier Eye Hospital Group 2018). According to an analysis of our statistical ranking, Aier Eye Hospital achieved the highest scores in earnings quality and cash flow among all the companies ranked. With regard to its earnings quality, we adjusted the relevant net profit in view of the accruals, which means that the earnings quality was measured by calculating the proportion of the net profit and the cash flow from its operating activities to the total assets. Taking the 2018 dividend plan into account, the company's accumulated cash dividend will reach CNY1.311bn, reflecting both a healthy growth trend and the credibility of the rankings.

The advantage of Aier Eye Hospital's business model is best illustrated by its 'hierarchical chain'. Up to now, a total of 104 subsidiaries have been included in the consolidated financial reports of the company. Through hospitals of different categories operating in various regions, as well as an ever-improving medical network, Aier Eye Hospital has basically completed its strategic positioning across mainland China's major cities and provincial capital cities, offering convenient, effective medical services for patients. With the aim of growing into a network of 1,000 hospitals by 2020, Aier's strategic positioning will eventually expand to cover various counties and communities throughout mainland China. The expansion of the scale of its operations should provide the momentum for its future performance growth.

Aier Eye Hospital has developed its medical technology by collaborating with Central South University to establish the Aier School of Ophthalmology, Central South University, and has also signed a strategic cooperation framework memorandum with the Singapore National Eye Centre (SNEC) and

Singapore Eye Research Institute (SERI). It has published 75 papers in various journals, of which 19 are included in the Scientific Citation Index (SCI), and has hosted multiple international and domestic large conferences for academic exchanges, such as the 2018 International Refractive Surgery Symposium and the 2018 International Cataract & Refractive Surgery Forum. Its technological innovation fund has also become an incubator for cutting-edge medical technologies, including ophthalmology science and precision medicine, fostering the strategic planning of its integrated development in 'production, education and research', which in turn has built a strong technological support base for the growth of its business operations.

Aier Eye Hospital's international operations have involved establishing hospitals in Hong Kong SAR, the US and Europe, while completing the acquisition of the Spanish Clinica Baviera – Europe's largest listed company in the ophthalmic industry, which has 76 ophthalmology centres in Germany, Spain, Italy, Austria and other European countries and leads the world in its medical technology and service quality. Through this acquisition, Aier Eye Hospital controls 87% of Clinica Baviera, thus becoming its absolute controlling shareholder and controlling two-thirds of its board (People's Daily Online 2017). This will allow Aier to expand further into the international market and foster in-depth partnerships with the world's leading ophthalmic experts. With its current services covering more than 2bn people, Aier has laid a solid foundation for the continued strengthening of its performance.

Building on its effective human resources management, Aier Eye Hospital has launched a 'partner programme' to address the problems of the business environment in which ophthalmologists practice, as well as fostering the growth of both the core personnel and the company. By recruiting highly skilled ophthalmologists while ensuring that the core personnel are retained, the medical specialists can be motivated to the greatest possible extent, which in turn improves doctor-patient relationships, promotes organisational efficiency and drives the company to achieve healthy growth.

The research team believes that, by following a strategy of professionalisation, internationalisation, internal growth and external acquisitions, combined with a scientific management model, Aier Eye Hospital, as the leader in the ophthalmic industry, will propel the development and advancement of ophthalmology while achieving economic benefits from its business operations.

Appendix

1.Participating companies and data sources

The ranking of *China's Next 100 Global Giants* 2018 has focused on listed Chinese enterprises. Specifically, they include private companies that are listed on the stock exchanges of mainland China (SSE, SZSE and GEM) or those in other countries/regions, such as the HKEX, NASDAQ, NYS and SGX. **The decision as to which companies to include was based on the following four considerations.**

First, the availability and authenticity of the data. Because they are subject to mandatory disclosures and requirements from the regulators, listed companies disclose financial statements that are signed and audited by certified public accountants each year. This requirement ensures the availability of the data necessary for producing the ranking. More importantly, the authenticity and credibility of the data can be reasonably guaranteed. In contrast, the financial data from non-listed companies might not be complete or available in a continuous manner. A lack of competent regulators and audit requirements also means that such data quality cannot be guaranteed. Therefore, if the ranking were to include non-listed companies, based on their own data, the objectivity and authenticity of the ranking could no longer be fully assured.

Second, the comparability of the data among different enterprises. To provide an effective basis for the ranking, the research team analysed the companies' public information (financial data and statements, etc.) and assigned each company a score accordingly. Such a data analysis is premised on the comparability of the corporate information. Owing to a lack of standardised disclosure requirements and consistency in the preparatory basis of such information, the data obtained from non-listed companies is often not comparable between companies. It is indeed true that the information disclosed in the annual reports from companies listed on different stock exchanges might differ because the regulatory requirements of different capital markets are not entirely consistent, but the basic principles of the information disclosures tend to be aligned to the international accounting standards and this can offset the impact from such differences to some extent. This means that disclosed data of companies listed on different stock exchanges is still largely comparable. Using the same or similar types of information as the basis of the measurement allows the scores and rankings to reflect the differences in the performance of the companies in a fair and objective manner.

Third, the sources of the media coverage. The research team believes that mandatory disclosures of financial data serve as only part of the rationale for judging the potential of a company. In addition to such disclosures, the media's reports on and analyses of company events should not be neglected, as the news reports will often contain information not included in the official financial reports and reveal risks that a company is not willing to disclose. A comprehensive examination of various information sources is conducive to an accurate evaluation of the development of a company. In comparison with the regular disclosures, the analytical information conveyed by the news media can reflect the strengths and hidden risks of a company's daily operations in a more timely and dynamic manner. Hence, the research team has included media coverage as one of the indicators in the evaluation system.

Fourth, the importance of listed companies to mainland economic growth. Being the mainstay of China's economy, the listed companies play a decisive role in its growth. According to a survey, mainland China's listed companies achieved a total operating income of CNY32.3 trillion in 2016, which represents 43.4% of the country's GDP in the same period. A total net profit of CNY2.73 trillion was realised, equivalent to 40% of the total profit from industries and enterprises of a national or higher scale. These figures illustrate the fact that listed companies are indeed the 'backbone' of China's national economy (Securities Times 2017). Companies with good development prospects and technological advantages often go public in order to broaden their financing channels, and it is therefore justifiable to produce a ranking based on an analysis of the listed companies.

On the basis of the above considerations, the survey data for this ranking was mainly collected from the GTA CSMAR, WIND and COMPUSTAT Global databases, which include data related to the finances and corporate governance of companies listed in mainland China and overseas, such as their assets and liabilities, operating income, fixed assets, cash flow, accruals, overseas income and R&D investment, as well as the companies' ownership, time of listing, location of listing, industry, domicile and other corporate governance and basic information. During the research, we also collected and organised news reports on the companies by using the quantitative media opinion data platform of DataGo Technology Ltd. This data platform, which uses relevant academic research, is jointly developed by researchers from the Chinese University of Hong Kong, Stanford University, University of Southern

California and other institutes. Machine learning and natural language processing are used to conduct the meticulous sorting, analysis and verification of thousands of collected original news items (relevant news about all listed companies published by newspapers since 1998), and a quantitative assessment of sentiment orientation toward any listed company can be calculated in line with stringent academic standards. The sentiment value generated by the platform is a continuous and comparable score, which lies between –1 and 1 (with 1 being the most positive and –1 being the most negative). The research team also performed cross-checking with the aforementioned databases to ensure the authenticity and credibility of the data.

The first selection requirement of the 2018 ranking was that the company must have been trading on a stock market for at least three years by 2017. We believe that three years is a sufficient amount of time to indicate whether a company's performance is sustainable, and the values shown in the indicators are also more consistent than those representing a shorter period of time. To match the corresponding data, our report excluded the relevant incomplete values, which included the company data of specific years where the financial and corporate governance information was missing or incomplete. We also excluded ST-Type companies (ie companies under Special Treatment) and companies from the finance industry; the former because the financials of ST-Type companies tend to be unusual, which could affect the credibility of the research conclusions, and the latter because the development model and ways of disclosing financial data in the finance industry differ significantly from those in other sectors, which results in a lack of comparability. In addition, the size of the entire finance industry is comparatively huge, and any inclusion of financial companies in the ranking would result in a bias due to the size difference. For the companies that are listed in both mainland China and Hong Kong SAR, we considered only the data from mainland China's stock exchange in our analysis. As was mentioned before, state-owned enterprises were excluded because we aimed to focus on the future giants among private enterprises. On the basis of these considerations and our data selection methods, the research team identified 2,691 listed companies for the analysis, of which 2,312 are listed in mainland China (SZSE or SSE), 8 are listed on the London Stock Exchange, 80 are listed on the Singapore Stock Exchange, 65 are listed on NASDAQ, 40 are listed on the New York Stock Exchange and 186 are listed on the Hong Kong Stock Exchange.

Company Name in English	Listed on	Score	Sector	Company Location
Alibaba Group Holding Ltd.	NYSE	90.36	Internet and Relevant Services	Hangzhou, Zhejiang
Tencent Holdings Ltd.	HKEX	85.64	Internet and Relevant Services	Shenzhen, Guangdong
Lens Technology Co., Ltd.	SSE/SZSE	82.91	Computers, Telecommunications and Other Electronic Equipment	Changsha, Hunan
Baidu Online Network Technology (Beijing) Co., Ltd.	NASDAQ	82.18	Internet and Relevant Services	Beijing
Goertek Inc.	SSE/SZSE	81.00	Computers, Telecommunications and Other Electronic Equipment	Weifang, Shandong
Fuyao Glass Industry Group Co., Ltd.	HKEX	80.45	Non-Metallic Mineral Products	Fuzhou, Fujian
Geely Automobile Holdings Ltd.	HKEX	79.64	Car Manufacturing	Hangzhou, Zhejiang
Wangyi Network Co., Ltd.	NASDAQ	76.64	Software and IT Services	Beijing
Tongwei Co.,Ltd.	SSE/SZSE	76.00	Agricultural and Sideline Food Processing	Chengdu, Sichuan
Shanghai Fosun Pharmaceutical (Group) Co.,Ltd.	HKEX	75.09	Pharmaceuticals	Shanghai
Midea Group Co., Ltd.	SSE/SZSE	74.91	Electrical Machinery and Equipment	Foshan, Guangdong
Great Wall Motor Co., Ltd.	HKEX	73.73	Car Manufacturing	Baoding, Hebei
Shanying International Holdings Co.,Ltd.	SSE/SZSE	73.36	Papermaking and Paper Products	Ma'anshan, Anhui
Kangde Xin Composite Material Group Co.,Ltd.	SSE/SZSE	71.27	Rubber and Plastic Products	Suzhou, Jiangsu
Sina.Com Technology (China) Co.,Ltd.	NASDAQ	70.00	Internet and Relevant Services	Beijing
LONGi Green Energy Technology Co.,Ltd.	SSE/SZSE	69.91	Non-Metallic Mineral Products	Xi'an, Shaanxi
Shanghai Ctrip Business Co., Ltd.	NASDAQ	69.27	Software and IT Services	Shanghai
Luxshare Precision Industry Co., Ltd.	SSE/SZSE	69.18	Computers, Telecommunications and Other Electronic Equipment	Shenzhen, Guangdong
Jiangsu Changjiang Electronics Technology Co.,Ltd.	SSE/SZSE	69.09	Computers, Telecommunications and Other Electronic Equipment	Wuxi, Jiangsu
Tongkun Group Co.,Ltd.	SSE/SZSE	68.82	Chemical Fibers	Jiaxing, Zhejiang
Shan Dong Sun Paper Industry Joint Stock Co., Ltd.	SSE/SZSE	68.64	Papermaking and Paper Products	Jining, Shandong
Lenovo Group Ltd.	HKEX	66.91	Computers, Telecommunications and Other Electronic Equipment	Beijing
Weiqiao Textile Co., Ltd.	HKEX	66.73	Textile	Binzhou, Shandong
Beijing Jingdong Century Trading Co., Ltd.	NASDAQ	66.64	Internet and Relevant Services	Beijing
OFILM Group Co., Ltd.	SSE/SZSE	66.18	Computers, Telecommunications and Other Electronic Equipment	Shenzhen, Guangdong
Hengyi Petrochemical Co.,Ltd	SSE/SZSE	65.91	Chemical Fibers	Beihai, Guangxi Zhuang Autonomous Region
Beijing Originwater Technology Co.,Ltd.	SSE/SZSE	65.09	Ecological Protection and Environmental Management	Beijing
Inner Mongolia Yitai Coal Co.,Ltd.	HKEX	64.73	Coal Mining and Washing	Ordos, Inner Mongolia
Rongsheng Petro Chemical Co.,Ltd.	SSE/SZSE	64.64	Chemical Fibers	Hangzhou, Zhejiang
Unisplendour Corporation Ltd.	SSE/SZSE	64.55	Computers, Telecommunications and Other Electronic Equipment	Beijing

2. Ranking of China’s Next 130 Global Giants

Table A1 shows the 30 companies that were removed from the list of China's next global giants owing to their larger size. The rationale for excluding these companies was that they are of a significant corporate scale and have already evolved into market or industry leaders, which can be seen from the fact that Alibaba and Tencent occupy the first and second positions. Undoubtedly, these two corporations play an important role in China’s economy and exert a great amount of influence in both the domestic and international markets. For the 2018 ranking, we preferred to focus on discovering the companies that are currently of a smaller scale, but that have a potential for significant growth and that the research team identified as *China’s Next 100 Global Giants* 2018. The excluded companies, which were originally in the Top 130 list, are shown below for reference purposes.

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About ACCA

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About the Shenzhen Finance Institute

In response to the national ‘Belt and Road’ initiative and the demand for a high-level educational research institution driven by the Guangdong-Hong Kong/Shenzhen-Hong Kong cooperation and Shenzhen’s economic and social development, and with the aim of meeting the expectations of global mainstream academia and industry towards a research and exchange platform with an ‘international height and Chinese depth’, as well as addressing the opportunities and challenges brought about by the profound adjustment of the world’s financial and economic landscape, the Shenzhen Municipal Government appointed the Chinese University of Hong Kong (Shenzhen) to establish the Shenzhen Finance Institute, which is set to become an internationally influential base for innovative talent training in the fields of finance and the economy, as well as being an international high-level research platform, an international high-tier academic exchange platform and a highly-qualified decision-making think tank.

More information is available at:
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