Biotech and Pharmaceutical

Li Li

Shenzhen Hepalink Pharmaceutical

Born in 1962, Li Li graduated in chemistry from Sichuan University and joined the Chengdu Meat Processing Factory.

Pig of a job

Sichuan has China's biggest pig population and Li's obsession with pigs started early. He recalls that even in his student days he spent five years at pig farms. It paid off. In 1992 he joined Chongqing Tongda Biological Products as chief engineer, going on to become managing director. The company was involved in the manufacture of heparin API, an anticoagulant used in medicine. Heparin is derived from porcine small intestines.

Big break

In 1998 he relocated to Shenzhen where he founded Hepalink with Rmb2 million of seed capital from his family. The company focused on techniques to purify heparin. Biotech investor Yang Xiangyang invested a further Rmb6 million to help Hepalink grow. With other Chinese manufacturers failing to pass US FDA tests, Li's Hepalink soon found itself to be the only Chinese firm allowed to sell in the US. It also gained European certification, becoming the world's largest heparin supplier. Thanks to its main asset – access to the intestines of 180 million pigs in China – it will be hard to displace.

Need to know

In 2010 Li completed a successful IPO, raising Rmb5.9 billion via Shenzhen's SME board. At the time the company was valued at 73 times its 2009 earnings. Still, subscriptions for the retail tranche topped Rmb381 billion. Upon its trading debut Hepalink's stocks surged to Rmb188 per share, giving the firm a staggering valuation of Rmb75 billion. It turned Li and his wife into China's richest couple, albeit for just a few weeks.

Setback

Almost immediately after the IPO, the US Food and Drug Administration (FDA) issued a denial that Hepalink was the only heparin producer in China certified by the FDA – a statement that had been made in the IPO prospectus. Its shares plunged on the news.

Aggressive divestment by the Li family also dampened investor confidence. As of August 2016, Hepalink's market capitalisation stands at Rmb22 billion, i.e. just a third of that reached at its peak.

Need to know

From its peak of Rmb188 per share in 2010, Hepalink has been trading at around Rmb18 per share for the bulk of the past few years. This spectacular decline has been used by state media as a case study as a means to warn retail investors against the investment risks inherent in the stock market.

Photo Source: Imagine China

Li and his wife were China's richest couple, albeit for just a few weeks

Key info

Li and his family are still worth Rmb18 billion according to Hurun's 2015 China Rich List.

Year born

1962

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Liu Baolin

Jointown Group

Born in Yingcheng, Hubei province, Liu Baolin dropped out of school to support his family. At 16 he became a barefoot doctor, working in poor neighbourhoods to deliver basic healthcare. Buoyed by the experience, he decided to change tack. In 1985 he set up a medicine wholesaler in his hometown.

Getting started

Liu was his own leading salesman. He shuttled back and forth between villages, carrying a basket of medicines on his shoulders and knocking at the doors of clinics. The business did well enough for Liu to buy a house and take a break from work while he looked for other opportunities. Figuring that logistics would become a profitable sector for pharmaceutical firms he travelled south to Hainan, where market reforms had been accelerated. Then he began planning for a wider distribution network, linking medical wholesalers with local pharmaceutical firms.

Big break

Liu's opening came in 1999, when restrictions on private investment in the healthcare industry were further relaxed. The following year, he founded Jointown Pharmaceutical in Wuhan focusing on pharmaceutical distribution, logistics and retail. Jointown made sales of Rmb300 million in its first year.

In 2007, Liu brought in foreign capital through a new joint venture, and in late 2010 the company went public in Shanghai, raising Rmb900 million. "We've had good timing: the golden years of China's pharmaceutical industry," Liu told China Youth Daily at the time.

Operating 14 province-level logistic bases and 25 distribution centres to supply more than 20,000 different medical products, Jointown Group is one of the leading non-state medicine distributors in the country.

The competition among medicine distributors has been extended to the internet. In February 2016, Jointown began a pilot programme in the rural areas of Hubei province, partnering with Alibaba. After prescriptions are placed by doctors at major hospitals, the internet firm will send the orders to Jointown's online store and then deliver the medicines to the villagers.

Need to know

His many years as a barefoot doctor have given Liu a different perspective to some of his competitors, he says, making Jointown different from the state-owned firms, like Shanghai Pharmaceutical Group and Sinopharm, which focus more on sales to hospitals in the bigger cities.

Jointown also targets small hospitals and drugstores, as well as rural areas, meaning that it understands how important it is to keep prices down to the minimum, as even a cent less in price can mean a medicine is purchased. Liu claims that this gives Jointown a commercial edge, via a widening distribution and an ability to generate profits on low-priced medicine. Recently, he inked a deal with Pfizer, to sell Pfizer products in rural areas.

Photo Source: Imagine China

Liu began his career as a barefoot doctor, working in poor areas to deliver basic healthcare

Key info
The market value of Jointown stands at Rmb34 billion as of August 2016.

Year born
1953

Biotech and Pharmaceutical

Li Jinyuan

Tiens Group

Photo Source: Imagine China

Hebei-born Li Jinyuan dropped out of school at the age of 14 to become one of the youngest workers at a local oilfield. Two years later he went against the spirit of the times by going into business. In 1974 – while the Cultural Revolution was still underway – he sold food, radios and clothing on the black market. By the early eighties, he had made a small fortune, but most of the profit was lent out and never returned.

Getting started

Li had to start again. He established a flour mill, the forerunner of Tiens Group. His next venture produced health products, derived from items such as ginseng. He pumped Rmb20 million into the company but sales failed to meet expectations.

Big break

In 1994, Li changed his product focus and his sales strategy: ginseng was replaced by a calcium supplement, and advertising agencies were abandoned for a direct sales network. Within three years, he had assembled an army of three million salespeople, selling health supplements door-to-door. This time, the venture turned a serious profit.

Then disaster struck in 1998, when direct sales companies were banned (a response to a crop of pyramid-selling schemes collapsing around the country). In order to maintain the relationship with his sales force, Tiens was forced to buy back his product range.

While Li was restructuring his domestic business into a more conventional retail operation, he decided to look abroad. In 2001, he started selling in Russia. Ukraine, Hungary and Poland soon followed. Overseas markets now account for more than 60% of Tiens Group's revenue.

Tiens Group is now a multinational involved in a wide range of sectors – such as hotels and tourism, health management, and biotechnology. In 2003, Tiens listed in the US via a reverse takeover.

Despite the diversification, Tiens is still best known for selling dietary supplements and wellness products. And it went back to its roots in March, when it received a licence to resume direct selling, with approvals to sell 25 kinds of health food.

Need to know

In 2015 Li decided to treat up to 6,400 of his salespeople, or half of his staff, to a four-day French tour to celebrate Tiens' 20th anniversary. It ended up being one of the most eye-catching marketing campaigns for a Chinese firm in Europe.

The Tiens army had to book close to 5,000 rooms from 140 hotels in France for the tour. It also took 147 buses to take Li's staff from their Paris hotels to Nice, where Guinness World Record officials where on hand to validate Tiens breaking the record for the world's biggest ever human chain.

His salesmen holds the Guinness World Record for the biggest human chain

Key info
Li is worth Rmb38 billion according to Hurun's China Rich List in 2015.

Year born
1958

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Ye Chenghai

Shenzhen Salubris Pharmaceuticals

Photo Source: Imagine China

Born in 1943 – the same year that Mao Zedong was named supreme leader of the Chinese Communist Party – Ye Chenghai's career path is an extraordinary one.

His potted resume would go something like this: Party member, bureaucrat, vice-mayor, factory owner, American immigrant, green card holder, China returnee, entrepreneur, and in recent years, billionaire.

Getting started

Ye was born in a small village in Guangdong's Meixian county. At 17 he was judged smart enough to be admitted to the best local school. He then studied international politics at the Party-run Renmin University.

Upon graduation in 1968 Ye was transferred to the poverty-stricken county of Bao'an – then little more than a chain of villages, but now the site of Shenzhen – as the editor of a magazine on rural affairs.

In 1978 Deng Xiaoping launched his reforms and Shenzhen was declared a special economic zone. Ye rose up the ranks – first becoming Party secretary of Luohu district, and finally Shenzhen's vice mayor.

When trying to convince his colleagues in the early 1980s that Shenzhen needed a decent restaurant (to cater to overseas investors), Ye pointed at his sweat-soaked shirt and told the hardliners they should lick it – so they could empathise with the difficulties foreigners had in finding a decent meal.

Big decisions

Seeing first hand China's early experiments with capitalism, Ye made a bold personal decision, exchanging the security, perks and privileges of the government bureaucracy for the less certain outlook of business life.

He borrowed money from family and friends and in 1985 rented a modest factory to make silk garments. Later, he switched to making machines that could detect fake bank notes (reflecting perhaps how fast Shenzhen was changing). Ye sent his two sons to US universities and through his business interests managed to get himself a green card. He moved to America to set up orchards.

But soon he made another bold decision. He concluded in 1989 that a new phase of economic growth was underway in China – hardly the conventional wisdom in that turbulent year. So, he relinquished his green card – to general disbelief – and returned to Shenzhen, where he bought some reclaimed land and built a new business.

Big break

The venture grew quickly but Ye soon sold his stake. Why? He'd started another, named Salubris, with grander ambitions to specialise in high end drugs and focus on winning a reputation for R&D.

The company now primarily sells cardiovascular drugs and cephalosporin antibiotics. Ye wants to position the firm as one of China's rising biotech stars. In 2009 Salubris became one of the first biotech firms to list on the Shenzhen stock exchange. In the fortnight following its listing the stock almost doubled, making Ye a billionaire.

He ditched his US green card and returned to China – in 1989

Key info

The market value of Salubris amounted to Rmb30 billion as of August 2016.

Year born

1943

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Che Fengsheng

Sihuan Pharmaceutical

Photo Source: Imagine China

When a drugmaker has military ties, it often invokes conspiracy theories. But in China such ties have seen a military medic transformed into a billionaire.

Getting started

Che Fengsheng, a Shandong native, was born in 1962. He obtained a degree in aviation medicine at the Fourth Military Medical University in Xi'an in 1984. He first worked at a military school as an assistant lecturer, then as a neurologist in 1990 after getting a Master's degree. In 1991 he joined the First Military Medical University as a lecturer and neurological doctor.

In 1993, when the PLA was banned from direct involvement in commercial activities, Che had a career overhaul too, joining a Shenzhen drug firm as a salesman. What seemed to be a professional demotion would turn out to be the launch pad for his career as a drug tycoon.

Big break

In 2001 Che founded Sihuan Pharmaceutical in Hainan with a college classmate. It grew quickly as a private-sector distributor of imported medicine. It also became one of the earliest sellers of Chinese prescription drugs, mostly to hospitals.

Sihuan Pharmaceutical went public in Singapore in 2007. Dissatisfied with lukewarm investor interest, Che took it private in 2009 and relisted again in Hong Kong in 2010. It went public at a valuation five times higher than its Singapore trading level. George Soros' Quantum Fund became a cornerstone IPO investor.

Sihuan Pharmaceutical has its own research and development unit, and Che is developing his own drugs. In 2014 during the Ebola outbreak in Africa, Che's company grabbed global attention as he revealed that he was searching for a quick cure for the deadly disease.

Sihuan Pharmaceutical said it had paid $1.6 million for the commercial rights to an experimental anti-Ebola drug (called jk-05) developed by the Chinese Academy of Military Medical Sciences. The share price of Sihuan surged, inflating the market value of the company to $6 billion at one point.

But in early 2015 its shares were suspended on allegations of bribery and of inflating the sales prices of some of its products. When trading finally resumed 11 months later in March 2016, Sihuan's share price plunged more than 50% in one trading session.

Need to know

"We have myriad connections with the military medical science units," Che told investors at a conference in 2014. Unsurprisingly, he has focused on the positives of the relationship, noting that during the SARS outbreak in 2003, a vaccine developed by the military was speedily approved by Chinese regulators. "At that time the whole approval process was cut right down," he said.

Che and his researchers are looking for a cure for Ebola

Key info

Che is worth Rmb13.5 billion according to Hurun's 2015 China Rich List.

Year born

1962

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Liang Yunchao

Guangdong By-health

He's the richest man produced by China's NASDAQ-style ChiNext

Microsoft went public on NASDAQ in 1986 in a move that helped Bill Gates become the world's richest man for decades. Liang Yunchao may hope to repeat history. The healthcare tycoon was once the wealthiest man produced by ChiNext, or the Growth Enterprise Board (GEM) of Shenzhen – which is China's answer to NASDAQ.

Getting started

Born in 1969 in Guangdong, Liang studied business management at the Zhongnan University of Economics and Law. Upon graduation in 1991 he was assigned to work at a state company in the province, although he soon quit to join a privately-run healthcare firm called Guangdong Apollo.

In Liang's own words this kickstarted his career as a "super salesman" of healthcare and pharmaceutical products. He even topped the sales rankings at Apollo while studying for an MBA at the Sun Yat-sen University in Zhongshan. Sensing opportunity, Liang wanted to start his own firm and in 1995 he and four colleagues did just that.

But the start-up floundered, as its attempts to distribute healthier alcohol drinks and honey products both failed. When the Asian financial crisis struck in 1998, Liang's net worth was reduced to "several thousand yuan".

Big break

Chastened, Liang decided to spend more time with his wife, who was studying in the US. While he was there he discovered health supplements. After returning to China in 2002 he founded his own firm – Guangdong By-health – and began selling dietary supplements like protein powder, calcium supplements and vitamins. This time the company was a success, tapping into a growing Chinese demand for products that safeguarded health and drawing on Liang's skills as a salesman.

By-health went public on the ChiNext in Shenzhen in 2009 and it has maintained its strong growth rates since its listing. The company's market value stood at Rmb19 billion as of August 2016. According to Hurun, the wealth index, the net worth of Liang's family reached Rmb12.5 billion in 2015.

His wife's mother – a substantial shareholder in By-health – has been dubbed "the luckiest mother-in-law of China".

Need to know

Liang told Forbes magazine that he only spends a few days a year at the company's head offices as he doesn't want his employees "to feel like they are being watched".

Instead, his time is spent recruiting and developing the firm's in-house talent. Every year or so Liang also selects a crop of promising managers and tests their stamina and team spirit at corporate boot camps. His training venues have ranged from the Tengger Desert in Inner Mongolia to Antarctica.

Key info
Forbes' 2015 China Rich List estimated Liang to be worth $1.6 billion.

Year born
1969

Photo Source: Imagine China

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Sun Piaoyang

Jiangsu Hengrui

Photo Source: Imagine China

China's mixed-ownership reforms are seeking to reverse the trend of *guojinmintui* (the state advances and the private sector recedes), which gained traction after Beijing's huge stimulus package in 2008.

The Liangyungang port in Jiangsu province could be an illustrative model for the initiative. The city has been emerging as an R&D and production hub for China's pharmaceutical industry following the privatisation of a number of state factories.

Sun Piaoyang, the chairman of Jiangsu Hengrui Medicine, is one of the leading Liangyungang tycoons rising from this *guotuiminjin* (the state retreats and the private sector advances) trend.

Getting started

Born in 1958, the Jiangsu native was one of the top students at the China Pharmaceutical University in Nanjing. Upon graduation in 1982, he was assigned by the government to work at the state-run drug-making factory in Liangyungang. The plant was later reorganised and renamed Jiangsu Hengrui Medicine.

The corporatisation did little to encourage productivity, with annual profits of just $13,500. Sun spent eight years in the firm albeit as just one of its many faceless state-owned enterprise officials.

Big break

In 1990 China's economic tsar Zhu Rongji unleashed drastic reforms in the state sector. Tens of thousands of workers were fired by state heavyweights. State subsidies simply dried up and smaller government-run factories had to be close, or privatised, if they were not performing.

Jiangsu Hengrui was one of them. Aged 32, Sun was elected by his co-workers to become the company's business leader. Just like many other privatised state firms at the time, the financial performance was miraculously turned around.

The company successfully developed a number of new drugs which were approved by the central government for local use. The revenue of Jiangsu Hengrui rose more than tenfold and surpassed Rmb100 million by 1996. In 2000 it went public in Shanghai. Three years later Sun launched a management buyout of Hengrui, acquiring a 21% stake in the company from the local government and became its biggest single shareholder.

Hengrui has about 12% of the Chinese market in anti-tumour medicines, pain killers and anti-infective drugs. As of August 2016, its market value stood at over Rmb100 billion. That means that the company has been dubbed the "most valuable pharmaceutical firm" in the A-share market.

Need to know

A "husband-wife shop" in China usually refers to a small business run by a married couple. For Sun Piaoyang and his wife Zhong Huijuan, the duo actually controls two of the biggest pharmaceutical firms in Jiangsu. Besides Hengrui, Zhong is the controlling shareholder of Jiangsu Hansoh, which is the second biggest pharmaceutical firm in Liangyungang behind Hengrui.

He owns the most valuable A-share listed pharmaceutical firm

Key info
Sun and his wife have a combined net worth of Rmb23 billion, according to Hurun's 2015 China Rich List.

Year born
1958

Biotech and Pharmaceutical

Kam Yuen

Golden Meditech

Das Kapital isn't much read in China these days. Yet among the country's many tycoons Kam Yuen comes closest to resembling the "vampire-like" capitalists of Karl Marx's description. That's because his business success has truly fed on blood.

Getting started

Born in 1962 the Beijing native grew up in the Chinese capital. He studied Japanese at the Beijing International Studies University and graduated in 1985. Learning Japanese was against his parents' wishes, as they wanted him to become a doctor. Ironically, Kam then developed a career in the healthcare industry. However, initially he was assigned to work for state-owned resources firm Minmetals and was sent to Tokyo in the late 1980s.

"I was paid Rmb56 a month in the first year. The next year I got a raise to Rmb72, which stayed unchanged for five years," he later told reporters.

The low wages spurred Kam to do more lucrative deals to support himself, and he started to trade on his own account. He found that Japanese hospitals were paying removal firms good money to dispose of older medical equipment – machinery which would have been considered respectably new in China. So he visited Japanese hospitals and convinced their administrators to let him take their unwanted equipment away. He then started selling it to Chinese hospitals.

As Kam's business grew, more of the hospitals asked him to pay a fee for their unwanted equipment. Back then China didn't allow free conversion of its currency so Kam had to find a way to generate more Japanese yen to pay for it. He began supplying Japanese temples with tombstones made of Chinese marble, which he managed to acquire at low cost.

Big break

The two-way arbitrage not only made Kam rich. It also built up his connections in the Chinese medical industry. In 1993, when a Beijing doctor asked him to help find machines to transfuse blood during operations, he founded Golden Meditech to develop China's first transfusion products. His devices finally obtained the approval of the Chinese government in 2000 and Golden Meditech went public in Hong Kong in 2001.

In 2003 Meditech also invested in the first cord blood storage facility and the new unit, China Cord Blood, was listed in New York in 2009. Kam's 38% stake in Golden Meditech is worth nearly $160 million, although the takeover of China Cord Blood is set to make him considerably richer.

Need to know

Kam is well-connected on both sides of the Taiwan Strait. Chinese Foreign Minister Wan Yi is one of his college classmates, and when China Meditech floated its shares in Taiwan in 2011, Sean Lien, the son of Lien Chan, honorary chairman of the Kuomintang, also invested in the company.

Photo Source: Imagine China

Kam is a tycoon whose business success has truly fed on blood

Key info
Kam is the major investor behind China's first cord blood storage facility.

Year born
1962