

An Intelligent Living Entity

An Interview with
Guo Guangchang, Chairman, Fosun Group



Guo Guangchang

EDITORS' NOTE Guo Guangchang is also a Member of the Twelfth National Committee of Chinese Political Consultative Conference, a Standing Committee Member of the Eleventh All-China Federation of Industry & Commerce, a Standing Committee Member of All-China Youth Federation, and Chairman of Zhejiang Chamber of Commerce in Shanghai. Guo Guangchang graduated from Fudan University in 1989 with a B.A. in Philosophy and received an M.B.A. from the same university in 1999. In 1992, Guo Guangchang founded Guangxin Technology Development Company Ltd., which was among the first to use scientific methods in market research in mainland China. Since 1994, Guo Guangchang has been Chairman of Fosun Group.

COMPANY BRIEF In recent years, Fosun has positioned itself as a world-class investment group underpinned by the twin drivers of "insurance-oriented comprehensive financial capability" and "global industrial integration capability with its roots in China." It has been actively implementing its investment model of "Combining China's Growth Momentum with Global Resources." In 2007, Fosun International Limited (00656.HK), the parent company of Fosun Group, was listed on the Main board of the Hong Kong Stock Exchange.

From conventional insurance, real estate, and pharmaceutical industries to areas such as leisure, media, finance, and mobile Internet, Fosun's investments are highly diversified. What are the selection criteria for such investment projects? What are Fosun's focal investment areas and regions in the coming five years?

Fosun's current strategies are very specific and well-defined, namely our commitment to the "insurance + investment" strategy

underpinned by the twin drivers, which specifically includes "insurance-oriented comprehensive finance" as one driver and "China-rooted investments with global industrial integrated capability" as the other.

Insurance and comprehensive finance represent the most crucial direction for Fosun's current and future investments. Currently, Fosun has invested in seven insurance companies domestically and internationally, including Yong An Property Insurance and Fosun Pramerica Life Insurance in China, Peak Reinsurance in Hong Kong, Portuguese comprehensive insurance company Fidelidade, specialty insurance company Ironshore and property insurance company MIG in the United States, and Israeli comprehensive insurance company Phoenix Holding. Fosun has also invested in several German and British private banks, namely BHF Kleinwort Benson Group and H&A. As of now, Fosun's sizable, comprehensive global financial platform centered on insurance has developed an initial profile, and the projects we have invested in have also demonstrated positive development trends. For instance, the Portuguese firm Fidelidade, in which we have invested over EUR 1 billion and in which Fosun owns 84.986 percent of equity interests, achieved net profits of over EUR 100 million in 2014 and approximately EUR 210 million for the first half of 2015. Moving forward, Fosun will continue to designate insurance and comprehensive finance as its most crucial investments, and will continually enhance its efforts to bring the resources available in the global financial market to China to contribute to the development of the domestic financial market.

In terms of investment, one of the goals Fosun has always been committed to is that of "combining China's growth momentum with global resources." In other words, we hope that the enterprises, products, and services in which Fosun invests are capable of meeting the demands of the general public in China and adding to the escalation of China's momentum. Therefore, we have put forward the concept of "CIPC", which means going from Consumer demands (C) to Investment (I) and then onward to Products and services (P), and finally back to Consumers' needs (C). At present, we believe that the largest demands from Chinese consumers arise in the two areas in which Fosun's investments are concentrated: one of them is Healthcare and the other is Happy and

Fashionable Lifestyle. For this reason, Fosun owns Fosun Pharma and Sinopharm Group, and has invested in United Family Hospital, the largest Portuguese healthcare chain group Luz Saúde and Guahao.com, among others. Fosun has already gained extensive expertise in its Healthcare segment, and hopes to gain even more. Regarding its Happy and Fashionable Lifestyle segment, Fosun has likewise privatized France's Club Med, and invested in Atlantis Hotel in Sanya, Britain's Thomas Cook and Canada's Cirque du Soleil, Hollywood movie production company Studio 8, as well as American women's apparel brand St John Knits. We have brought all these first-class happy and fashionable products and services from around the world to China in order to serve our Chinese customers.

Fosun invested in 15 overseas projects in 2014 total funds of approximately USD 5.3 billion. What are Fosun's major obstacles in its overseas investments and how are such difficulties surmounted?

Generally speaking, in making its global investments in developed countries and regions like the United States and Europe, Fosun has generally found the playing field to be fair, equitable, and transparent. With the enhancement of our country's overall strength and the rapid growth of its market over the past few years, coupled with Fosun's success in such global investment projects as Club Med and Folli Follie, we have found that an increasing number of overseas enterprises are earnestly looking for Chinese investors to become engaged in their development and assist them in enhancing their competitiveness within the Chinese market. Fosun has benefited from such circumstances by becoming one of the preferred partners for such enterprises.

You humbly call yourself a "Chinese Disciple of Buffett," while Fosun is likewise referred to as the "Berkshire of China." An old Chinese saying goes, "The pupil can surpass the master." So what would be the unique strengths of yourself and Fosun if the "master" were truly one day surpassed?

Fosun is more than a student of Buffett's. Over Fosun's 23-year history, we have always learned from the world's most distinguished enterprises, such as Carlyle and Hutchison Whampoa. Fosun has now become clearly aware of its identity as a globalized investment group and, therefore, when weighing different

approaches, we realize that the “insurance + investment” model of Buffett and Berkshire is even more worthy of our study.

I believe that Buffett’s success does not lie in his being smarter than others, but rather in the fact that he is dedicated to a long-term, value-based investment discipline. He is also sensitive to the markets, rational and not greedy, and has penetrating insights and demonstrates strong entrepreneurship. Therefore, we have been learning from Buffett’s model and attributes, rather than simply replicating what he has done.

In particular, Buffett’s success is also attributable to a factor that must not be overlooked: He has been steadfastly bullish on America and has always believed in his own country. Similarly, Fosun is firmly rooted in China, meaning that it is backed by one of the most vibrant economies in the world. As such, China’s momentum factor has become a unique strength possessed by Fosun.

On the other hand, Fosun’s management team also demonstrates an edge when compared with Buffett’s age. With this, we do not intend to say that we are better simply because of our younger age – the point is that we are capable of accepting even more novel concepts, such as venture capital investments. Since its inception over two years ago, Fosun’s Venture Capital Unit has invested in several dozen projects and we are continuously moving along our learning curve in this regard each day.

Tai chi is an art of balance. As a tai chi-lover, how do you lead the enterprise to strike a balance between swift expansion or profit growth and risk management?

I believe that tai chi is indeed a very good sport for the body. But more importantly, the essence of tai chi is not defeating others through preemptive actions, but rather to act after deliberate consideration. This means one has to experience a certain kind of change before reacting at a speed that nonetheless surpasses that of others.

This also holds true from an investment perspective. It is never actually possible for us to be significantly faster than the market, as the intelligence and horizons of human beings are limited. However, we will be set to outshine the crowd if we can, when compared to others, develop a “faster sensitivity” to changes that we have become aware of – if we can gather experiences more rapidly than others amidst the changes – and if we are ready to make decisions amidst these changes. Indeed, we have dealings with the market and experience market changes on a daily basis – these feelings are just the same.

In addition, tai chi places emphasis on a kind of “internal cultivation,” a cultivation of our own mental power. Prior to the subprime mortgage crisis, many Americans purchased subprime bonds. They were well aware then that such practices were problematic, but they also knew that the bonus to which they were entitled for the year would diminish if they chose not to purchase. Consequently, their decision was based on short-term benefits and did not arise from their complete ignorance of the relevant risks. I feel that these people lacked mental power and had not cultivated their own self-awareness. Indeed, an elevation of our mental power is necessary for us to remain



rational amidst surges of greed, to be courageous in times of fear, and to be able to admit to our own mistakes.

In your opinion, what are the criteria for determining if an investment project will be successful?

First of all, we believe that financial returns are the basis of all investments – this is clearly the logic of commerce.

Second, a successful project is not just about financial returns. We also harbor hopes for bigger social values, including the creation of greater value for local communities, our customers, and our collaborative partners.

I am very supportive of the point of view that enterprises are themselves the best form of philanthropy. Philanthropy does not only relate to how much money one has donated, but is more significantly connected with how one, as an entrepreneur, runs an enterprise well, makes it a success, and provides more job opportunities. After that, if they also treat their employees well, then the enterprise itself will represent an institution that is bringing value to society.

Fosun’s management team is regarded as “one of the most widely acclaimed groups in the history of Chinese business.” Could you share with us some secrets to success regarding team collaboration?

I believe that a good enterprise is comparable to a living entity. Each of its members is a cell of this living entity that is allowed to continuously grow bigger and stronger by virtue of the growth of all of its cells. However, in any living entity, there will definitely be good, beneficial cells as well as bad, mutated cells that are prone to cancer.

As such, in this fast-changing Internet era, Fosun has positioned itself as an organization resembling an “intelligent living entity.” We advocate reiteration and lifelong learning for self-enhancement and for making a difference with our own issues, and we advocate the continuous restructuring of our own organization. However, we do not ever expect that Fosun will be problem-free. What we should do is believe that we, as an intelligent living entity, and as an enterprise thriving in this era with such rapid globalization and Internet development taking place, ought to allow for the existence of a little mess – we ought to allow for the existence of certain grey areas and competition in relation to this organization. Only when such elements exist can the organization become more flexible.

Fosun has always placed emphasis on “the momentum of China.” In the current era as economic development is slowing, the population is ageing and environmental challenges are ominous, where does China’s development momentum actually reside?

When people look at China now, they should not only focus on the country from a manufacturing perspective, but also as a country of consumption and capital. Considering China as a manufacturing nation, they may see many negative things and risks, including cost issues, resources constraints, and land issues. However, when they look at China from a consumption perspective, there will be nothing but good news: the number of people belonging to the middle class here will be ranked first globally in six years, with a consumption number ranked second globally and set to grow rapidly.

The rapidly emerging middle class has brought about new investment opportunities in three areas. The first is the upgrading of consumption; consumption will represent China’s major economic momentum going forward and the branding trend will become even stronger. It is now the right moment to invest in entry-level luxury products. The second area is experience-based consumption – those experience-based consumption areas such as tourism, catering, food, movies, television, and entertainment are enjoying huge opportunities for development. Less importantly, personal finance is the third area.

Another point is that the Internet, particularly mobile Internet, has brought a great opportunity for development to China. What will China’s future mobile Internet landscape look like? It will be 10 or 15 times that of PC Internet in terms of scale, represent three or four times that of the mobile Internet market scale in the United States. Furthermore, a major characteristic of mobile Internet is that it is linked with each and every conventional industry. These attributes of mobile Internet also makes investment more interesting in purely technological companies, O2O-enabled conventional industries, and even conventional industries that have benefited from mobile Internet are likely to witness a renewed boom.

Among all the investment projects undertaken by Fosun to date, which makes you most proud?

We are always filled with hope. The one we are most proud of is our next project which will be in line with Fosun’s strategies. ●