



STORIES OF BEIJING A DREAM CITY



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Beijing
A Dream City*

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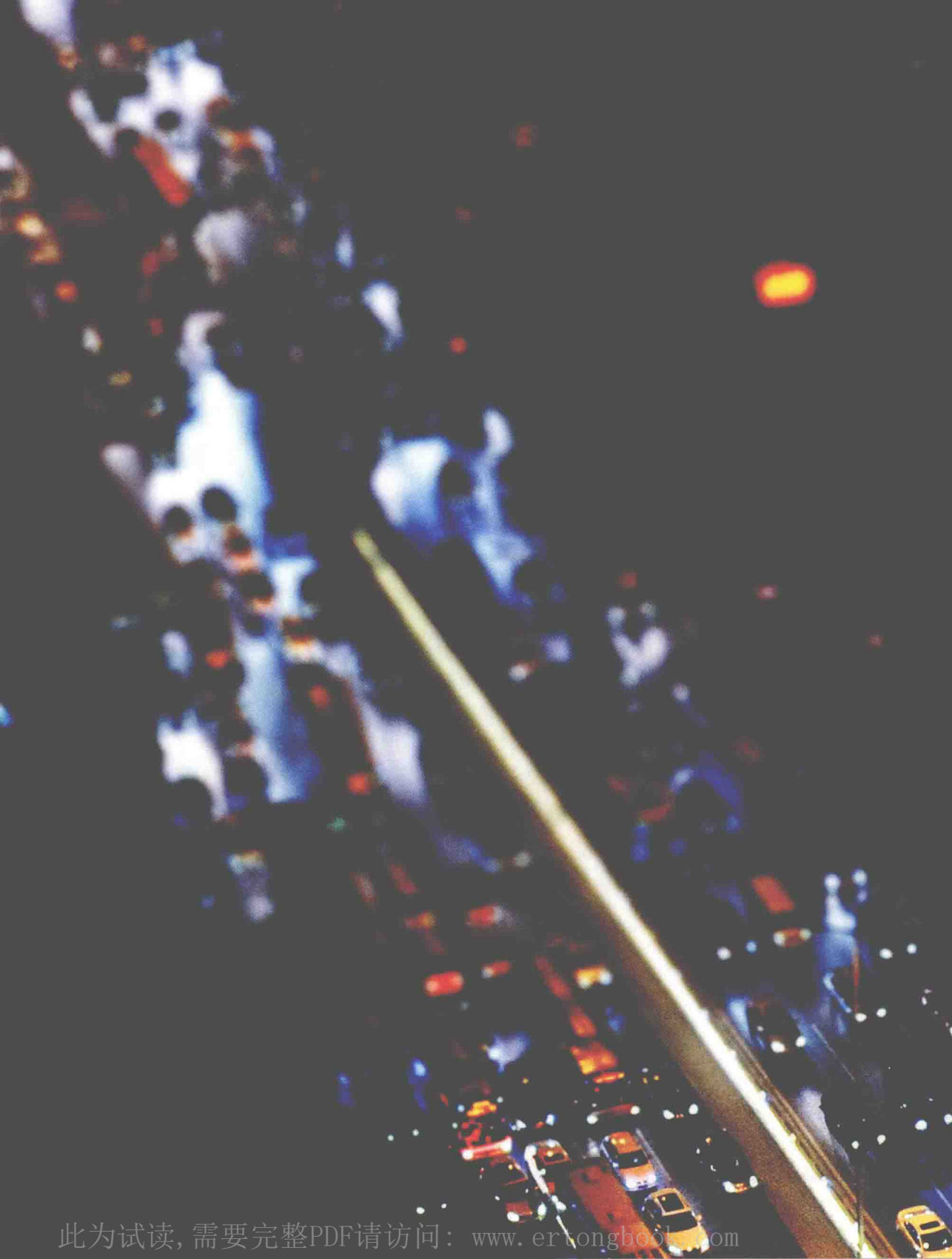
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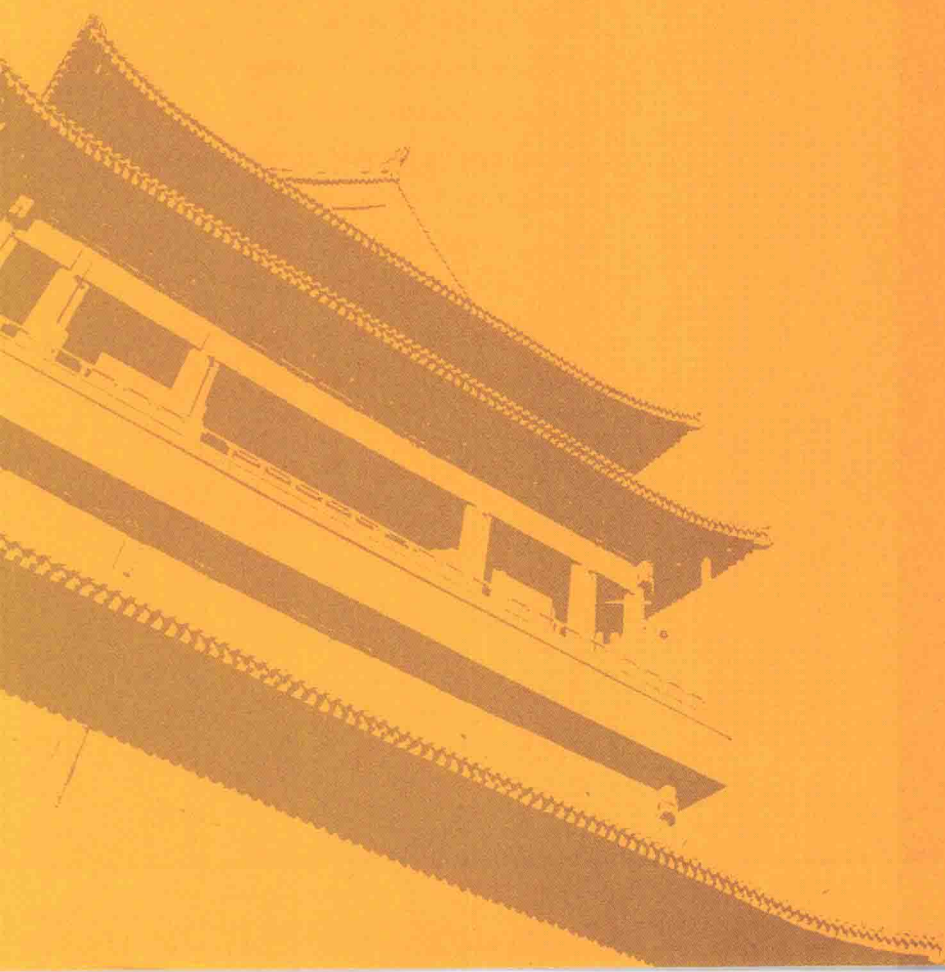
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Stories of Beijing
A Dream City

Beijing,
a promisingly growing metropolis,
Is attracting people from far and near,
to work, to live, and to settle here;
their ambitions and tenacity
are transforming them and the city virtually.
These dream chasers' tales are also
the stories of the city's economic thriving,
of her cultural character developing,
of her green awareness improving,
and of her getting kaleidoscopically charming.
Drawn here by her enchantment,
having gone through pains and gains,
people still hold to commitment,
which in their life makes a great difference.
And that is the theme of the stories to be learnt.





Chapter 1

Innovative Entrepreneurs

Liu Chuanzhi

Liu Qiangdong

Liu Jiang

Li Yanhong

麦田房产

Canon 佳能

Liu Chuanzhi: A Business Legend and Happy Old Man

Profile

In his forties, Liu Chuanzhi started a small computer company with his colleagues in 1984. 30 years later, it now stands as an international business giant—Legend Holdings Ltd (“Legend” for short) with a total assets of more than 220 billion RMB. The 70-year-old Liu Chuanzhi still remains ambitious and innovative as before. Apart from the established business areas: IT industry, real estate, equity investment, Legend ’s business layout has also expanded into “Legend Star” incubator investment, modern services, financial services and even modern agriculture. Aiming high and being relentless in pursuing new business goals, the vigorous and aspiring 70-year-old Liu Chuanzhi said, “I am still young at heart, with a mindset of forty-year-olds.”

“I was born in Shanghai in 1944, moved to Beijing with my family in 1949, where I finished my primary and secondary education. In 1962, I went to Xi’an Military Communication Engineering Institution (today’s “Xidian University” for short) for my university education. Upon graduation in 1966, the year when the ‘cultural revolution’ started, I was assigned to work in the 10th Research Institute of the Commission on Science, Technology, and Industry for National Defense (COSTIND) in Chengdu, Sichuan. In 1971, I was reassigned to work in the Institute of Computing Technology of the Chinese Academy of Sciences(CAS) in Beijing. In 1984, with 10 other colleagues, I founded a New Technology Development Company, the predecessor of Legend Holdings,” said Liu Chuanzhi.

Sort of semiretired these days, Liu’s biggest dream is to be an old happy man.

To make Legend better has always been the major concern in my life and all other things should give way to it.

—Liu Chuanzhi





Founding of Legend's predecessor

Lenovo Group Ltd's software park. (1)

Liu Chuanzhi has been the most legendary enterpriser indeed. In 1984 he was already in his forties, but he still felt energetic and eager to do something more meaningful. So he decided to go into business. Liu said that the year 1984 saw the emergence of many computer companies in Zhongguancun, a phenomenon resultant from the government encouragement that scientists from CAS should manage to transform research results into products and make profit by selling them in the market. It was in this surge of transformation from research achievements to products that Legend was born.

In 1984, with 10 other colleagues from the Institute of Computing Technology of CAS and an initial capital of only 200,000 yuan, Mr. Liu founded the New Technology Development Company, which was later renamed Legend. This small company was located in a 20 square meter room of a humble bungalow. In the first five years, they lacked experience in developing products of their own brand while they made money by being an agent.

Before the 1990s, the Chinese government took rigid and protective measures to prohibit importing computers by imposing high custom taxes on imported computers. Consequently, the computers in the market were of

high price and low quality. The young Legend could not get permit from the government to produce computers, and they were at a loss being a newcomer in the computer market, lacking the knowledge of marketing and running a computer business. Back then, China had no company that could set an example for the young Legend to follow, and no textbook for them to learn. From 1991 to 1992, the government stopped carrying out the permit policy, and substantially cut the custom taxes. This policy change attracted overseas companies to sell computers in China, as a result, many Chinese computer companies went bankrupt.

Liu said, "Legend then was a small potato compared to international giants like IBM. It was the difference between a small boat and a colossal ship. We were far behind them in investment, management, and technology. Facing the challenges from international giants, Legend resolved to transform herself radically by improving her overall organizations and business patterns.

In 1994, Legend established the Computer Business Department, with Yang Yuanqing as its head. Since then, Legend has gradually gained the upper hand in the competition with international computer tycoons. Now Legend Holdings has 60,000 employees, with an annual revenue of 39 billion USD, currently the largest personal computer producer in the world.

During its reformation, Liu Chuangzhi and his team tried to improve Legend Holdings' share-holding policies and ventured to adopt the bonus policy to guarantee their employees' initiatives and commitment to work. More importantly, Liu creatively designed the "parent-child" management pattern. With his original philosophy of "constructing the administrative team, making talent development plans, and training personnel", he has not only fostered many leading corporations like Legend Group, Digital China, Legend Capital, Hony Capital, and Raycom Real Estate, but also cultivated a number of high-end business leaders like Yang Yuanqing, Guo Wei, Zhu Linan, Zhao Linghuan and Chen Guodong. His management philosophy has been exemplary for many other enterprises.

Legend's acquisition of IBM

On 5th December 2004, Legend Holdings announced its acquisition of IBM's Personal Computing Division, the news was a big sensation. "No one believed this was a right decision," said Liu. Yet, Legend's bravery made it the third largest computer producer (only second to Dell and HP) globally. And this was a crucial step forward for Made-in-China computers.

Before its merging with IBM, Legend's share of the world PC market was only 2.4%. Some years after the merging, particularly in 2013, Legend was able to maintain a rapid growth in spite of global recession of PC output, sharing 18.5% of the world PC market, surpassing Hewlett-Packard and making itself the world's biggest PC producer and ranking 329 among the most successful 500 companies in the world.

On 1st October, 2014, Legend Holdings announced that it had completed the purchase of IBMx86 server hardware and relevant maintenance services, making itself China's biggest and world's third biggest server business. Liu Chuangzhi said, "Legend has never stopped growing and got its own critical moments. But Yang Yuanqing, a capable and trustworthy leader, tends to make wise decisions which can usually stand the test of time." He cited this example:

Dialogue

Reporter: What do you think is Legend's biggest contribution to China in its 30 years of development?

Liu: Up until now, Legend has grown up into one of the largest and most important international enterprises. This shows that Chinese people are highly intelligent globally competitive.

IBM had lost money by selling PCs. Legend took IBM over, and it started to make money.

Legend Holdings' growth story is the epitome of the development of all Chinese private enterprises, particularly of PC manufacturers in the 30 years of China's reform and opening-up.

Coming back of Liu Chuanzhi

In 2009, being greatly affected by the financial crisis, Legend had a great deficit. At this difficult time, Liu came back as Chairman of the Board. He said, "In 2000, I resigned from the position of CEO. In 2004 I resigned from Chairman of the Board, hoping that the other leaders can take over the responsibilities and make Legend Holdings a stronger company." The financial crisis then hit Legend so much. "Legend is my life," said Liu. The returned Chairman realized that he could not relinquish his responsibility for the good of Legend. As for the reorganized management, Liu explained, "Legend has been running smoothly outside China. From now on our focus will be shifted to the Chinese market, which is essential to the global development of Legend. The newly appointed CEO Yang Yuanqing can bring vision and vitality to Legend since he has been in charge of Legend's business in China. We believe he is the right leader who can ensure the steady and sound development of Legend in the coming years. And I am very happy to work with him again." Just in two months, the cooperative Liu and Yang were able to save the desperate situation and stop losses, with their PC business speedily growing and massively entering the mobile Internet.

In 2013, Liu Chuanzhi announced that he would officially resign from Legend Holdings' Chairman of the Board. The pioneer and "godfather" of Chinese IT industry finally retired after 27 years of hard work as the leader of Legend. Reminiscing about his early years' efforts, Liu said, "Thanks to China's opening-to-the-outside policy, I have achieved much more than what I had expected. At the very start, I had no pursuit of higher goals, only with the intention of doing some useful matter and realizing my personal values. Later I found I could do much better and started to pursue a new ambition---to produce computers with a Chinese brand. And finally Legend becomes a highly competitive Chinese brand in the international market, and this achieved goal is still much higher than the one I originally set. My future plan is to help train and nurture a group of leaders, who will be capable enough to lead Legend businesses and become world business leaders. Such a goal is also beyond what I could imagine years ago."

Investing in modern agriculture

In 2009, Legend Holdings started to put agribusiness as one of its core businesses. In 2010, Legend's agriculture investment department was set up. Liu Chuanzhi revealed their route map of agribusiness development, "We will start with growing and selling fruits, and gradually step into other related areas."

With two years' investigation and preparation, the modern agribusiness company Joyvio Group of Legend Holdings was established in 2013. Its first product was "Joyvio blueberry". And then Liu Chuanzhi "planted" Joyvio Jinyan Kiwifruit, dubbed as Liu Kiwifruit. In May 2013, Liu Kiwifruit entered

More Legend-like companies are expected to grow in Zhongguancun.

As the engine for the creative development of Beijing, Zhongguancun has been the most lively area with various newly born industries and young IT companies. Right here Legend started to grow.

At the end of 2010, the State Council approved of the 1+6 strategy, a series of pilot reform policies to stimulate hi-tech innovation and industrialization in Zhongguancun. The "1" in the strategy refers to the newly established Center for Promoting Hi-tech Innovation and Industrialization in Zhongguancun, an innovative platform of resources with officials from different government departments in Beijing. The "6" refers to the six pilot policies targeted at deepening reforms in Zhongguancun.

On 3rd December 2014, Mr. Li Keqiang, Premier of the State Council chaired an executive meeting of the State Council, mapping out a more massive development pattern of Zhongguancun, boosting the construction of more high-tech zones, encouraging creative and innovative practice of all kinds.

As for the State Council's call for a nationwide adopting of the Zhongguancun pattern, Liu Chuanzhi expressed that Legend Holdings and Legend Star could play important roles in promoting the pattern. He said, "We have talented people around us. We hope to cooperate with Qinghua and Beida." In 2014, Legend Holdings invested a second-round funding of 600 million yuan in the Angel Investment of Legend Star Incubator Investment, making Angel's fund as large as 1,000 million yuan in total. Legend Star has opened a 1,000-square-meter training club on the Zhongguancun Entrepreneurship Street. Legend Star invests in more than 100 early stage technology companies each year, assisting them in funding, talent training, and business models. In this way Legend is contributing to the overall development of China by helping technology start-ups in building their own business.

the market and sold well across China.

Joyvio Group of Legend Holdings and Tea Research Institute of Chinese Academy of Agricultural Sciences jointly invested in a Longjing tea with Longguan as its brand. In March 2014, the “Longguan” spring tea started to be sold. Now Joyvio is effectively expanding its business layout through planting and selling fruits, developing and selling high-quality tea, and more importantly following its policy of whole-industry-chain operation, whole process traceability, and a global vision.

Speaking of why Legend Holdings should enter the agricultural sector, Liu responded, “Promoting the development of Chinese agriculture and providing safe and high-quality food products are certainly beneficial to both individuals and the country.” To him, agriculture will be an area worth investing, and this promise is found in the 3rd Plenary Session of 18th CPC Central Committee held in 2013, at which principles were laid down concerning the acceleration of agricultural land ownership, the innovation of agriculture technology and the scale management of agricultural business.

As to how to do the agricultural business well, he said, “It must be a long-term investment. We do not expect to make profit quickly. We need the same patience and efforts as those we have had for our PC industry.” Now Joyvio total planting land at home is around one hundred thousand *mu*, and it also has hundreds of acres’ planting land abroad.

Liu Chuanzhi attended Alibaba's 2010 Internet Leaders' Summit. (↓)





And Liu Chuanzhi spoke truthfully that, to enter the financial sector had been one of Legend's ambitions, with banking as its focus. Liu had openly expressed that if a bank should be opened in Zhongguancun, where many Chinese IT businesses are based, Legend holders could be the initiators of such a bank. But he also admitted that new types of private financial enterprises must run with specific purposes, among them was to serve the local, mediumsized and small businesses. Lacking related experience, Legend needed to be very cautious about its investment in the financial sector before it got very confident.

In November 2011, Liu Chuanzhi retired from the chairmanship of Lenovo and Yang Yuanqing took over.

(1)

Training potential entrepreneurs

Liu Chuanzhi expressed that "Legend performs extremely well in PC market, but not in communication devices. After purchasing Motorola, Legend's business of communication devices has become global. Now Legend Holdings

is facing many challenges from the mobile Internet. A high-tech enterprise like Legend must make breakthroughs in technology and business patterns. Otherwise, it would die."

He stressed that, "It is our responsibility to serve the country by running our business well, and to make Legend Holdings a respectable and trustworthy enterprise is part of it." He continued, "Legend Holdings is committed to turn out extraordinary entrepreneurs, capable of running diverse businesses, not limited to the IT industry." In recent years, apart from its main businesses of IT industry, real estate, and finance, Legend Holdings has also entered agriculture, medicine, and modern service. CAR Inc. and Lakala have been merged into it. Liu said, "The goal of Legend Holdings' Legend Star is to foster the growth of the grass roots young people and make them successful business leaders."

Liu's ultimate goal as a happy old man

Liu Chuanzhi said he has lived meaningfully. "I have experienced the hardships that are beyond the understanding of today's young people, have made a fortune that could bring people both evil and vice and I have stood the test of it. I have lived and grown in an age when dramatic changes took place in China. And I expect to see that China should become the most respectable nation in the world."

In the 1970s, Liu and his wife ever dreamt that they could afford to buy a tricycle so that by retirement he could ride it with her wife on and they would go sightseeing thus in Beijing. Then the couple's total saving was less than 80 RMB, making it an unfilled wish to buy a tricycle. "I calculated our incomes and expenditures and finally, I found out that we would be able to get one upon retirement."

Now whenever Liu sees a tricycle, he cannot help feeling sentimental. He has not become an old man riding a tricycle wandering here and there with his old wife. China's reforming and opening trends have turned him into a business guru of international fame and reputation.

I do not fear death, because my life has been a wonderful one. But I hope I can remain as healthy as possible, so that I may accomplish the task whenever Legend needs me. I also wish I can bring more happiness to my family and friends. I need to practice playing golf. I have got quite a number of books to read, movies and TV dramas to watch, which have been long on my list of must-dos. I also want to learn Taiji. And I must learn how to sing well if time allows, since I would like to figure out why I sound so dull when singing while so rhythmic when talking.

"Being a hermit in a forest" now, Liu Chuanzhi is realizing his dream of living a life of a happy old man. What a superb life it would be if you find you have got so many interesting things to do every morning when you wake up. And I would become very relaxed at that moment after so many years of hard work and pressure. "Only when one keeps a peaceful heart can he face both favors and humiliations with composure." "only when one keeps an ordinary mind can he remain untroubled by the changes of fortune." After so many ups and downs in life, Liu Chuanzhi seeks such a lofty realm of life.

Reporter's Notes

Liu Chuanzhi is a man of strong character. He grew within the Planned Economy Mechanism but went beyond it. His career story has been a good example of the combination of constructive individual pursuit and successful enterprise development, a pattern that suits the Chinese society. What should be remembered about him is not only that he has founded and led a famous Chinese enterprise, enhancing the national sense of pride, but also that he has witnessed, experienced and benefited from the Reform launched by the Chinese government more than 30 years ago, thus making him a witness, a symbol and a landmark figure of the Reform.