

### **Hutchison Whampoa Limited**



#### **CORPORATE CREATIVITY**

#### **Hutchison shows how creative ideas can be converted to shareholder value**

#### **Canning Fok speaks at “Creative Cities” Conference**

***Sponsor: Li Ka Shing Foundation***

***Co-organiser :Shantou University***

(Hong Kong 8 November 2002) Hutchison Whampoa Group Managing Director Canning Fok has attributed creativity as an important ingredient for the Company’s business success.

In a speech at the Li Ka Shing Foundation sponsored Creative Cities conference held in Hong Kong today (8 November) Mr Fok said that whilst Hutchison’s main focus as a listed company is making profits and creating shareholder value, the Company always emphasises creativity and encourages its people to think out of the box.

To the audience comprised largely of entrepreneurs and participants of the creative industries from London and Hong Kong, Mr Fok explained how the Chinese words for business “Sang Yee” -- translated literally into “lively ideas” -- holds true business sense for Hutchison in how business is conducted in all of its core interests ranging from property development to ports, supermarkets to the latest generation of mobile telecommunication services.

*The Whampoa* – a commercial centre built in the shape of a ship located in the midst of Hutchison’s Whampoa Garden’s shopping and recreational complex in Kowloon, which actually were dockyards previous to development, has become a favourite subject of both professional and amateur photographers. In the same district, Hutchison Property has also revived Hong Kong’s traditional and best-loved street-style cuisine under one roof at the Whampoa Gourmet Place with the help of a celebrity food critic, which now draws locals and tourists alike.

Hutchison’s port business has also gained industry leadership worldwide for its creative use of technology to ensure traffic moves as efficiently as possible despite the constraints of space availability in Hong Kong.

“Our system is not only able to ensure only the top pile of containers are the first ones being moved away first, it can also re-think and re-plan the entire container yard arrangement to suit the different scenario changes in case a ship misses its schedule. In fact, our system has consistently been ahead of modern airport terminal operations,” said Mr Fok.

In the retail business, Hutchison has introduced the freshness and variety of vegetables, seafood and meat that used to be only available at Hong Kong wet markets into the western style supermarkets and has revolutionised the shopping habits of Hong Kong residents. The popularity and market leadership of ParkNShop superstores in Hong Kong have paved the way for the successful launch of megastores in the mainland, which are equally well received by the consumers.

Mr Fok cited several other examples including the Orange brand and the recently unveiled 3 brand, "People joked that Orange was a lemon but in due course, Orange turned out to be the fastest growing mobile brand in the UK, winning many big awards from the industry. Now, we have just launched our 3 brand for our 3G service. For us, we are sure that one day, people won't be able to imagine living without 3..." he added.

"We are a company that does things differently. We were the only ones to have sold 2G business to enter into 3G. We were the first to sell car parks separately, which helped us raise enough to pay for the land premium on the new Cheung Kong Center. Similarly, we were the only ones when it comes to seizing opportunities and investing where others fear to go... as we have done with many ports in Indonesia, Malaysia, Mexico; and recently Global Crossing in the US," said Mr Fok.

In summing up his speech, Mr Fok commented, "These are all creative ways that we go about our business and they all contribute to making Hutchison Whampoa what it is today. To us, creativity makes plain business sense."

Creative Cities, sponsored by the Li Ka Shing Foundation and co-organised by the Shantou University, explores the growth of the creative economy in several cities: London, Hong Kong, Beijing, Shantou and Taipei. Policy makers, academics and creative entrepreneurs will exchange views and share experience in the increasingly important economic role played by creative industries in their respective cities.

The programme has just completed its tour to London where more than 10 Hong Kong representatives from various creative industries participated in exchange projects organised by the Institute of Contemporary Arts, London. The group of UK representatives, after the two-day conference in Hong Kong to be held on 8 and 9 November, will leave for Beijing, Shantou and Taipei with their Hong Kong counterparts to continue with the programme. The programme is co-organised by the Shantou University.

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## **“Creative Cities Conference”**

*(Sponsored by Li Ka Shing Foundation and co-organised by Shantou University)*

**Date** : 8 November 2002  
**Place** : Hong Kong (Graduate House, University of HK)  
**Speaker** : Canning Fok  
Group Managing Director, Hutchison Whampoa Limited  
**Title** : Corporate Creativity: Why Lively Ideas Make Good Business Sense

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Good afternoon

What’s so creative about business?

Isn’t it just about buying low and selling higher?

Isn’t it just about maximising profit?

Bargain-hunting?

Turning inefficient companies into efficient ones?

Creativity doesn’t always make money. We all know that. There are a lot of poor artists in this world.

So does it have a place in the world of corporate growth? Shareholder value? Profit and loss?

Does it have a place on the bottom line?

Hutchison is Hong Kong’s biggest conglomerate.

We’ve grown on property development.

- Ports
- Energy
- Infrastructure
- Retailing
- Telecoms

Not the most creative pursuits, you may think.

It’s also true that we Chinese are better known for business skill than creativity.

I have to admit....our focus is on making money.

But I want to explain how business must also be creative.

In fact, more than that.

I want to explain how our company – Hutchison – encourages creativity.

Because that's what got us where we are today.

Do you know the Chinese word for business?

We say 生意.

You know what it means literally?

生 means lively. 意 means ideas.

Our word for business, 生意 literally means lively ideas.

It means flexibility to adapt to a changing world.

Doing things differently. Thinking out of the box.

And yes.....  
CREATIVITY.

I think the best way to explain is by showing you some of the lively and creative ways we do 生意.

### **SLIDE 1: PROPERTY: Whampoa SHIP**

Our shipping business?

As you've guessed, it's not a real ship.

It's a shopping centre and this is the visible landmark of our shopping and entertainment centre with themes like Fashion World, Home World and so on.

It's in the middle of the first residential Garden City we developed across the harbour from here in Whampoa Gardens.

The Ship idea reflects the history of the area – the original Whampoa dockyards.

To build a Garden City was unusual enough at the time. It was the first in Hong Kong.

The rest of the area looked like a slum.

But the ship caused a sensation.

Everyone heard about it. It's been in magazines and newspapers all over Hong Kong, and also other parts of the world.

Whampoa Gardens became so popular, the investment paid back in two years.  
Creativity counted.

## **SLIDE 2: Whampoa Gourmet Place**

Whampoa Gardens is still growing and this is another creative new concept in the area.

When I was young, Hong Kong was crowded with hawkers.

They sold snacks from street stalls.

You could have dinner aboard sampans in typhoon shelters.

There were even legendary noodle stalls in squatter camps.

One was so famous you would see Ferraris and Rolls Royces parked outside as rich guys queued up for a bowl of noodles.

But the food stalls all disappeared.

Hong Kong modernised. Hygiene regulations put hawkers out of business.

When we looked at opening a food court in Whampoa Gardens, we could have chosen familiar fast-food brands.

Kentucky... MacDonalds.

But we thought out of the box.

We asked a famous food critic to find these legendary hawkers.

We invited them to set-up in business at Hutchison Gourmet Place.

The hawkers got back to work.

The public loves it.

The food court makes money.

You can have one snack here, and another one there, there are more than a dozen stalls inside the Gourmet Place.

In fact I recommend that you visit.

## **SLIDE 3: Albion Riverside**

We're not only being creative in Hong Kong with property development.

This is something unique and special from London.

It's the Albion Riverside development in Battersea.

The penthouse you see here is Britain's most expensive flat – it's the size of three centre-courts at Wimbledon.

We can't take much credit for the incredibly creative design, of course.

That was by Sir Norman Foster, who's responsible for everything down to the bathroom taps.

But it's an example of how business and creative talent can work together.

In this case it's Hong Kong business and British creativity working together.

As you can see, the end result is quite spectacular.

...by the way...the penthouse is worth about 10 million pounds.

#### **SLIDE 4: PARKnSHOP Superstore**

If you don't need to buy a new home, you would at least want to buy some groceries at our supermarket flagship, PARKnSHOP.

In Britain you can buy all your food in supermarkets. In Hong Kong, people have traditionally bought their fresh food in local wet-markets. Hong Kong people insist on freshness.

We like our pork fresh. We prefer to buy seafood while it's still alive.

This sort of fresh food has traditionally been bought in old-fashioned wet-markets, which are quite a sight if you're not used to them.

Let me put it this way...the hygiene leaves a lot to be desired. In recent years we noticed growing concerns about hygiene in wet-markets. Hong Kong people were becoming Westernised. A lot of them were happier shopping in Western-style supermarkets.

So what we did at PARKnSHOP was introduce the old-fashioned wet-market concept, with live seafood and so on...but with world class standards of hygiene.

And guess what? Our business expanded...and a lot of our customers don't bother shopping in wet-markets any more.

#### **SLIDE 5: Fresh fish at PNS Superstore**

Apart from the hygiene at superstores, another reason Hong Kong people buy their live seafood from us is that we literally look after it from the moment it's caught to the moment it's sold.

When our seafood arrives in Hong Kong it's kept in purified sea water holding tanks at our own Fresh Fish Centre (FFC) in Aberdeen.

We keep the fish healthy...and our customers can taste the difference.

So our sales go up.

The same goes for pork.

We know where every pig is farmed.

We insist our contracted farmers in China rear pigs according to international health and hygiene standards.

We have scientists checking our pork, and all the fresh fruit and vegetables we import from around the world.

The result?

We're the No 1 supermarket chain in Hong Kong.

And you should see the huge queues outside our latest Mega-Store in China, where we've just started expanding.

How did we achieve this?

By identifying a changing market.

Understanding what the public wants...and meeting demand.

Creative new ideas can sometimes be remarkably simple.

### **SLIDE 6: Manufacturing - Pow Wow/Watson's bottle**

We don't just sell food, we sell water too.

Actually we sell both distilled water and spring water.

You'll find Watson's Water in homes and offices all over Hong Kong.

In fact, we've added minerals to distilled water to make it even more healthy.

You're starting to find our water all over Britain and Continental Europe now, as well.....it's called **Pow Wow**.

There's not much you can say about water.

But you can see for yourselves that we're not scared of creative branding to make our point.

Water brands are usually light blue or green coloured .....for Pow Wow, we picked purple and blue instead.

Even our small carry-along bottles are visually exciting.

The new one in Hong Kong looks a bit like a bullet, doesn't it?

I'll explain a bit later how creative branding has become a feature of Hutchison.

But first let's look at what you may think is a boring side of our business.

## **SLIDE 7: Container terminal - HIT**

Our ports.

Shipping has been the lifeblood of Hong Kong...and was our first major business.

It's keeps getting bigger and bigger.

From one operation in Hong Kong, HIT (Hongkong International Terminals) which is our flagship company, we have now become the largest private port operator in the world.

We run 30 ports in Asia, Europe, Africa and the Americas, including Felixtowe, Harwich and Thamesport. in Britain. We account for nearly half of imported container traffic to the U.S.

Why are we so successful? Because we're good at it.

But we didn't get there just by good luck.

From the start in Hong Kong, where space is limited, we've relied on the most advanced – and creative – technology to ensure traffic moves as efficiently as possible.

Our terminals have been computerised since the 1980s.

We developed our own fully integrated terminal management systems, with R&D experts and simulation models to optimise operations.

It may seem boring, but you'd be amazed if you knew how clock-work efficient and precisely these ports work.

Did you know the containers are stacked in ships exactly according to which ones are needed first on the dock of their first port of call? We call this our ship planning system.

The piles of containers in our container yard have been arranged so the ones on top are always the ones being moved away first.

We don't have to lift up six or eight containers to get to the one at the bottom!

It's like a perfectly organised wardrobe! And to beat us at our own game, our system is able to re-think and re-plan the entire arrangement in case the scenario changes, as when one of our customer ships decides to dock in late or depart earlier to catch up on lost time from another port.

And it's all down to the fact that we decided the future of port management would depend on IT.

In fact, our system has consistently been ahead of modern airport terminal operations.

We're still advancing today with security, which has become a major worldwide issue today.



Hutchison is also collaborating with the world's other major seaport operators over automated security technology for containers moving through the global supply chain through all major ports.

It's an international system for cargo security called "Smart and Secure Tradelanes", and Hutchison is helping to pioneer and fund it.

Once again, we're taking the creative initiative, using latest technologies to protect the safety and security of the world's sea ports.

But for brand creativity, how about this?

### **SLIDE 8: Orange**

They said it was a lemon of an idea.

When we first started the service in the UK, a lot of people joked about our brand-name Orange.

I must admit, I also fell off my chair when our creative people suggested the name.

I had paid them so much money and they gave me an Orange!

But we went with it and the market soon realised that our brand was no joke.

Orange turned out to be user friendly and became the fastest growing mobile phone operator in UK.

The marketing experts even gave us a big award for advertising effectiveness!

**SLIDE 9: "For creating a brand identity that captured consumers imaginations, allowing the company to take on its competitors in a short space of time even though it was a late entrant in the mobile market." - quote from The Institute of Practitioners in Advertising Effectiveness.**

The marketing approach and image also added to shareholder value.

We eventually sold Orange for a record profit to fund our boldest step yet in telecoms.

### **SLIDE 10: "3"**

We decided to move out of Orange and what they call second-generation telecoms or 2G to move into third-generation, or 3G, telecoms.

We want to lead the next generation and we see the future in 3G.

With the recent launch of our new brand **3**, Hutchison is now a world leader in third generation, mobile multimedia communications.

**3** might seem as strange as Orange...in fact it came from the same team of people who came up with the Orange idea.

And, not surprisingly, the press is cynical.

They say we've dialled the wrong number.

But think about it.

It's a global brand, so using a number is perfect....it translates immediately and simply into any language.

Even Coca-Cola can't do that!

The associations with **3** are universal , too.....

Did you know that the earth is the 3<sup>rd</sup> planet from the Sun?

And for us in Hong Kong, **3**'s a lucky number in Chinese....

Take a look at this....

**[Show film]**

We're seriously predicting that one day people won't be able to imagine living without **3**.

**3** can do so many things. I can't explain them all at once.

It's like broadband Internet in the palm of your hand – you'll even be able to watch Beckham score in the Premier League at the same time you talk to your boss !

In fact as you witness the gradual rollout of our exciting and innovative **3** services, you will see, as I have said before, lively and original ideas are very much a great part of the Hutchison DNA.

### **SLIDE 11: Hutchison Logo**

Well, I could go on all day about our company.....

About our culture of adaptability and flexibility.

About our creativity – we are a company that does things differently.

We were the only ones to have sold our 2G business to enter into 3G.

When it comes to seizing opportunities, we are prepared to invest where others fear to go....as we've done with a number of new ports recently in countries like Korea, Mexico and Malaysia.

Nobody wanted Global Crossing either when it went into Chapter 11 in the United States – and we were the first serious bidders.

When we needed to raise enough to pay for the land premium on the new Cheung Kong Centre in Central, you know what we did?

We “took out” the car parking space in our property developments and sold them separately!

For a million Hong Kong dollars, or nearly a hundred thousand pounds, per space!

These and many more are all creative ways that we go about our business.

And they all contribute to making our company what it is today.

But in the end I suppose it's for others to judge.

We've been called one of the most successful conglomerates of our time.

But one comment I read, in a financial magazine, I thought was particularly apt.

They said we command the clout of a corporate giant, but act with the nimbleness of an upstart entrepreneur.

And we achieve this by having faith in the creativity of our people.

Our top managers get a free reign to run the companies according to this broad philosophy.

And yes, they are actively encouraged to be creative...to think and do things differently.

To think outside the box.

生意 is our Hong Kong way of saying it.....**creativity** is your British way of saying it.

To us, they both just make plain business sense.

Thank you very much for inviting me.

- Ends -