

New Dawn for the Delta

Opportunities abound for
HWL as the Delta's
economy matures



contents

ISSUE 29 JUNE 2011



NOW INTO our second decade, *Sphere* magazine is changing like the world around us. Our purpose remains the same – to bring *Sphere's* diverse internal and external readership news and features from Hutchison's expanding global network. We have grouped related articles together to allow coverage of interesting themes in greater depth while also offering a broader perspective.

Our cover story is a case in point. We look not only at latest developments in the Pearl River Delta – and how Hutchison has positioned its businesses for new opportunities there – but also at the story behind the remarkable rise of this mega-region of some 120 million residents and Hong Kong's role in its future. To underpin this new approach visually, *Sphere's* artists have created an eye-catching wrap-round cover. We hope you like the result and welcome your feedback to SphereE@hwl.com.hk

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A Beautiful Growth Story

Veterans of the A S Watson Group describe how, in 30 years, a small Hong Kong pharmacy chain became the world's largest health, beauty and perfume retailer. *Sphere* also reports on Watsons' new team of in-store dietitians.

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MAKING HISTORY

SINGAPORE With its March debut on the Singapore Stock Exchange, Hutchison Port Holdings Trust (HPH Trust) became the world's first publicly-traded container port business trust. Its portfolio includes controlling interests in deep-water container port assets in two of the world's busiest container port cities by throughput—Hong Kong and Shenzhen. This new public vehicle will enable investors to take full advantage of the economic and trade growth in the South China region. **P**



Smart Pit Stop

HONG KONG 3 Hong Kong provided smartphones with free local voice and data to the eight finalists in Cathay Pacific Airways' "Travel the World in 80 Days Competition". While in Hong Kong, they used their smartphones to locate and visit the 3 Concept Store in Central. **T**

- C** CORPORATE
- P** PORTS & RELATED SERVICES
- H** PROPERTY & HOTELS
- R** RETAIL
- T** TELECOMMUNICATIONS
- I** ENERGY, INFRASTRUCTURE, INVESTMENTS & OTHERS

SUPER ACHIEVER

UNITED KINGDOM Superdrug has entered the ranks of the UK's top five retailers. According to a poll of 6,000 consumers by independent Verdict Research, it was ranked fourth overall and first in the health and beauty market. **R**



I Love Hong Kong — Language of Love

HONG KONG Volunteers from across the Hutchison Group learnt how to make salted duck eggs when they accompanied children from the Yan Oi Tong Community Support Centre on a field trip to Tai O as part of a programme to encourage use of English. The picturesque village, with its stilt houses and disused salt pans, once thrived by trading salt as well as by fishing. **G**

Powering Up

HONG KONG Cheung Kong Infrastructure Holdings Limited and Power Assets Holdings Limited upped their stake in the Meridian Cogeneration Plant in Saskatchewan, Canada, from less than 25 per cent to 100 per cent. The deal underscored the expanded role of Power Assets as a global investor in the power and utility business. **I**



CAT WALK

MAINLAND CHINA A trendy new version of the iconic Mainland cleaning brand Whitecat, a Hutchison joint venture in Shanghai, was on the prowl during the city's recent Fashion Week. Whitecat, a partner at the event, took the opportunity to showcase its younger, more fashionable image, as well as its commitment to go green. **I**

The Human Factor

INDIA Hutchison Global Services has renamed Spirit of 3, its corporate social responsibility arm, Human First. A priority is to raise funds for educational centres for underprivileged children, run by the Mumbai-based Akanksha Foundation. **T**



SCREEN QUEST

GLOBAL Someone in a Hutchison office somewhere in the world is to have his or her design for a computer wallpaper that promotes a green office environment adopted by PCs across the Group. HWL is organising a worldwide contest, with a surprise gift for the designer of the winning art piece. Dimensions should be 1280 x 1024 pixels. You can enter before 31 August via SphereE@hwl.com.hk or mail to Hutchison House, 22nd Floor, 10 Harcourt Road, Central, Hong Kong (Attn: Eco-wallpaper contest). The result will be announced a month later. **C**

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BUMPER YEAR

CANADA Employees at Husky's refinery in Lloydminster have reason to be proud. They recently turned an average year into an exceptional one, setting new records for monthly and annual crude throughputs, as well as asphalt shipments. **I**

TALLER, STRONGER

MAINLAND CHINA Huizhou International Container Terminals has three new super cranes. With a reach of 63 metres and lifting height of 43 metres, they can serve the latest generation of container ships and lift two 20-foot containers simultaneously. **P**



Even Cleaner

INDONESIA **3** Indonesia has expanded its pioneering use of clean energy hydrogen fuel cells to 472 base transceiver stations, up from 210 at the end of 2009. **T**

SMART AND GREEN

HONG KONG HK Electric launched a smartphone application that offers practical tips on how to go low-carbon anywhere, anytime. Customers who use the application to register for electronic bills are eligible for a one-off tariff rebate. **I**



Tale of Two Cities

MAINLAND CHINA From Chongqing in the southwest to Tianjin in the north, interested parties flocked in mid-May to the same-day launch of two Hutchison Group property developments. Chongqing Coral Plaza, with stunning views of the Yangtze River, offers 720,000 square feet of high-end mall space. Metropolitan Heights in Tianjin is among the luxury residential offerings of The Metropolitan complex. **H**



Cultivating Loyalty

NETHERLANDS/UNITED KINGDOM Kruidvat and Superdrug launched their first customer loyalty cards. With the Superdrug Beauty Card, which doubles as a handy, purse-sized mirror, customers can earn points both online and in-store. Customers can also use the points to part-pay for products. Kruidvat's loyalty card offers deals that are specific to each customer. **R**

COUNTY CHAMPIONS

UNITED KINGDOM Hutchison's Port of Felixstowe has notched up a double environmental achievement: winner of Suffolk County Council's "Creating the Greenest County Awards", and of its coveted Business Culture Award for the port's efforts to address environmental impacts with its 2,500 employees. **P**



NATURALLY GOOD

HONG KONG Hutchison Hain Organic, a joint venture with a leading US organic products company the Hain Celestial Group Inc, helped to promote natural and healthy eating through Organic Day, a popular event organised by the Hong Kong Organic Resource Centre. **I**





WALKING THEIR TALK

HONG KONG More than 2,500 S Watson employees, family members and friends took up the cause to “Bring More to Life” by joining The Community Chest’s New Territories Walk for Millions. They raised over HKD628,000. **R**

Most Admired

CANADA Hutchison associate Husky Energy has been named one of the World’s Most Admired Companies in the mining and crude oil production industry category in an annual ranking published by Fortune Magazine. Husky was ranked eighth overall in its industry. **I**



PERSONAL HOT SPOTS

AUSTRIA/ITALY 3 in Italy and Austria have introduced two personal Wi-Fi products that enable broadband internet connections for multiple devices under their 3G coverage. Both products are free upon subscription to 3’s special internet offers in those countries. **T**

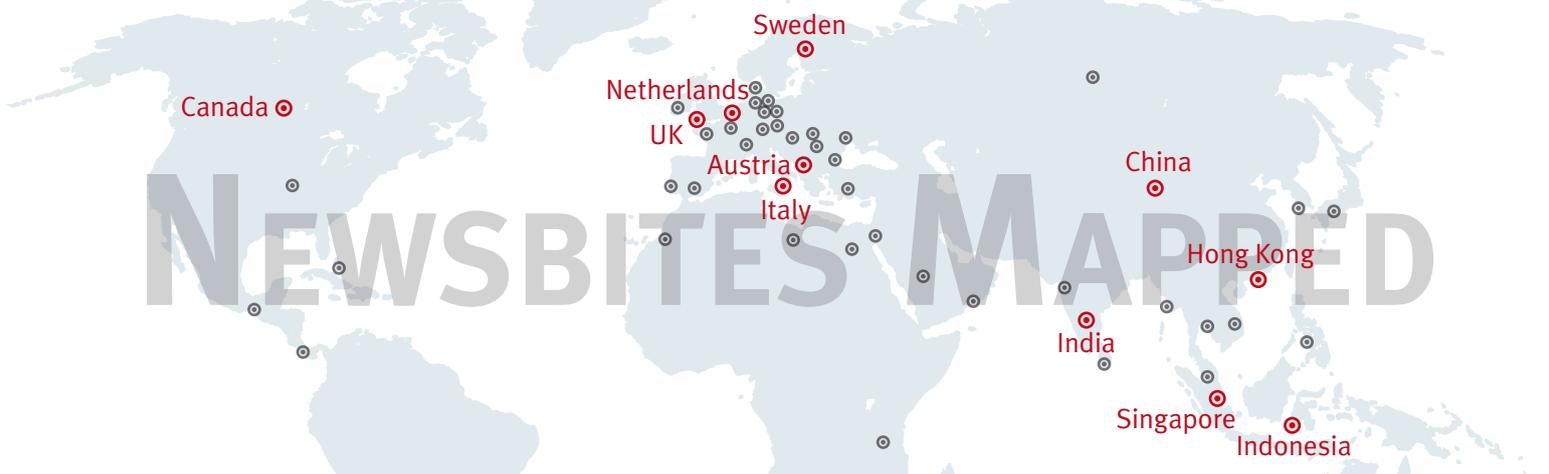
Customer Comfort

SWEDEN 3 Sweden has introduced 3 LiveShop, providing access to an actual person for customers who are confused when buying service plans or products online. They can communicate with sales staff through a chat service or by a video call. **T**



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NEWSBITES MAPPED



AWARDS — A LOOK AT AWARDS RECENTLY GARNERED BY THE HWL GROUP

- 1 The Harbour Grand Hong Kong's Le 188° Restaurant & Lounge was voted winner in the "Restaurant with the Best View" category under U Magazine's Favourite Food Awards 2011. The Promenade Restaurant of Harbour Plaza Metropolis won in the category of "My Favourite Buffet".
- 2 Power Assets received the Total Caring Award from the Hong Kong Council of Social Service for building a caring culture for the community, employees and the environment. The company was selected from more than 2,200 participating enterprises.
- 3 Compass Visa has won the "Silver Prize for Highest payWave readers growth" honoured by Visa Hong Kong.
- 4 Capital Weekly, a leading business magazine in Greater China, bestowed its Hotel Services Award 2011 on Harbour Plaza Hotels & Resorts in recognition of its excellence in service provision and leadership. The award was decided through a unanimous vote by the magazine's readers. Harbour Plaza Hotels & Resorts is the largest hotel group in Hong Kong.
- 5 Harbour Plaza 8 Degrees in Kowloon was named "Best Mid-range Hotel" by the prestigious Sixth China Hotel Starlight Awards for hospitality excellence in China. For the second consecutive year it was also voted "Best Mid-range Hotel in Hong Kong" under the TTG China Travel Awards.
- 6 Hutchison Telecommunications Hong Kong Limited scooped up 16 industry awards in six months from local media and business partners. The awards were further recognition of the Group's excellence in brand strategy and at delivering innovative mobile and fixed-line solutions for individuals, corporations and carriers alike.



The stage is set for another dramatic transformation of the Pearl River Delta in Guangdong Province, next to Hong Kong. Mainland Chinese authorities have resolved to create an ultra-modern megalopolis that once again will lead the nation in innovation and progress. Hutchison Whampoa Limited, notably with its newly listed port trust, is playing a leading role in unlocking the region's greater potential as a new era dawns for the Delta.

New Dawn for the Delta



IMAGINE A MEGA REGION covering hundreds of kilometres, larger than any other urban area, with some 120 million residents – equivalent, nearly, to the entire population of Japan. Imagine the scale of infrastructure connecting the different parts of this urban cluster, stretching from the provincial capital Guangzhou to Hong Kong, and the enormity of its combined economic output. The existence of such a mega region is not tomorrow’s fantasy but today’s reality according to Habitat, the United Nations agency for human settlements.

Now, the foundations for an even more integrated Pearl River Delta are being laid, where residents of an interlocking chain of impressive cities will pursue the highest living standards in China’s history. As Mainland economists and policy makers have seen the Pearl River Delta’s established “world factory” model become increasingly outdated and unsustainable, they have sought to articulate a new development paradigm through a series of far-reaching plans.

Among the outcomes are the 2008 Outline of the Plan for the Reform and Development of the Pearl River Delta, a 2009 Study on the Action Plan for Bay Area of the Pearl River Estuary and more recently, the much-anticipated 12th Five-Year Plan, for 2011 to 2015, which – as with Beijing’s previous 11 five-year plans - maps the Chinese Government’s strategies and detailed guidelines for the nation’s further economic development.

The bland titles of these official documents hardly do justice to the dazzling visions within. Their ambitious authors envisage the Pearl River Delta as a hyper-connected, highly urbanised, modernised region, enjoying first-world standards in quality of life.

Great expectations

By 2020, according to the National Development and Reform Commission’s 2008 plan, people will live to 80 years old and enjoy comprehensive and effective social insurance. Many will work in rapidly maturing



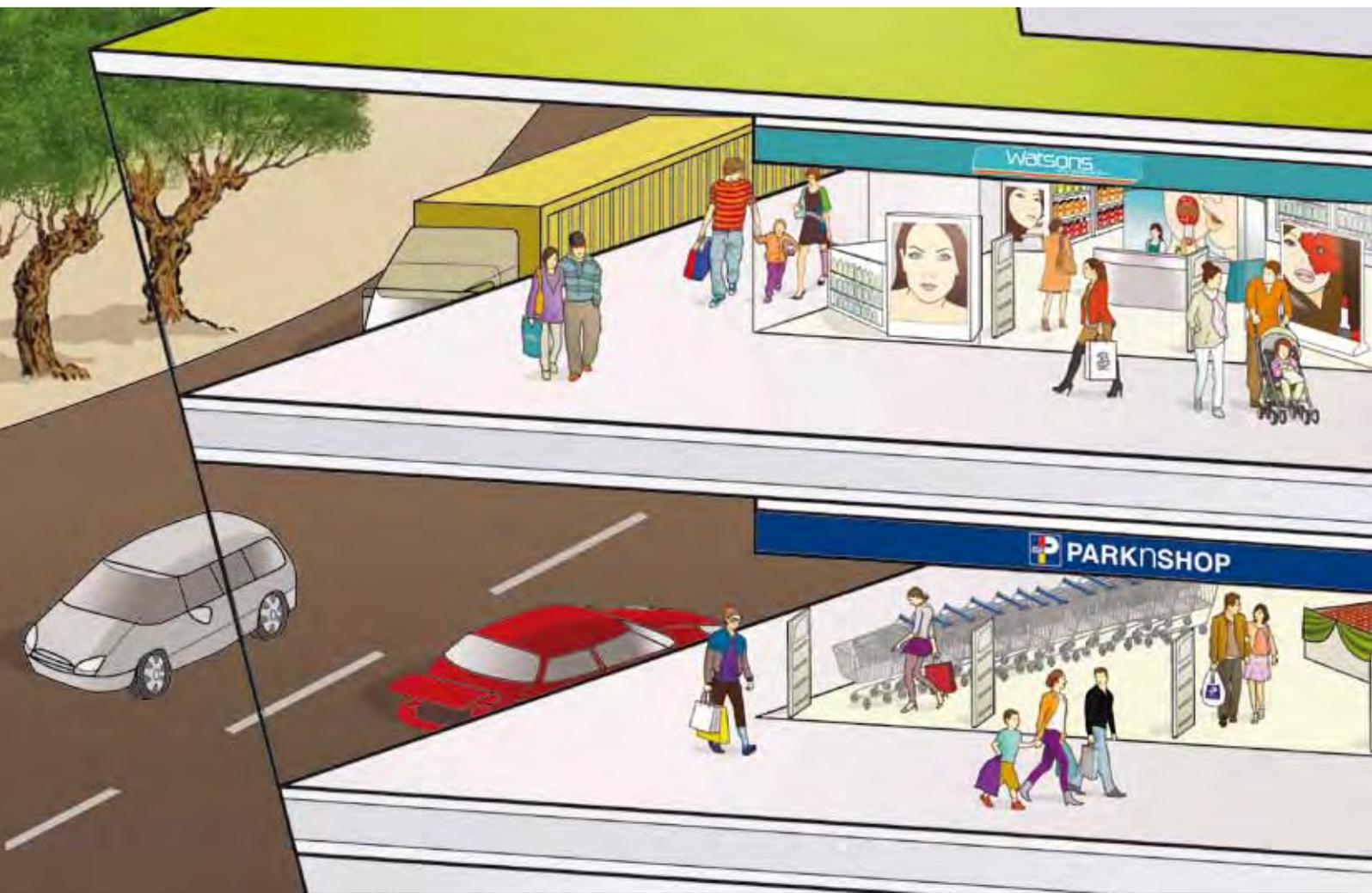
Almost all residents will live in **clean** and **energy-efficient** residential areas. Most will enjoy the use of **top-quality** consumer products developed locally and high-end imported goods.

service industries such as finance, logistics, creative industries and conferences and exhibitions, contributing RMB135,000 (USD20,750) each per year to a booming economy.

Others will work in advanced manufacturing, helping to produce the next generation of industrial equipment, petrochemicals and computer software for the global market. Some might work for one of the 20-odd home

grown and globally renowned Mainland brands expected to be earning over RMB100 billion (USD15.3 billion) in annual revenue.

Almost all will live in clean and energy-efficient residential areas, commuting each day via state-of-the-art, ultra-efficient mass transport systems. At home, most will enjoy the use of top-quality consumer products developed locally and



high-end imported goods. Long gone will be the days of polluting, resource heavy and labour intensive manufacturing industries. Energy consumption per capita of gross domestic product and environmental quality are slated to meet the most advanced global standards within the next decade in a future “green” Pearl River Delta.

“If you really want to understand the various plans for the Pearl River Delta, all you have to do is look at the high speed rail system,” observed Dr Victor Fung, Chairman of the Greater Pearl River Delta Business Council in Hong Kong.

“Traditionally, people and goods in China moved along rivers, east to west, from the coast to the inland. With the Mainland’s expanding rail network, all that is changing. There is greater connectivity between north and south as well as east and west. Rail lines radiating from the Pearl River Delta to southwest China will allow even closer economic integration between the two regions and between them and Southeast Asia.”

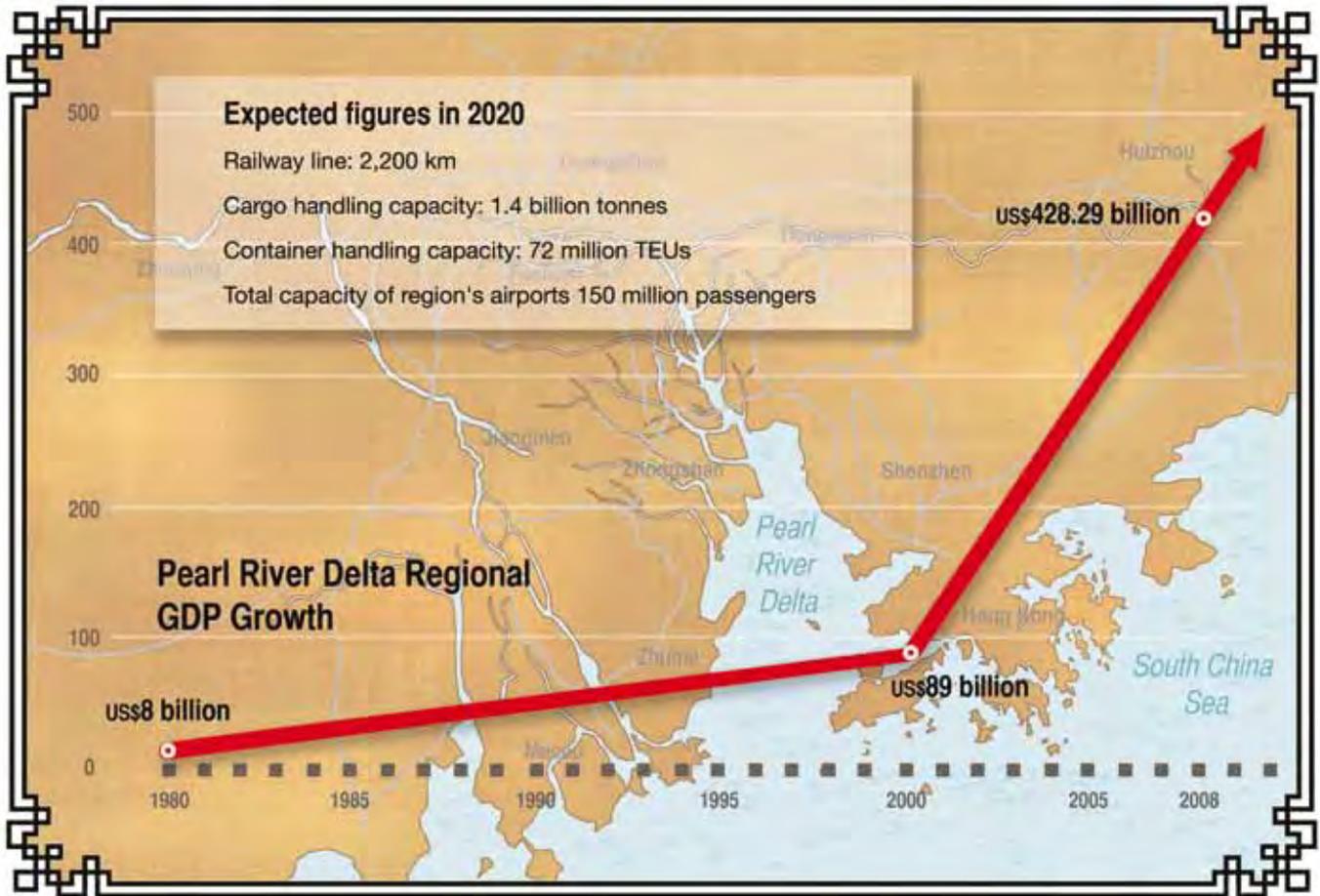
Delivering on plans

According to the 2008 plan, by 2020, railway line construction across the Pearl River Delta will top 2,200 km; the cargo handling capacity of the ports, 1.4 billion tonnes; the container handling capacity, 72 million twenty-foot equivalent units (TEUs); and the capacity of the region’s airports, 150 million passengers. A modernised, high grade waterway network will span the region, while ports at Guangzhou, Shenzhen and Zhuhai will be enhanced, consolidating the development of a world-class cluster of ports with complementary, yet varied, functions.

“While the targets may seem ambitious, it is worth remembering that China has almost always succeeded in delivering on major economic plans, especially its five-year plans,” said Dr Fung.

Other key mega projects underway include the Guangzhou-Shenzhen-Hong Kong Express Rail Link, Hong Kong-Zhuhai-Macau Bridge, the Zhongshan-Shenzhen Passage, the Guizhou-





Guangzhou and Nanning-Guangzhou railways, and mass public transit infrastructure in Guangzhou, Shenzhen, Foshan and Dongguan. When complete, these projects will shrink actual distances to create an unprecedented level of integration between existing cities.

Poised for the new opportunities that greater integration and affluence will bring, Hutchison has a strong presence in the Pearl River Delta in key sectors. It is currently involved, for example, in a total of 15 high-end residential and two up-market commercial property developments in seven Delta cities. Supermarket chain PARKnSHOP runs 38 stores throughout the region and, in anticipation of future demand, has already introduced its high-end TASTE supermarket to Guangzhou.

Port potential

These are particularly exciting times for subsidiary, Hutchison Port Holdings (HPH), whose network of port operations spans across eight cities in the Pearl River Delta, including deep-water container port facilities in Hong Kong and Shenzhen – two of the world’s busiest ports.

The major assets in Hong Kong and Shenzhen undertook an Initial Public Offering recently under HPH Trust, the world’s first publicly traded container port business trust.

Floated on the Singapore exchange in March this year, the IPO was well received – despite the uncertain market sentiments created by the geopolitical unrest in the Middle East and North Africa and the earthquake and tsunami in

HIT has gradually shifted to handling international transshipment and more intra-Asia trade.

Japan – providing impetus for further investment in Pearl River Delta port facilities, among other opportunities.

“The Pearl River Delta will continue to be the leading export manufacturing zone in China,” said HPH Executive Director, Eric Ip. “It will take some years before other regions in China can catch up.”

Underscoring this fact, HPH continues to service export growth each year, particularly into new markets in the Middle East and South America. In addition, said Mr Ip, greater wealth in southern China means higher domestic demand for imported goods. “We expect to see an increase in import volume, not just from the US and Europe, but from all over the world.” The beginnings of substantial growth are likely to be seen in intra-Asian imports, added Mr Ip, now that China has scrapped tariffs on most products exported by Association of Southeast Asian Nations countries.

Changes are emerging also from the rapid upgrading of the region’s manufacturing base. “Pearl River Delta factories are becoming more effective because they bring in automation to increase productivity,” said Mr Ip. “They are also turning out higher value items. More traditional export processing, meanwhile, is gaining momentum on the less developed west bank of the Pearl River Delta, where HPH’s river ports are concentrated, as well as other parts of Guangdong Province and southwest China.

As the Pearl River Delta aims for super connectivity, the new railways and highways extending further into southwest China will open the way for a more efficient, reliable “southern” route for goods leaving the Mainland’s interior which, in turn, will maximise the combined advantages of HPH’s network of river and coastal ports.

For example, although the “move west” programme is centred around the upper reaches of the Yangtze River, its most direct route to the sea is via the Pearl River Delta. “Once all the new infrastructure and systems are in place, HPH Trust’s ports, due to their good connectivity especially our dedicated Pingyan

Railway line, are ideally positioned to provide service for time and price sensitive cargo and become an important window to the outside world for these hinterland areas”, affirmed Ms Hai Chi-yuet, CEO of Hutchison Port Holdings Management Pte Limited, the Trustee-Manager of HPH Trust.

Division of roles

Ports in Hong Kong and Shenzhen combined moved 39.2 million TEUs in 2009, making the region the world’s largest trading hub by throughput. This compares with 25.9 million for Singapore and 25.2 million for Shanghai.

Yantian (Shenzhen) gateway is the only other natural deep sea port in the region besides Hong Kong and Yantian International Container Terminals’ (YICT) primarily deep-sea service is focused on exports to major markets in the US and Europe. With several new berths under construction, YICT is particularly well placed to capitalise on growing demand for port services created by the Pearl River Delta’s next stage of development.

Whereas Hongkong International Terminals (HIT), the largest container terminal operator in Kwai Tsing Port, has gradually shifted towards handling international transshipment and in particular more intra-Asia trade. In catering to increased regional demand from shipping lines, it is also able to leverage barge traffic from HPH river ports at Jiangmen, Nanhai and Zhuhai (Jiuzhou). HIT no longer just handles shipping from China to elsewhere. Much like Hong Kong’s international airport, HIT now handles cargo from everywhere to everywhere, overseeing the efficient and reliable transfer of just about every product imaginable from vessel to vessel. An added benefit derives from HIT’s market leadership in Hong Kong. The world’s top 30 global shipping lines call at HIT’s facilities, enabling it to offer a unique and flexible platform for its customers to interact under one roof.

With the innovation and diversity of strengths on offer, the new Pearl River Delta can continue to rely on HPH to deliver world-class port services fit for a world-class region.

Flashback:

The Pearl River Delta's first transformation

Farmers and fishermen in the sleepy rural backwater of the Pearl River Delta 30-odd years ago could scarcely have imagined what the future had in store. In 1979, the Chinese Government launched its “open door policy”, a bold economic experiment that dictated a blistering pace of development and permanently altered China's economic course. Since that monumental year, there has been no turning back for this regional economic powerhouse.

The first big steps were the establishment in 1980 of Special Economic Zones (SEZs) in Shenzhen, adjoining Hong Kong, and Zhuhai, next to Macau. The zones were trailblazers for a new era of development fuelled by foreign direct investment, mainly from Hong Kong.

The new policies brought about dramatic changes in the region's rural economy. Farm labourers walked off fields and onto production lines as export processing activities burgeoned across the landscape. The rise of local township and village enterprises further ramped up output, dramatically decreasing the Delta's reliance on agricultural industries, boosting incomes and contributing to the export processing boom.

The success of these early experiments led to the establishment of the Pearl River Delta Economic Zone in 1994. The new structure aimed to harmonise development and increase coordination between local governments, with the guidance of the region's leading urban centres, Guangzhou and Shenzhen. The region was officially seen as the testing ground for market-based policies that would pioneer a new economic age.

The pace of ongoing transformation was boosted by delegation to provincial authorities of increased responsibility for setting economic policy. Unprecedented autonomy paved the way for the implementation of novel initiatives, such as the Shenzhen Stock Exchange, new land lease systems and experiments in privatisation. All were nurturing the development of a market oriented culture that would be integral to the region's competitiveness and sustained success.

The 1990s saw increased diversification in the manufacturing base through investment in high value added industries such as computers, information technology and biological engineering. By 2001, the Pearl River Delta was producing close to five per cent of the world's goods, with an export value totalling USD289 billion. In categories such as toys it was the world's main source. Around this time, the region became justifiably recognised as the “world's factory”.

Thirty years of stellar economic results are testament to the extent of the Pearl River Delta's development miracle. Regional gross domestic product, standing at just USD8 billion in 1980, rose to USD89 billion in 2000 and nearly USD428.29 billion in 2008, according to a report commissioned by Invest Hong Kong. With such an illustrious record, solid foundations in place, and a far-reaching vision underpinned by clear targets, the Delta is positioned for another era of impressive growth.

Port milestones

- | | |
|---|-------------|
| <ul style="list-style-type: none"> Hongkong International Terminals (HIT) commences operations at Terminal 4 at Kwai Chung container port. | 1976 |
| <ul style="list-style-type: none"> China announced its open door economic policy, throughput at HIT is just under 500,000 TEUs. | 1978 |
| <ul style="list-style-type: none"> HIT completes Terminal 6 at Kwai Chung, by which time throughput at HIT is more than 1.5 million TEUs. | 1989 |
| <ul style="list-style-type: none"> HIT's Terminal 7 opens, uniting all HIT's Terminals (4, 6 and 7) into one integrated facility. | 1990 |
| <ul style="list-style-type: none"> The Group signs a contract to form a joint venture to own, operate and further develop the Port of Yantian in Shenzhen. | 1993 |
| <ul style="list-style-type: none"> The first berth of Terminal 8 East at the Kwai Chung Port is completed and starts operation. Hutchison Port Holdings Limited (HPH) is established to manage HWL's interests in port and related businesses in Hong Kong, the Mainland and overseas. HPH forms a new subsidiary, Hutchison Delta Ports Limited, to hold and manage its river/coastal ports and related facilities in the Mainland. | 1994 |
| <ul style="list-style-type: none"> Hutchison Delta Ports forms a joint venture with Jiangmen Shipping Company to own and operate Gaosha Cargo Terminals in Jiangmen. | 1995 |
| <ul style="list-style-type: none"> The River Trade Terminal Company, in which HPH owns a 37 per cent stake, is awarded the contract to design, develop and operate the River Trade Terminal in Tuen Mun; the Government awards two berths at Container Terminal Nine (CT9) to HIT. | 1996 |
| <ul style="list-style-type: none"> The Guanlan Inland Container Depot is set up to facilitate the growth of import and export trade in the South China region. | 1998 |
| <ul style="list-style-type: none"> HPH signs agreements with the Shenzhen Government and Yantian Port Group to jointly develop Phase III of Yantian International Container Terminals. | 2001 |

A shared future: Hong Kong's role in the new Pearl River Delta

2003

- HIT announces the launch of CT9, Hong Kong's newest container handling facility; throughput from HPH's operations at Yantian reaches more than 5.25 million TEUs.

2004

- HIT surpasses the 80 million TEU milestone.

2006

- HIT handles its 100 millionth TEU.

2007

- HPH and Huizhou Port Affairs Group Company sign a joint venture agreement to operate Huizhou Port International Container Terminal.

2008

- HPH enters an agreement to develop Shenzhen Yantian East Port Phase I Container Terminal Project; trial operations begin at Phase II of Zhuhai International Container Terminals (Gaolan).

2009

- HPH and Huizhou Port Affairs Group Company Limited break ground on a facility that will become Huizhou Port's first dedicated container terminal.

2010

- The total TEU throughput of HPH's Pearl River Delta ports reaches nearly 25 million, while throughput at HPH's facilities in Kwai Tsing Port tops 11.04 million, of which transshipment accounts for close to 60 per cent.

2011

- HPH's deep-water container port businesses in Guangdong Province, Hong Kong and Macau are spun off in March and listed in Singapore as Hutchison Port Holdings Trust.

For many in booming Hong Kong at the end of the 70s, the Pearl River Delta seemed remote and insignificant – the rural fringe of a closed, mysterious and struggling nation. Not so for the city's manufacturers. These entrepreneurial visionaries quickly saw the Chinese government's "opening of the door" to southern China for what it was – a lifeline.

At the time, Hong Kong was a preeminent manufacturing hub, with close to a million people employed in manufacturing. But it was running out of both space and workers for labour intensive industries. With domestic costs soaring, Hong Kong was rapidly losing ground to competitors elsewhere in Asia. The Mainland's new economic openness enabled the city's manufacturers to establish a new – and far bigger – industrial hinterland in the Pearl River Delta.

Suddenly, Hong Kong became more competitive. Its manufacturers could offer greater production capacity at significantly lower cost. In Hong Kong, itself, they upgraded capabilities in design, logistics and marketing. The "shop-in-front, factory-in-the back" model which Hong Kong businesses pioneered with their Pearl River Delta partners became Asia's new paradigm for supplying ever cheaper products to Western consumers.

Hong Kong's influence cannot be overstated; from 1993 to 2001, utilised foreign direct investment in Guangdong Province totalled USD121.2 billion, of which Hong Kong accounted for more than 68 per cent. By 2002, the number of labourers employed by Hong Kong factories in the Delta had reached over 10 million – with only 200,000 left in Hong Kong's own factories.

To deepen cooperation, in 2003, Hong Kong and the Mainland signed the Closer Economic Partnership Arrangement, which has since been regularly supplemented. By 2010, foreign invested enterprises, mostly from Hong Kong, accounted for a staggering 62.2 per cent of Guangdong's total exports, according to the Hong Kong Trade Development Council (HKTDC).

The HKTDC believes that Hong Kong must embrace the opportunities arising from the Mainland's new economic direction and determination to expand and modernise its service sector.

In particular, according to the HKTDC, financial reforms will permit the "new" Pearl River Delta to leverage expertise from Hong Kong to build a more integrated financial system. Construction has started on a new financial services zone across the boundary at nearby Qianhai. Already dubbed the Delta's "Manhattan", many see it as providing a lower-cost support base for expanded financial activities in Hong Kong, helping to facilitate Hong Kong's continued development as an international financial centre.

From Beijing to Hong Kong, planners and commentators envisage Hong Kong, with its wealth of technical, management and marketing know-how, contributing to a revolution in advanced manufacturing and services across the Delta. They anticipate that the city's existing strengths in finance, law, shipping, logistics and regional headquarters/professional services, underpinned by its profound international knowledge and service ethos, will again come to the fore as the region seeks to achieve greater global preeminence across a wider spectrum of economic activity.

Thirty years after rice paddies gave way to factories, it is an opportunity for members of Hong Kong's enterprising and adaptable business community to reprise their role as drivers of change and transformation in a new, green Pearl River Delta. 



Weathering nature's extremes



We live in an era of headline-grabbing weather and natural disasters. Tornadoes, hurricanes, typhoons, blizzards, fog, earthquakes and volcanoes – Hutchison’s far-flung businesses are exposed to them all. Contingency plans keep operations running as smoothly as possible in all conditions – with people and their safety always coming first.

THE NUMBER OF WEATHER-RELATED CATASTROPHES around the globe has tripled in the past 30 years, according to German reinsurance giant Munich Re. Last year it identified a total of 950 natural catastrophes worldwide, the second-highest number since 1980 and nearly 20 per cent more than the annual average over the past decade. They caused losses of around US\$130 billion.

Many employees of Hutchison’s widely-dispersed businesses experienced last year’s weather extremes first hand: from Russia’s blistering heat wave and choking forest fires in the summer, to northern Europe’s record-breaking snowfalls in the winter. In other instances, Hutchison employees were left, literally, dealing with the fallout.

Such was the case when an Icelandic volcano with the tongue-twisting name of Eyjafjallajökull erupted in mid-April 2010, ejecting a plume of ash about 6 km into the sky and catching the world totally off-guard. As the ash cloud drifted south, there were fears it could cause engine failure in jets traversing Europe’s busy air corridors. Abruptly, the whole of British airspace shut down. Other European countries soon followed suit.

Volcanic disruption

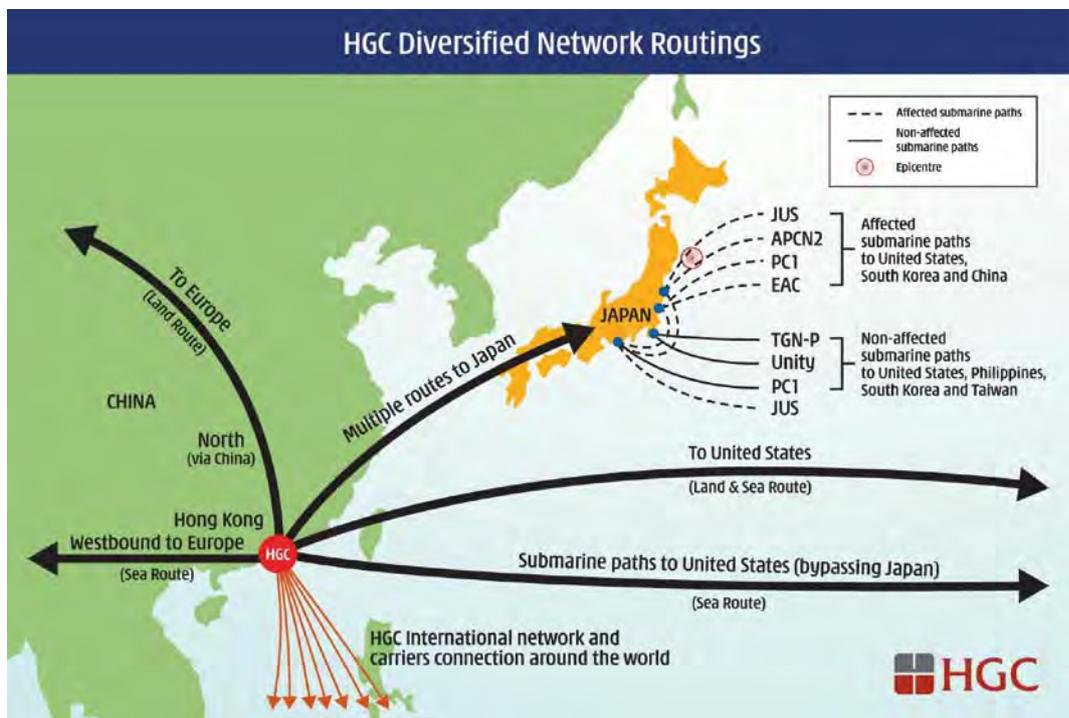
Among the first to feel the volcano’s impact were reservations staff at Hutchison’s Harbour Plaza Hotels in Hong Kong, halfway round the world. There was a sudden flurry of cancellations from guests booked to arrive from Europe. At the same time, hotel guests and other tourists about to fly west were forced to extend their stay in Hong Kong.

“Our guest services and front office staff dropped everything to give affected guests their immediate attention,” said Benedict Chow, General Manager of Harbour Grand Hong Kong. “Information was sketchy so we took the initiative to follow up daily with the airlines and tried to find out more for our guests. Some of them were very stressed by the situation. We really empathised with them and tried to make their extended stay as comfortable as possible.”

At 3 UK, about 100 employees abroad on business or personal trips were unable to return as the ash cloud disruption spread. While European travel started returning to normal a few days later, there were lessons to be learnt by businesses everywhere.

“We have budgeted for a more comprehensive capability to track and report on where our employees are travelling for work,” said Jemimah Parnell, 3 UK’s People & Property Director. “We’re also encouraging more proactive risk awareness among all employees, whether they are travelling for business or going away on holiday. It’s really about ensuring our staff stay safe and don’t take unnecessary risks, whether that’s a case of advising against people driving to work when it’s snowing heavily, or keeping one eye on the news so they are aware of disruption events and can make contingency plans to get home.”

This heightened capability was put to the test by yet another volcanic eruption in Iceland in late May this year. The Grímsvötn volcano sent a plume of smoke and ash about 19 km into the sky, temporarily grounding air travel in parts of northern Europe. “We were ready,” added Ms Parnell. “We were immediately in touch with all our travelling executives and able to work out the best contingency plans for their safe return.”



Hutchison Global Communications quickly re-routes international telecommunications through its diversified network after Japan's devastating earthquake and tsunami in March.

Snowed out

Business in Europe was further disrupted last year by an unusually early blast of severe winter weather. November snows in the UK were the deepest since 1965. December 2010 was the coldest since records began a hundred years earlier, with overnight temperatures as low as minus 10 or minus 20 degrees Celsius.

3 UK had to close its Executive Offices in Glasgow early one particularly frigid November afternoon so that employees could travel home safely and avoid the dual risks of heavy snow and ice deposits on the roads. Days later, direct sales employees in Glasgow were also sent home early, leaving back-up teams fielding customer calls from the warmer climes of Asia.

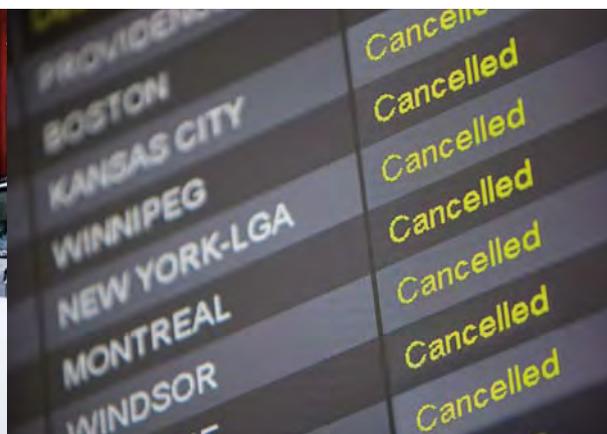
Snows in the UK also took their toll on HWL-owned health and beauty retailer Superdrug, disrupting its supply chain. "But close communication between logistics, stores and operations teams ensured that deliveries were made immediately when stores were accessible, including weekend deliveries," said Steve Zandi, Supply Chain and Logistics Director of Superdrug.

Over 8,000 kilometres away, in northern China, last winter's extreme cold damaged some Watsons' skincare and drinks products. "They were frozen during transportation from our warehouses and some product packages were cracked," said Jim Jeffery, General Manager - Supply Chain, Logistics of Watsons China. Liquid products are now packed around a thermal tank surrounded by blankets during extra-cold snaps, resulting in fewer losses.

Undersea challenge

For Hutchison Global Communications (HGC) the biggest operational challenge posed by nature in recent times came from under the sea. The epicentre of the magnitude 9.0 earthquake off the northeast coast of Japan in March this year was perilously close to submarine telecommunications cables carrying busy traffic between Hong Kong, Mainland China, Japan, South Korea and the US.

As the scale of the earthquake and tsunami tragedy became apparent, HGC's first duty was to safeguard international communications.



It managed to maintain almost normal service levels, even when 30 to 40 per cent of all international communications between Asia and the US were disrupted.

“This is because we use multiple submarine and terrestrial cable systems, which give us the ability to auto-switch affected traffic to non-affected submarine paths,” said Andrew Kwok, HGC’s Senior Vice-President of International Business. “Services for our corporate customers were 100 per cent back to normal within four hours.”

Mr Kwok added that many other telecommunications companies relied on HGC’s advanced and extensive global network to restore their own services after the Japan earthquake. “It’s all part of being a global citizen,” he said. “We responded to requests from leading carriers in Japan, the US, Singapore, Vietnam and the Philippines. We were particularly glad to be able to help our counterparts in Japan.”

Close to disasters

Hutchison Port Holdings (HPH) found itself operating close to some of the biggest natural disasters of 2010, including the worst floods in Pakistan’s history, and the flooding of vast areas of Australia’s Queensland and its state capital, Brisbane.

But the event which most directly affected HPH in a year of extreme weather was a rare tornado that slammed into its Freeport Container Port (FCP) on Grand Bahama Island, about 90 km off the Florida coast of the US, on 29 March 2010.

“As we all know, tornadoes have no predictable pattern,” said HPH Executive Director Eric Ip. “The safety of our staff and terminal are our priorities. We suspended all terminal operations immediately after the tornado and commenced crisis management action, which includes rescue and recovery plans, and internal and external communications activities with all terminal stakeholders.”

The port’s emergency response and rescue teams raced to the scene as soon as the tornado passed. They were assisted by local emergency services which brought heavy equipment to cut through wreckage. Terminal operations resumed two days after the

incident. The port’s Technical Services Department was called in to facilitate the recovery and co-ordinate with equipment manufacturers to ensure quick repair and replacement orders.

Despite the fact tornadoes are few and far between in the Bahamas, the FCP emergency response manual includes plans for dealing with them. Safety drills are regularly carried out, in some instances with the involvement of local emergency services. The port has also installed its own weather monitoring stations and receives additional updates from the Bahamas Meteorology Department every six hours.

Tackling tempests

Hutchison businesses in both hemispheres are exposed to tropical cyclones.

When Hurricane Igor, the most intense of the 2010 Atlantic hurricane season, approached the east coast of Canada last September well-honed contingency plans went into high gear at Hutchison’s Husky Energy.

Two semi-submersible rigs were down-manned and production was halted at a third facility at the peak of the storm. As a result, there were no injuries, no significant damage to Husky facilities and just a few hours of reduced production.

The homes of employees and contractors on shore fared less well. Husky closed its St John’s office on the afternoon of the storm’s arrival so that colleagues could attend to battered houses and downed trees. With one of Newfoundland’s main highways washed out, Husky also sent a helicopter to the region to airlift employees to its offshore production facility, SeaRose.

Closer to home, in southern China, a multi-year cycle of relatively quieter typhoon seasons is coming to an end. “According to the Hong Kong Observatory, this year the region will see more typhoons and more severe typhoons,” said Ivor Chow, Managing Director of Hongkong International Terminals (HIT). “Accordingly, we’re strengthening our current procedures for dealing with adverse weather conditions. In addition, every year we discuss emergency contingency plans with operators and local emergency services prior to the typhoon season to ensure smooth operations in





As storms approach Hong Kong during the typhoon season, which typically runs from May to September, containers are securely lashed at HIT.



Husky is on alert to halt operations when storms threaten exploration and production during the Atlantic hurricane season, from June to November.

the terminals and minimise the impact of these incidents on the community,” he said.

HIT has a comprehensive set of adverse weather procedures in place for any situation, be it heavy rain, thunderstorms, or a typhoon. All preparation procedures are escalated depending on the seriousness of the situation and vice versa.

In all weathers

Fog is another weather hazard for Pearl River Delta ports. Shenzhen was affected by fog for a number of days in March this year and pilot boats stopped operations for an extended period. “We’re working with the Mainland authorities to see if we can resume operations faster after such incidents,” said Hai Chi-yuet, Managing Director of Yantian International Container Terminals. She added that the Pearl River Delta ports also have to deal with that the knock-on effect of ships delayed because of

thick fog further up the China coast, in Shanghai and Ningbo.

For HK Electric, severe rainstorms and flooding are particular challenges in the city’s steamy summers. After downpours flooded parts of Hong Kong Island in 2008, for example, the company surveyed electricity substations located in potentially vulnerable “black spots” and upgraded their ability to withstand storm and flood waters.

Last year two rainstorms were graded the most severe “black” category, describing more than 70 mm of rain expected within an hour. The power system stood up well. There was no flooding to any of the electricity substations.

“We’re proud that we’re able to uphold the resilience of our system in adverse conditions caused by severe weather” said Ip Pak-nin, HK Electric’s General Manager (Transmission and Distribution).

The Hutchison spirit

All HWL businesses across the world take pride in how their contingency and back-up plans keep employees safe and operations running. Through regular maintenance and emergency response drills, employees know how to react quickly, cope with potential danger and minimise disruption to business.

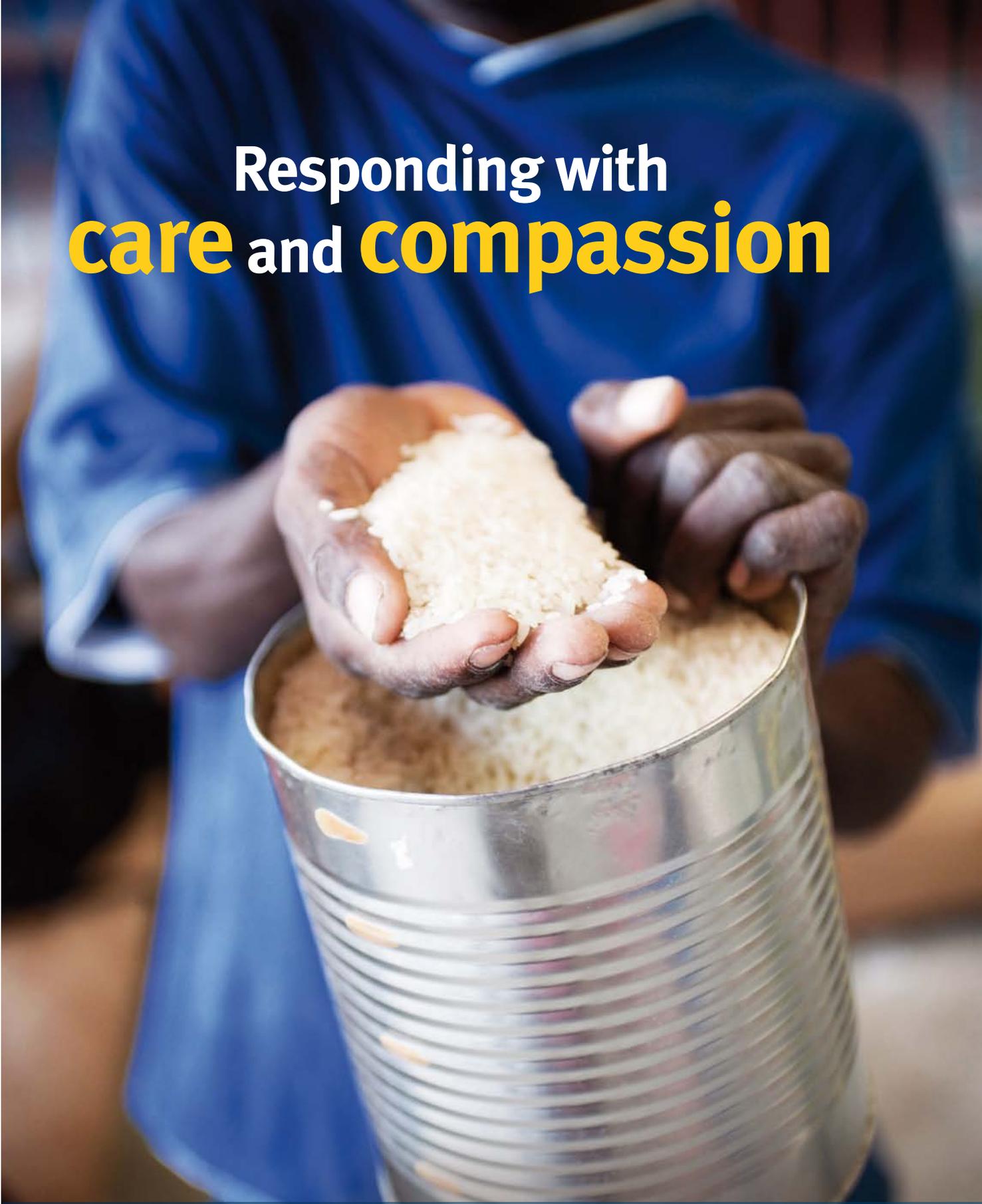
These hard-working individuals also go the extra mile to ensure that their customers have the best possible service even in the most confronting situations. HWL salutes its employees for keeping the wheels of commerce turning safely but surely whenever and wherever our living planet reminds us who is boss. 



2010	Event	Region	Description
January	Winter damage	Europe	Heavy snowfall leading to widespread infrastructure damage and loss
January	Winter damage	China	Heavy snowfall damaging homes, crops and livestock
March	Earthquake	Turkey	A 6.1 magnitude earthquake destroying hundreds of buildings
April	Earthquake	China	A 6.9 magnitude earthquake in Qinghai Province causing landslides and damaging homes and telecommunications systems
April	Volcano	Iceland	Eruption of volcano Eyjafjallajokull, emitting a cloud of gas and ash across much of Europe and causing widespread disruption to air traffic
June	Cyclone	India, Oman, Pakistan	Cyclone Phet and subsequent storm surge damaging/destroying homes, vehicles, power lines and water, gas and electricity systems
June	Severe storms	Myanmar, Bangladesh	Flash floods and landslides damaging/destroying infrastructure, crops and homes
June-July	Severe storms	China	Floods and landslides damaging one million buildings, collapsing bridges and causing severe damage to infrastructure and crops
June	Floods	France	Flash floods damaging thousands of homes and automobiles
June	Severe storms	USA	Thunderstorms and tornadoes destroying homes, businesses and automobiles, leaving 450,000 without electricity
July-September	Floods	Pakistan	Torrential monsoon rains affecting 10,000 villages and damaging/destroying homes, power facilities, infrastructure and cropland
Summer	Heat wave	Russia	Worst drought in 130 years, resulting in wildfires and the burning of 2,500 homes and widespread areas of cropland and forestry, plus heavy smog in urban regions
August	Flash floods	China	Flash floods and landslides damaging infrastructure and more than 4,000 homes
August	Volcano	Indonesia	Mount Sinabung, in North Sumatra, erupting in late August, sending sand and ash up to 1.6 km high
September	Earthquake	New Zealand	A magnitude 7.0 earthquake close to Christchurch, destroying infrastructure and more than 100,000 homes
September	Hurricane	Mexico	Hurricane Karl and subsequent flooding destroying thousands of homes, businesses and automobiles and interrupting oil production
October	Hurricane	China, Philippines, Taiwan	Super Typhoon Megi destroying 31,000 homes and damaging another 118,000, along with crops, livestock and infrastructure
October	Earthquake	Indonesia	A 7.7 magnitude earthquake and subsequent tsunami destroying thousands of homes, roads and bridges and displacing 20,000 people
October-November	Volcano	Indonesia	Mount Merapi in Central Java emitting gas and ash, destroying 2,300 homes, disrupting flights and leading to the evacuation of 400,000 people.
December - January 2011	Floods	Australia	Major floods destroying infrastructure and agriculture and interrupting coal production

The chart above, derived from Munich Re's 2010 list of natural catastrophes, highlights events that occurred in countries where Hutchison businesses operate.

Responding with **care** and **compassion**



A conviction that charity begins at home inspires prompt and heartfelt responses by Hutchison companies and employees around the globe whenever natural disasters occur in their localities.

TWO DAYS AFTER A DEVASTATING TORNADO ripped through Hutchison's Freeport Container Port (FCP), in the Bahamas, the facility – amazingly – was ready to resume partial operations. But the crews who had worked so tirelessly to get the port functioning again had a higher priority. They downed tools for a prayer service on site to remember three colleagues who had lost their lives and others who had been injured.

“Members of the HPH Executive Committee went down to the terminal to talk to the families and employees and offer them our condolences and comfort,” said Mark Jack, Executive Director of Hong Kong-based Hutchison Port Holdings (HPH), who was in Freeport following the March 2010 tornado.

In addition, members of FCP's human resources team went to the homes of the bereaved to offer help or assistance and visited the injured in hospital.

Exactly a year after the tragedy, members of the HPH Executive Committee led by John Meredith, Group Managing Director, and the Freeport management team, headed by Gary Gilbert, CEO of FCP, attended an on-site service at Freeport to honour the memory of the victims and meet with their families.

The care and compassion shown at Freeport is not just for colleagues at the port. Only a few weeks before the tornado, employees co-ordinated the collection and distribution of food and other necessities as part of earthquake relief for the Caribbean nation of Haiti. It was estimated that three million survivors were in need of emergency aid after the devastating 7.0 magnitude quake in January 2010.

Time and again Hutchison business units and employees open their hearts — and pockets — to help victims of natural disasters in their localities.

After Pakistan was devastated by floods during the summer of 2010, HPH donated to a non-profit organisation that was able to deliver food, water and medicine to the worst-affected provinces within 48 hours. In addition, Karachi International Container Terminal raised funds and established shelters for flood victims.

Following last year's eruptions in Indonesia of Mount Merapi, in Central Java, and Mount Sinabung, in North Sumatra, Hutchison CP Telecommunications set up free public phone services to help hundreds of thousands who were evacuated. Many employees of the Jakarta-headquartered company raised funds to support volunteers working in the stricken areas.

Meanwhile, staff at ESDlife, the Hutchison joint venture



All kinds of help are offered by Hutchison businesses and employees in response to natural disasters. Pictured are: (top) the Shanghai Hutchison Whampoa Pharmaceutical Hope Elementary School, built after the 2008 Sichuan earthquake; (above left) a free telephone service offered by Hutchison CP Telecommunications to people displaced by volcanic eruptions in Indonesia last year, and (above right) “Sports with Joy” games organised for Sichuan earthquake victims by TOM Group, its subsidiary CETV and the Northern Star Foundation.

which operates the popular Hong Kong lifestyle website of the same name, raised funds for charities helping victims of both the earthquake in Haiti and that in Yushu, a remote and rugged region of the Mainland's Qinghai Province. Around 15,000 people were killed or missing after that magnitude 6.9 quake in April last year.

When a 5.8 magnitude earthquake shook the Abruzzo region of Central Italy in April 2009, 3 Italia was on hand donating free phone time and mobile phones. It also helped to raise over EUR700,000 for rebuilding neighbourhoods.

In the aftermath of Typhoon Morakot, which in August 2009 became the deadliest typhoon to impact Taiwan, employees of TOM subsidiary CETV contributed TWD1 for each comforting message sent by its viewers to those affected. Watsons Taiwan provided TWD3 million worth of materials and TWD1 million to a reconstruction programme aimed at helping more than 1,000 children affected by the typhoon.

Given the world's escalating number of natural disasters, international calls for relief and reconstruction are unlikely to diminish in coming years. But while actual events may be hard to predict, the caring response from members of Hutchison's global family is a certainty. 

**Hutchison
businesses and
employees are always
ready to help victims
of natural disasters.**



A beautiful growth story

Modest beginnings

It is hard to imagine now, but when Watsons became a wholly-owned Hutchison subsidiary back in 1981, there were fewer than 10 Watsons stores in Hong Kong. Known as “Watson’s The Chemist”, a description harking back to the firm’s 19th century prominence as a colonial dispensary, they catered strongly to Western residents, visitors and tastes. In other words, English was heard everywhere on the shop floor, there were vitamins galore but Chinese medicine was rare.

The Watsons of that era placed a particular emphasis on cosmetics. “At that time, there were no stand-alone stores for the big cosmetics brands and just a limited number of department stores in Hong Kong,” recalled Celia “Mayling” Mounger, who joined Watsons in 1970 as Assistant to the Purchasing Manager of the A S Watson Group’s Manufacturing Division, and is now the Group’s Project Director, International Buying. “Watsons offered convenience and trust for beauty-conscious consumers. Another big category was toys, before computers became popular with kids.”

Indeed, with their huge product range, the Watsons shops of 30 years ago closely resembled variety stores in the US. “Even then, we had fashion accessories, stationery, magazines, greeting cards and so on,” Ms Mounger remembered. For the average Hong Kong consumer unused to ready access to so much choice, a visit to Watsons was like entering Aladdin’s cave.

By the early 80s – some 20 years after Hutchison had acquired its initial controlling interest in Watsons – Hong Kong was a city in transition. Factories were relocating to newly accessible southern China and Hong

The Canton Dispensary, the forerunner of A S Watson, opens in Guangzhou, China.

1828

Operations extend to Hong Kong, where the company founds the Hong Kong Dispensary.

1841

The Hong Kong Dispensary is traded under the name A S Watson & Company.

1871



Ask anyone in London if they know who owns the ubiquitous UK health and beauty chain, Superdrug, or someone in Brussels who owns leading Belgian health and beauty retailer Kruidvat. Chances are they will be surprised to discover that the owner is far away in Hong Kong. The A S Watson Group's rise from a small home-grown chain of Hong Kong dispensaries to the world's largest retailer of its kind in just 30 years, with over 9,300 stores in 33 markets, is one of the city's global success stories.

Like Hong Kong, Watsons stores have kept changing and are now barely recognisable from the "hat and glove" days when Britain's Princess Margaret (*in the photo far left*) stopped by during a Royal Visit in 1966.

Kong was reinventing itself as a sophisticated international business centre. Prosperity was spreading.

For the first time, large numbers of local consumers had money to spend on what were once considered luxuries. The number of Watsons stores ballooned. They became as much a part of everyday life for residents of New Towns in the New Territories, and of Hong Kong's expanding urban districts, as they already were for well-heeled shoppers in cosmopolitan Central and touristy Tsim Sha Tsui.

Brand transformation

In step with the city's improving living standards and rising consumer expectations, "Watson's The Chemist" became "Watsons Your Personal Store", widening its customer appeal and signalling a new approach to the brand's evolution.

Margaret Lau, who joined Watsons in 1985 as a pharmacist and is now Chief Pharmacist as well as Operations Controller, Health & Fitness, was among the first to notice the shift.

Traditionally, she said, Watsons' pharmacists were health professionals who stood behind a counter and dispensed medications "when asked". That, at least, was until Ms Lau and other pharmacists were selected to join Watsons' management training programme.

"We were drawn out to the shop floor, where we began to understand our customers' needs better," she recalled. "It was a good way to build rapport with customers. Our lab coats gave them faith in us and they became our friends." In smaller stores, pharmacists took on the additional role of assistant manager. "We were no longer just counting pills behind the counter; we became a much bigger part of the management and leadership systems," said Ms Lau.

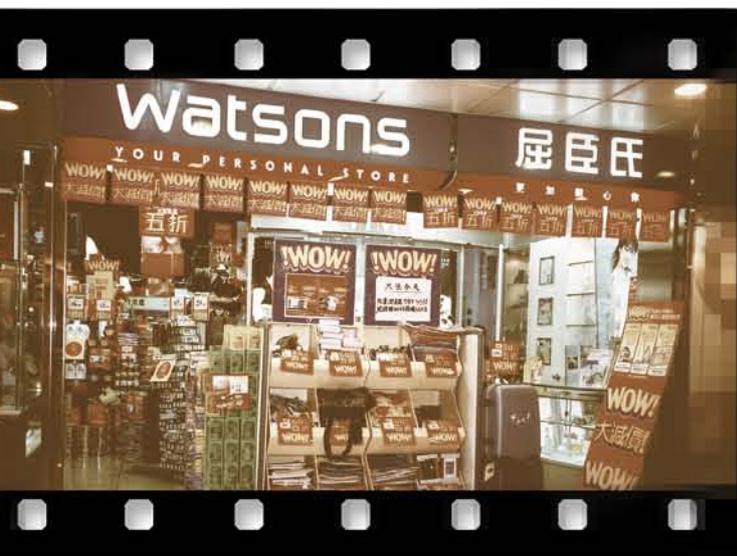
Television commercials were widely used to market the cosmetics brands, toys and accessories sold by the chain and, of course, the Watsons brand itself. "Watsons Your Personal Store" was soon a catchphrase with which every consumer in Hong Kong was familiar, said Ms Mounger.

Watsons Water is established to provide pure water in Hong Kong and Mainland China.

1903

Hutchison Group acquires a controlling interest in A S Watson & Co.

1963



The adoption of the “personal store” tagline, along with new brand visuals, were hallmarks of what became known internally as Watsons “second generation” of stores.

“Between generation one and generation two, Watsons in Hong Kong became more of a lifestyle brand,” observed Tim Chung, the Group’s General Manager of Store Development (Asia), who also joined Watsons in 1985. “We wanted to create a better shopping environment for our customers by conveying a positive image of growth and development. We were investing heavily in store design, and in that sense, I believe we were really leading.”

Regional takeoff

By now, the Group was ready to stretch beyond Hong Kong and take its distinctive health and beauty retail concept to regional neighbours. Watsons outlets were established in Taiwan in 1987 and Macau in 1988.

“Macau and Taiwan were the obvious first choice, due to similar consumer cultures. Watsons, as a concept, was completely new to Taiwan and was an immediate sensation,” said Ms Mounger. “It changed the landscape of Taiwan as far as health and beauty retailing is concerned.”

The following year, in 1989, Watsons re-opened in the Chinese Mainland. Its presence, initially in Beijing and Shanghai, was instantly welcomed by expatriate residents, for whom China at that time was a hardship posting, and by wealthier local consumers who found it difficult to buy imported goods. Within 20 years there were 500 Watsons stores in the Mainland and today there are more than 850.

In Hong Kong, the 90s were a period of organic growth for the chain, with continued development and promotion of

the Watsons brand. There were many successful marketing campaigns, such as “Free Shopping Day”. By the end of the decade, the city had 120 Watsons stores, including Nuance–Watson outlets at the new Hong Kong International Airport.

There was also further expansion in Southeast Asia, including Malaysia and Thailand.

Cultural sensitivity contributed to the successful spread of the Watsons brand. “Our stores maintained a core consistency throughout the region, but with local adaptations as necessary,” said Mr Chung. “What we have developed is one Watsons for all, a strong global brand but with authentic local flavour.”

Number one in the world

The dawning of the new century saw Watsons eyeing opportunities to expand even further afield. Through a series of strategic acquisitions of leading health and beauty chains in Europe, it rapidly transitioned from being the biggest retailer of its kind in Asia to the largest health, beauty and perfume retailer in the world.

Between 2000 and 2005, the Group acquired the Savers, Superdrug and The Perfume Shop chains in the UK; Kruidvat and Trekpleister in the Netherlands and Belgium; Drogas in Latvia and Lithuania; Rossmann across central Europe; Spektr in Russia, and Marionnaud in France. In 2006, the Group acquired DC, the largest health and beauty retail chain in the Ukraine (recently re-branded as Watsons). These takeovers were so smooth and subtle that it explains why, even today, many Europeans have no idea they shop in Hong Kong-owned chains.

A S Watson becomes a wholly-owned subsidiary of Hutchison fewer than 10 Watsons stores in Hong Kong.

1981

The Group expands in Europe through acquisition of Savers, Kruidvat Group, Drogas, Marionnaud, The Perfume Shop, Spektr and DC.

2000-2006



“Our expansion into Europe was driven by the vision of extending the A S Watson retail network outside of Asia,” explained Malina Ngai, Director of Group Operations, Investments and Communications and Head of International Buying. “As with any merger and acquisition, the major challenges were integrating workplace and management cultures and identifying optimal synergies between established local systems and the A S Watson Group.”

All the retail brands acquired in Europe already had well-established and valuable brand equity in their respective local markets. “By joining the A S Watson family, they received financial support to grow their businesses, while still maintaining the brand identity familiar to their customers,” said Ms Ngai. “They have also benefited from more efficient and effective systems and processes, centralised sourcing as well as constant exchanges of best practices across all markets.”

No sign of stopping

Back home, expansion and upgrading of the Watsons chain have continued at a hectic pace. In the past two years, 50 new stores have opened or been extensively renovated in Hong Kong. A further 40 new stores are set to open this year.

The physical appearance and feel of the stores continues to evolve, inspired by the motto “Look Good, Feel Great, Have Fun!” Those opening this year are “generation six”, with a brighter,

more contemporary design and layout. As with mobile phone services, the speed at which each new generation of stores comes on stream is accelerating. Generation five was just two years ago. Generation four was four years before that while generation three was launched as long ago as 2000.

Today, A S Watson is the leading global presence in health, beauty and perfume retailing, with more than 25 million customers shopping in its stores around the world each week – and some 98,000 employees making it all possible.

A global committee led from Hong Kong constantly studies and exchanges ideas on the evolution of store concepts, based on customers’ shopping behaviours, and on cost-effective ways to build and renovate stores. “While customers will have different shopping experiences when visiting our stores in different markets, the local management teams all practise the same customer-centric management principles,” Ms Ngai added.

This customer-centric approach means that, in today’s Hong Kong, Putonghua is readily spoken by Watsons’ sales teams who serve a new generation of tourists coming from the Mainland. Vitamins galore are still on offer, as they were decades ago in Watson’s The Chemist. Only, now, they compete for prominence with an impressive selection of sophisticated Chinese herbal remedies and medicines. 

The design and layout of each generation of Watsons stores reflects a contemporary look and feel. Pictured (*far left*) is a store front around the year 2000, another (*second left*) about two years ago and (*right*) images of stores to come.

A S Watson celebrates its 180th anniversary.

2008

A S Watson Group has over 9,300 retail stores in 33 markets worldwide.

2011



Bringing even more to life

Watsons Your Personal Store has become more personal by getting directly involved with how customers are nourished. Since late last year, Hong Kong's leading health and beauty chain has stationed registered dietitians in seven Watsons stores. They dispense professional but practical advice on how to eat better, stay healthier and use nutrition to help manage medical conditions.



FOR MANY HONG KONG PEOPLE the word “dietitian” conjures images of a pricey weight-loss guru in a beauty centre, or of waiting in an over-stretched public hospital for a few precious minutes with a nutritional expert referred by a doctor. Watsons is helping to change not only the perception but the reality.

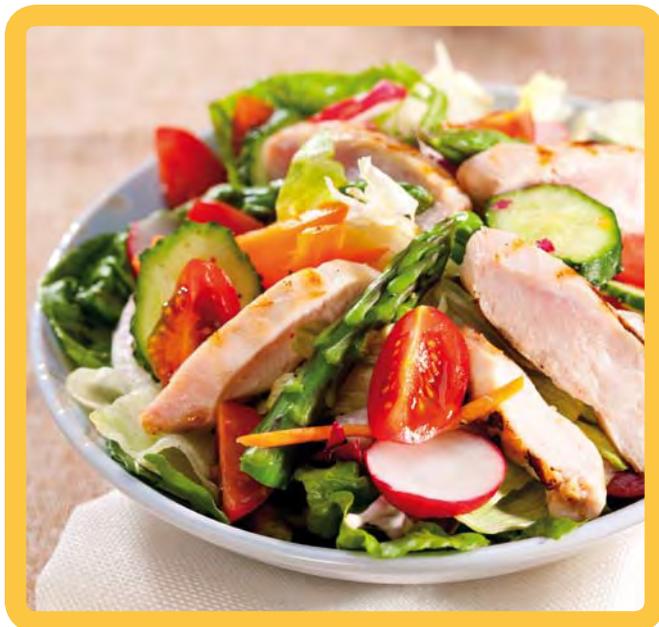
It has cast its net wider into the community by offering paying customers fast and convenient access to registered dietitians who address practical concerns ranging from “am I too fat?”, to “how much coffee can I drink?”, to “can a diabetic eat rice?”

“Our aim is to create a way for the community to benefit from the expertise of a registered dietitian exactly when and where they need one,” explained Margaret Lau, Watsons’ Operations Controller, Health & Fitness, as well as the chain’s Chief Pharmacist.

“We’re happy to see that people are becoming more health conscious. They are demanding more professional healthcare advice.” As a big chain Watsons is in a prime position, she believes, to educate citizens on health and lifestyle issues. “We already provided pharmacists, nurses, health and fitness advisors,” said Ms Lau. “But more and more customers were asking our pharmacists for dietary solutions as well as medication. So we decided to add registered dietitians.”

The first seven stores offering the service are located in the New Territories (Yuen Long, Fanling and Tai Po), Kowloon (Tsim Sha Tsui and Jordan) and on Hong Kong Island (Aberdeen and Taikoo Shing). Each dietitian sees about four clients per day, but the number is rising as more Hong Kong residents learn about the service.

UK-trained registered dietitian Wendy Liu, who leads Watsons recently recruited dietitian team, is personally spreading the word. With her nine colleagues she regularly participates in radio shows to give tips about diet and health, writes articles for local newspapers and delivers educational talks to corporations, including lunch time seminars for employees at Watsons’ New Territories headquarters in Fo Tan and Hutchison Whampoa Properties at Whampoa Garden in Hunghom.





Patrons of the service come mainly from one or more of three groups: pregnant women, people who are overweight or underweight and those with chronic medical conditions including the three “highs” (high blood pressure, high blood sugar and high cholesterol). Ms Liu believes these three groups cover most of Hong Kong’s population. For example, an estimated one in 10 Hong Kong people are diabetic.

“Many are in need of dietary advice but cannot readily find it from a doctor or a hospital and don’t know where else to seek it,” said Ms Liu. This is a pity, she added, as many conditions, such as high blood pressure, can be better managed by having the right diet as well as the right medication. Dietitians are also able to address common misperceptions, such as the myth that diabetics should never eat rice or sweet food.

Down-to-earth approach

In the privacy of a proper consulting room, a first session with a Watsons’ dietitian begins with a thorough assessment of the client’s health needs and objectives, along with an analysis of his or her medical history, individual lifestyle and social context. “We understand that overloading our clients with scientific advice will only confuse them,” said Ms Liu. “So we aim to make our advice as personal, practical and useful as possible.”

A major “plus” is the time Watsons’ dietitians spend with each client. The all-important first consultation lasts between 40 to 45 minutes, which is about double the time dietitians in public hospitals are usually able to spend with patients, according to Ms Liu. “This extra time allows us to understand our patients more thoroughly and discuss their unique needs in detail.”

Typically, clients’ needs are diverse. “For example, we have clients who want to establish healthier eating patterns, but who also eat out for every meal,” Ms Liu noted. “We have developed a great way of helping them decide not only what not to eat when they are in a restaurant, but also what to choose, instead.” All the dietitians keep sample menus in their consultation rooms to help clients make healthier restaurant choices based on real options within their preferred cuisines.

Service synergies

A fundamental goal of the new service is to cooperate closely with other healthcare professionals, including Watsons pharmacists. “Although our dietitian service is not about selling products to clients, being located in the pharmacy setting allows for a truly holistic approach to helping people become healthier by individually managing both their diets and medications,” explained Chief Pharmacist Margaret Lau. “There is a great synergy between the two services.”

Watsons has also informed neighbourhood physicians of the presence of registered dietitians in nearby stores. If the dietitians receive a referral letter from one of these doctors, they will send that physician a report after they have seen his or her patient and work closely with the doctor on follow-up action.

“This is another great advantage of our service,” said Ms Liu. “Monitoring and follow-up appointments are readily available at Watsons, whereas usually you must have a doctor’s referral to see



“We want to **let more** clients and citizens **know** what a dietitian can do to help them and their families...”

a dietitian in a public hospital, even if it is for a follow-up appointment. For many clients, monitoring and convenience are key motivations for seeking help.”

Practical challenges

Implementing the new service has not been without challenges. With retail space so precious in Hong Kong, a strategic approach has been needed to carve out areas in existing stores for the dietitians’ consultation rooms.

Another challenge has been overcoming lack of local understanding about what dietitians do. “People tend to think that dietitians equal weight loss, when in fact, we offer so much more. Aside from helping in the control of disease, we play a major role in children’s health and nutrition,” said Ms Liu.

In addition, many people are confused about the difference between a nutritionist and a dietitian. “While nutritionists have a great deal of scientific knowledge about nutrients and how they interact, they usually do not have clinical training to apply that knowledge to individuals, especially to people with diseases,” Ms Liu explained. Dietitians, she said, were trained not just to know about nutrients in food but which foods work together to meet an individual’s specific nutritional, medical and health needs.

Pharmacists faced a similar challenge 20 years ago, recalled Ms Lau. “Most people did not realise that we were experts in medicine,” she said. “Over the years, that has changed. Now, pharmacists are regarded as health and medication consultants.” She hopes public awareness about the role of dietitians will be similarly raised. “We want to let more and more clients and citizens know what a dietitian can do to help them and their families lead a more healthy life.”

Perfect timing

For Ms Liu, heading the team behind Watsons’ newest health-related service is a

dream come true. As a trainee in Scotland, she had already decided she would prefer to practise in a community rather than a hospital setting.

“Hospital dietitians do amazing work. They help sick people and those in urgent needs,” she said. “But because we eat several times every day, helping people with their diets is a good way to help them stay healthy and prevent illness.” She passionately believed that food was more than just fuel – it was also about society and culture. “I felt I could do more with disease prevention and health promotion by working in the community,” she said. “I wanted to make an impact on people’s everyday lives.”

On returning to Hong Kong to pursue her career, Ms Liu had few opportunities to realise her vision. At least, that was the situation until about a year ago, when Watsons came along with its plan for in-store dietitians. “I was so glad to discover that we shared the same vision,” said Ms Liu. “It was really good timing and a wonderful opportunity for which I’m so thankful.” 

Registered dietitians Tinny Chan and Wendy Liu (*centre*) consult with in-shop pharmacist Alan Choy at Watsons in Jordan, one of seven stores where the new nutrition and dietary service is offered.





Help! He refuses to eat his veggies!

Among many clients helped by Watsons in-store dieticians are anxious mothers with children who are picky about eating. Here is the advice the dieticians give:

1. **Realise that your child's eating habits largely depend on yours.** Setting the right example, both in terms of what you do and do not eat, plus what you feed your child and when, can go a long way to undoing a child's picky habits and curbing new ones.
2. **Do not force children to eat.** Encourage them to try and eat the food they push away but do not make them or they may start looking upon such food as punishment.
3. **Make food interesting.** This can go a long way to convincing children to try new food or to eat food they think they do not like. For example, cut broccoli florets into tiny "trees" and create a "forest" on your child's plate. Or, if it is the texture of a new food that your child is sceptical about, try modifying it by pureeing it into a soup.
4. **Do not give food as a gift or a reward.** This encourages children to become even pickier! They get the idea that certain behaviour, such as tidying up toys or finishing homework, will always lead to a piece of chocolate. Children may even begin to see food as a sign that they have pleased their parents, which can also make them feel they have not pleased them when parents do not hand out the expected food.

Snacking while busy

Think you are too busy to "snack smart" while you are at work? Think again. Here are a few quick, easy and – most importantly – healthy options that can make your afternoon pick-me-up work in favour of your waistline:

- **Low fat yogurt** – A serving of chilled fruit yogurt is a refreshing and calcium-rich option for an afternoon tea break.
- **Fresh fruit** – Enjoy an apple or banana or small cup of berries! Fresh fruit is packed with vitamins, minerals and dietary fibre, making them low calorie, yet satisfyingly, filling.
- **Nuts and dried fruits** – This all-natural, yummy combination provides you with essential fatty acids, dietary fibre and the goodness of fruit. Toss in small piece of dark chocolate and you have a snack that will satisfy both your sweet tooth and your desire to stay fit.
- **Herbal tea** – Replace your full-cream coffee, tea or sugary soda with a cup of soothing herbal tea. Herbal teas are ultra low-calorie, yet chock-full of antioxidants, which are good for both your heart and skin. 

