

Sphere

ISSUE 31

THE INTERNATIONAL JOURNAL OF THE HUTCHISON WHAMPOA GROUP



The Dawning of a **New Era** for Hutchison Whampoa

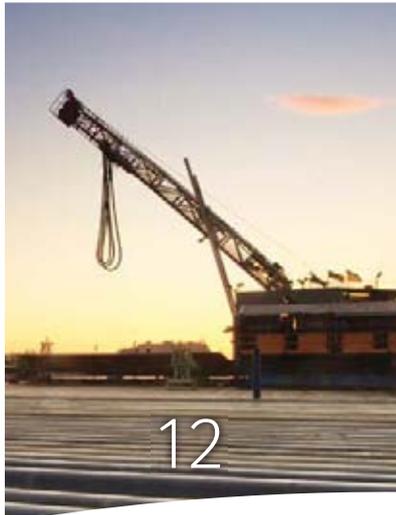
A bright light shining on challenging times

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HUTCHISON WHAMPOA explains how the Group entered its “fat cow” years, where all its major operations are cashflow positive and the company made an all-time high recurring profit, in 2011, through a review of its operations.

We survey the ‘double digit’ growth of Chinese airlines through the eyes of Hutchison’s Chinese joint venture GAMECO, who service airlines from around the world, in its burgeoning China operations. We hear of the use of the latest, environmentally friendly and efficient technologies used by Husky, an associated Hutchison Whampoa company, to extract crude oil, deep beneath Canada.

Through a heart warming review of the first ever Global Volunteer Month, we see how the team at A S Watson Group brought more to life in the communities in which it operates from Philippines to China and on to the United Kingdom. This collective effort not only brings needed support, care and love to the society, but helps to bring a new dimension to the work to our employees.

Happy reading and we welcome your feedback to SphereE@hwl.com.hk.

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COVER AND COVER STORY ILLUSTRATIONS: BERNARD CHAU

Hutchison Whampoa Limited 

- C** CORPORATE
- P** PORTS & RELATED SERVICES
- H** PROPERTY & HOTELS
- R** RETAIL
- T** TELECOMMUNICATIONS
- I** INFRASTRUCTURE
- E** ENERGY
- F** FINANCE & INVESTMENT AND OTHERS

A.S. Watson Group
We have reached 10,000 stores!

1 0 0 0 0

Major Milestone

GLOBAL A S Watson opened its 10,000th retail store, a major milestone for the world's largest health and beauty retailer. **R**



APPLAUSE! The 2010 HWL Annual Report has been honoured with the Silver Award in the Conglomerates, Holding Companies and Diverse Investment Annual Report category and a spot in the Top 20 Chinese Annual Reports at the 2010 League of American Communications Professionals Vision Awards 2010. The report's cover design also received the International ARC Honors Award from MerComm, Inc. **C**

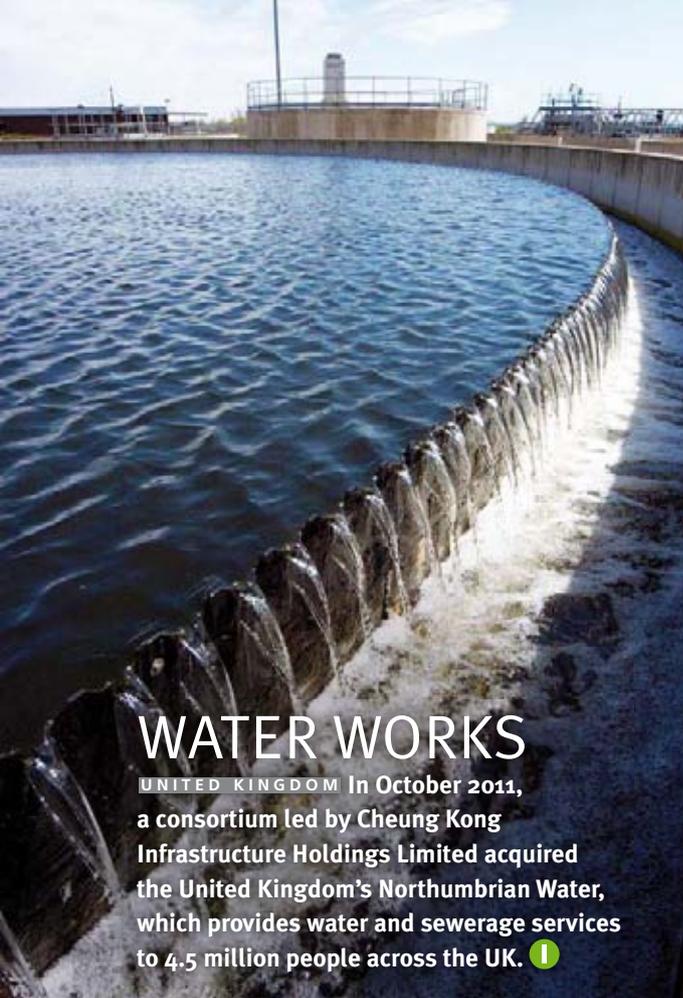
RAISING THE BAR

AUSTRIA **3** Austria has been named the "Best Network in Austria" after scoring the highest ever Connect-Test rating. **3** Austria also achieved the highest 3G network ranking across Europe's entire German-speaking region. **T**



Designing for a Cause

HONG KONG Kicking off its Smart Power Campaign 2012, Hongkong Electric showcased over 50 DIY low carbon products designed by local secondary school students at its Low Carbon Bazaar. These designs ranged from shopping bags made from recycled clothing to lampshades decorated with the pull-rings of soft drink cans. Over 3,000 people participated in the bazaar, which aimed to promote low carbon lifestyle choices. **I**



WATER WORKS

UNITED KINGDOM In October 2011, a consortium led by Cheung Kong Infrastructure Holdings Limited acquired the United Kingdom's Northumbrian Water, which provides water and sewerage services to 4.5 million people across the UK. **I**

Beach Combers

SOUTH KOREA Members of the Hutchison Korea Terminals scuba club are committed to keeping our oceans clean. The club regularly instigates local environmental initiatives, including their all-time favourite, beach cleaning activities. **P**



ROOMS ON THE GO

HONG KONG Harbour Plaza Hotels & Resorts has launched its mobile portal in May, allowing travellers to make enquiries and reservations with its nine hotels through their smartphones. **H**



Star for a Day

IRELAND Thanks to 3 Ireland, one lucky Irishman has earned himself the honour of becoming a member of Jedward, one of the country's favourite pop duos, for a day. Following a rigorous social-media based audition sponsored by 3 Ireland in September 2011, this lucky young man beat out hundreds of contestants for the chance to live like the sibling pop stars for 24 hours in late 2011. This campaign boosted positive word-of-mouth ratings for 3 Ireland from 59 per cent to 71 per cent over the course of the contest. **T**

READY FOR ACTION

CANADA Nearly 1,500 workers are now on-site at Husky's Sunrise Energy Project in northeast Alberta, Canada as work ramps up for the first phase of the 60,000 barrels per day project. The first day of production at the Sunrise site is scheduled for 2014. **E**



POWERING UP

CHINA Husky's Liwan natural gas joint development with CNOOC, located in the South China Sea, will begin supplying gas to the surrounding region by 2013-2014. Consumers in Hong Kong and Mainland China's Guangdong province will be the main recipients of natural gas from the Liwan development. **E**



→ CONGRATULATIONS!

Marionnaud France has been voted "Retailer of the Year 2011 - Beauty and Perfume" by French consumers. **R**



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Going, Going, Gone!

CHINA Over 200 units in the newly completed Beijing Maison Greenwich were sold to eager buyers during the property's grand launch, held at the Beijing Grand Hyatt in late November 2011. Hundreds of guests eager to find their dream flat attended the launch. **H**

RADIO ANNIVERSARY AWARDS

HONG KONG In celebration of Metro Finance's 11th anniversary, Hong Kong's Metro Broadcast Limited held an award ceremony to honour the enterprise's brand building efforts during 2011. Hong Kong's Secretary for Financial Services and Treasury, Professor KC Chan, attended the event alongside many of the city's other finance gurus and business elite. **F**



Extending Boundaries and Capacity

HONG KONG Together with Amsterdam Internet Exchange (AMS-IX), Hutchison Global Communications Limited launched AMS-IX Hong Kong, a professional Internet exchange service aimed at boosting regional Internet traffic. The launch of AMS-IX Hong Kong is an important step towards developing Hong Kong as a major Internet exchange hub in the region. This new exchange service allows Internet users in Asia to access extensive Internet networks via a single platform, while AMS-IX users in Europe are now able to extend their capacity in the Asia Pacific region. **T**



A MEETING OF MINDS

HONG KONG Bringing together some of the top minds from the world's most prestigious health and beauty manufacturers, A S Watson Group (ASWG) hosted its second Global Suppliers Conference in Hong Kong in March 2012. During the conference, ASWG also presented its Global Supplier Awards to the best of the best in the health and beauty supply industry. **R**

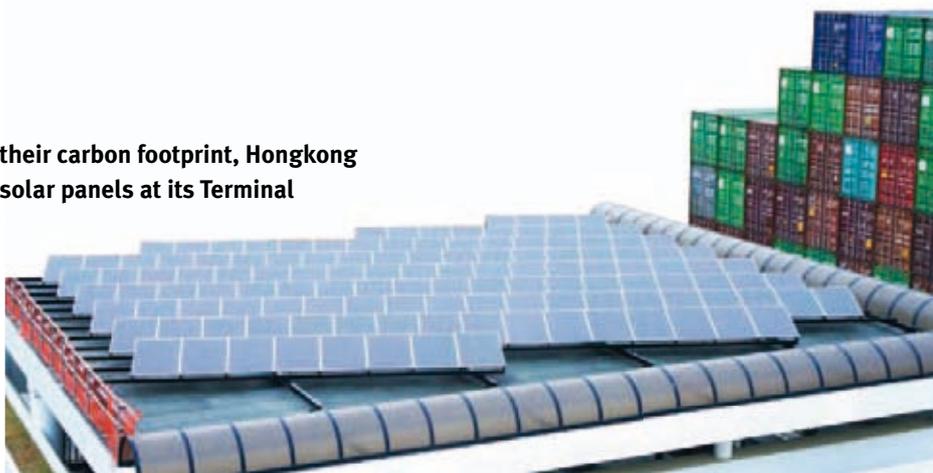


Sharing the Blessings

HONG KONG Ringing in the Chinese New Year, two dozen HWL Volunteer Team members visited 30 residents at the Tung Wah Group of Hospitals Elderly Home to celebrate the Year of the Dragon and share blessings of good health and favourable luck. **C**

GREEN LIGHTING

HONG KONG Taking yet another step to reduce their carbon footprint, Hongkong International Terminals has installed a series of solar panels at its Terminal 4 Emergency Gatehouse. These solar panels will provide enough energy to power both the canopy floodlights and the office lighting at the gatehouse. **P**



The Dawning of a New Era for Hutchison Whampoa

In 2011, even as the world grappled with a cloud of economic uncertainty, Hutchison Whampoa was able to further strengthen its balance sheet, complete a major infrastructure acquisition and continue its exploration of merger and acquisition opportunities. This multinational conglomerate has now entered its “fat cow” years, as all major operations are cash flow positive and the company is making an all-time high in recurring profit. The 3 telecommunications business has achieved critical mass and management sees the company entering into a growth period.

The consistent growth in recurring earnings per share over the past four years has been promising, along with a growth in overall earnings and an increase in dividends. These facts and figures are only part of the company’s success story, however. It has been through the careful strategical nurturing of individual operations, the diligent and prudent management of finances and the hard work of Hutchison’s quarter of a million employees in 53 countries, that our six core business units are poised for sustained growth.



Telecommunications

For the Group’s telecommunications division, 2011 was indeed the dawning of a new era. The Hutchison Whampoa Group has been in the telecommunications business since the 1980s, and in 2003 HWL launched 3G mobile telephony which pioneered mobile data telephony and fundamentally changed the way people communicate. Under the brand name 3, Hutchison rolled out 3G mobile data networks in Hong Kong, Austria, Australia, Denmark, Ireland, Italy, Macau, Sweden and the UK.

Building the networks from scratch was a challenge for the division, but the bigger obstacle was morphing consumer behaviour from merely using mobile phones to talk, to using them for a myriad of other activities. Initially, mobile data telephony was thought of as a video conferencing gimmick, but today people have a hard time putting down their smartphones, using them for email, socialising with friends through social media channels, communicating via instant messaging, surfing the Internet, playing interactive games and countless other activities made possible by high-speed mobile data networks. By December 2011, 3 Group’s customers were using 19,621 terabytes per month, or the equivalent of 35 trillion tweets or over 4.1 billion songs.

These higher-value smartphone and mobile broadband access users, in combination with streamlined business practices, led to a notable increase in revenue in 2011. Hutchison Telecommunications Hong Kong Holdings and 3 Group reported a 36 and 16 per cent increase, respectively. They each also boast over 2.7 and 28.88 million 3G customers, respectively.

As mobile data networks migrate to Long Term Evolution (LTE) to handle the increased data usage by customers, 3’s networks are already poised for the development when the world’s handsets and other portable devices are ready.



Ports and Related Services

Ports are a foundation stone in Hutchison Whampoa's history. The Hongkong and Whampoa Dock Company was established in 1866 and provided ship construction and repair services for over 100 years before diversifying into cargo and container handling operations in 1969. The company began its international foray in the 1980s with the acquisition of the Port of Felixstowe, but it was not until the late 1990s and early 2000s that the ports division began pursuing aggressive international acquisitions. Today, Hutchison operates 52 ports in 26 countries in Asia, the Middle East, Africa and the Americas.

Despite the cloud of economic uncertainty that has spooked some financial markets and dented consumer confidence in some countries, the ports division has continued to grow

modestly. The group's total container throughput, measured in twenty-foot equivalent units (TEUs) has risen every year for the past two decades, save for a slight downturn in 2009.

In light of this moderate growth, two new deep-water berths were opened in 2011 in the Port of Felixstowe, the UK's largest container port, alongside the acquisition of operating rights to four berths in Ajman Port in the United Arab Emirates.

In 2012, the ports division will open six new berths, including three in Barcelona, Spain, set to become some of the most modern semi-automated facilities in the world, serving Southern Europe in addition to Spain. The remaining three will be opened in Huizhou, China and Westports, Malaysia. In 2013, nine more berths are scheduled to come into operation.



Retail

A shift in consumer behaviour away from high-end luxury products over the last several years has posed a challenge for Hutchison's retail units, particularly in Europe. In spite of these uncertain economic conditions, however, Hutchison's European colleagues were able to adapt to the changing needs of their consumers and rework their inventory management strategies, allowing the retail division in Europe to maintain steady sales volumes and operating margin growth. In addition, smart loyalty and reward programmes have been notably effective in sustaining sales volumes.

In total, the A S Watson Group now has over 10,000 retail stores worldwide, compared to only 75 stores when it became a wholly owned subsidiary of Hutchison Whampoa in 1981. The company grew slowly into Asia and Mainland China in the 1980s and early 1990s and then into Europe in the late 1990s and early 2000s with the acquisitions of Savers, Superdrug, Rossmann, Drogas, Kruidvat, Cosmo Shop, the Merchant Retail Group, Spektr, Marionnaud and DC.

In the years following these acquisitions, management worked diligently to improve operating efficiencies, reduce inventory surplus, centralise purchasing and develop own-brand products. These efforts helped turn these acquisitions – some of which were loss-making ventures – into profitable businesses. Today, A S Watson stores serve approximately 26 million people each week.

Going forward, Asia and China, in particular, will be key areas for strong growth potential. Watsons China grew from 410 stores in 2008 to over 1,000 stores in 2011. Currently, Watsons China is opening one new store nearly every day, with each store in China seeing an average sales growth of 7.8 per cent over 2011 figures.

As a whole, total revenue for the retail division grew 17 per cent to HK\$143.6 billion between 2010 and 2011.



Property and hotels

“Location, location, location” has long been the adage of the world’s property gurus. For Hutchison, it seems that the prime location is Mainland China, where most (97 per cent) of the Group’s properties are located. In 2012, Hutchison expects to complete 13.8 million square feet in gross floor area of residential and commercial properties in Hong Kong, Singapore and 13 Mainland Chinese cities.

This property growth is largely driven by the rising middle class in China seeking to own their own homes. There is also an increase in the number of businesses looking to expand their presence in the region, requiring additional commercial space.

The hotel division also had a remarkable year overall. As fears of the swine flu (H1N1 virus) continued to dissipate as the year went on, tourism and associated hotel bookings across the hotels’ portfolio of 9,370 rooms in 12 hotels increased noticeably. An increase in the number of Mainland Chinese tourists visiting Hong Kong was a key factor in the increased revenue in Hong Kong, leading to frequent fully booked periods with good rates for many of Hong Kong’s hotels.





Energy

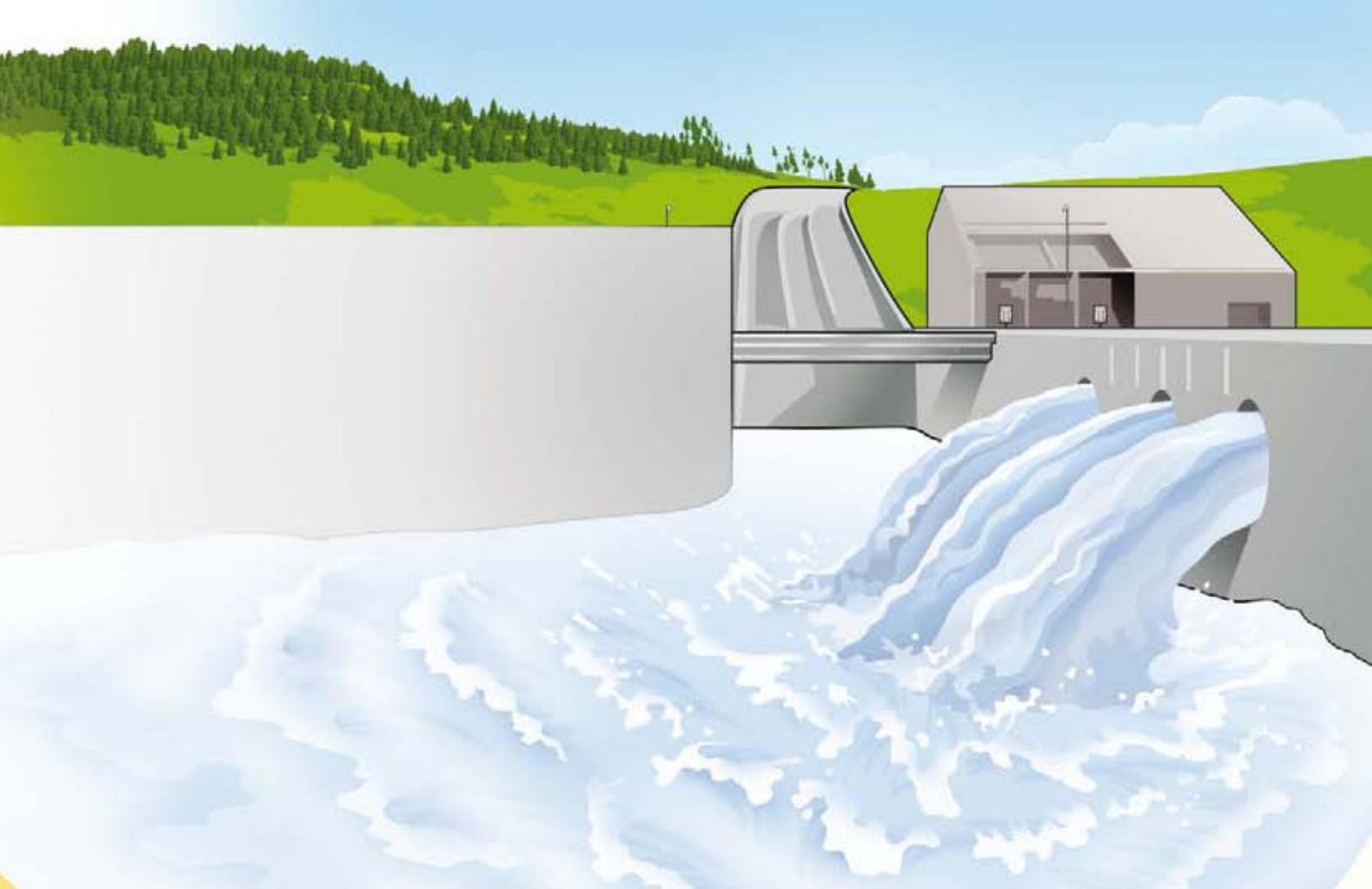
The Group's energy division, principally located in Canada, comprises mainly a 33.90 per cent interest in Husky Energy, Inc (Husky), one of Canada's largest integrated energy and energy-related companies. Hutchison and Mr Li Ka-shing acquired Husky in 1987, when the company was hobbled by debt. The acquisition did face much scepticism as to the profitability of the investment. However, Husky's earnings in recent years have not only proven the soundness of the investment, but have also contributed significantly to the Group's portfolio.

Husky's 2011 revenues were up 37 per cent over 2010. This advancement was driven by strong production growth, higher realised crude oil prices and stronger refinery margins. An average of 312,500 barrels of oil equivalent per day (BOEs per day) was produced, compared to an average of 287,100 BOEs per day in 2010, an 8.12 per cent increase.

Two large upcoming projects for Husky are its 49 per cent share in the Liwan Deep Water Natural Gas development in the South China Sea, set to begin pumping by 2013-2014 and its 50 per cent share of the Sunrise Energy Project in Alberta, Canada, projected to produce approximately 60,000 BOEs per day in 2014.

These two projects, along with its strong capital-raising capabilities, will be important growth drivers for the division in coming years.





Infrastructure

The Group's infrastructure division, Cheung Kong Infrastructure (CKI) made headlines with a handful of major acquisitions over the past few years and achieved the highest profit in the company's history in 2011. CKI acquired Northumbrian Water, which operates water and sewerage businesses in England and Wales, in October 2011. It also acquired Electricité de France (EDF) United Kingdom's electricity networks, which was renamed UK Power Networks Holdings Limited, the UK's largest electricity distributor covering London, South East England and the East of England in 2010. These acquisitions provided substantive positive profit contributions, resulting in a very significant increase in CKI's reported revenue, a growth of 67 per cent.

CKI, listed in Hong Kong in 1996, is now a leading player in the global infrastructure arena with businesses in Hong Kong, the UK, Mainland China, Australia, New Zealand and Canada.

Overall Group Performance

While each of the Group's core business faced different obstacles and challenges over the past several years, each was able to weather the storm, emerging financially and operationally stronger. Despite market uncertainties, Hutchison has increased dividend payments for the second year in a row, driving shareholder's recurring earnings per share to a new high.

Overall, as the Group settles into 2012, it will continue to invest in increased productivity and cost efficiency, as well as in selective expansion of its global footprint. 

Husky's New Angle

Cutting-edge horizontal drilling techniques optimise the life of Canada's oil sands.



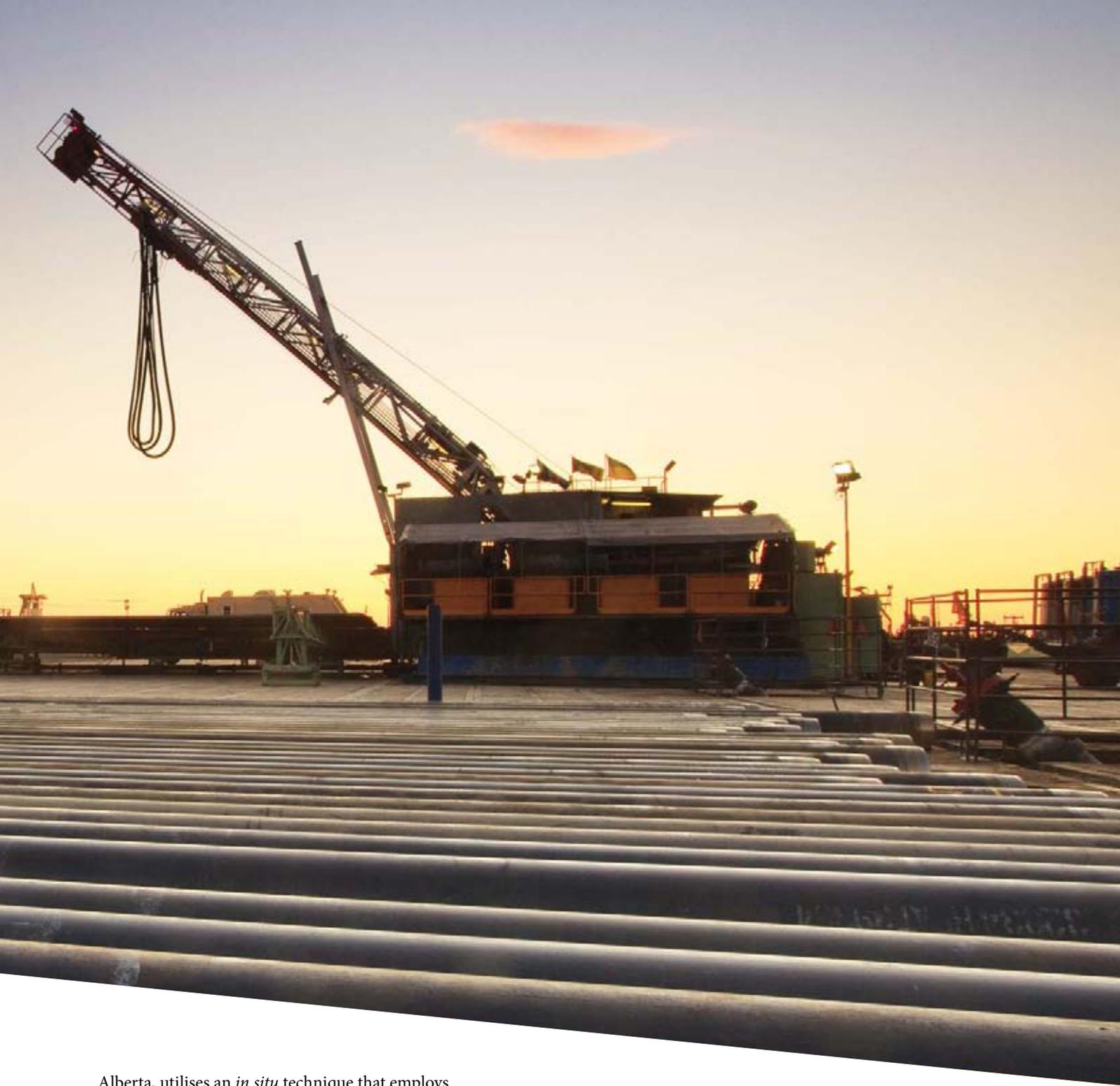
AS THE WORLD'S ENERGY NEEDS continue to grow, more sophisticated, environmentally friendly and efficient methods of extracting the world's remaining oil and natural gas reserves will become increasingly necessary. Husky Energy, one of Canada's largest integrated energy providers and an associated Hutchison Whampoa company, continues to seek out these new methods alongside efforts to optimise existing technologies.

Husky is at the forefront of the use of *in situ* oil recovery methods in extracting some of Canada's most difficult to access reserves, employing modern horizontal drilling techniques. In the thick oil sands of the western Canadian province of Alberta lies one of the largest remaining concentrations

of petroleum resources in the world, estimated at 170 billion barrels of recoverable crude oil by the Alberta Energy Resources Conservation Board.

This extra-heavy crude oil, called bitumen, is more difficult to extract than traditional petroleum because it is highly viscous and thus cannot be extracted under normal reservoir temperatures. The thick bitumen must be heated underground before it can be pumped to the surface. Only then can it be refined into synthetic crude oil and other petroleum products.

Multiple *in situ* methods can be employed to thin the bitumen in order to ease the extraction process, including the addition of solvents or the application of heat through gas or steam. Husky's Sunrise Energy Project in the Athabasca oil sands, located 60 kilometres northeast of Fort McMurray in eastern



Alberta, utilises an *in situ* technique that employs steam-assisted gravity drainage techniques (SAGD), coupled with horizontal drilling methods, to extract the bitumen.

Traditionally, oil wells have been drilled vertically from the surface straight down into oil reserves. However, as easy-to-access resources diminish, this is not always the most practicable method. In Husky's Sunrise Energy Project, the wells are drilled at an angle from the earth's surface, typically 45 degrees, and then deviated to the horizontal 90 degrees, into the shallow target formation.

The concept of horizontal drilling was

first proposed in the 1980s and first used by Husky in the summer of 1989 in an oil-rich area of Canada known as Rainbow. A straightforward concept, horizontal drilling involves drilling a horizontal (as opposed to vertical) well in order to access resources that could not ordinarily be reached easily – or at all – with traditional vertical wells.

This often allows more of the petroleum resources to be accessed than via traditional techniques. Importantly, horizontal drilling has also been shown to increase recovery from older reservoirs under certain circumstances, giving new life to resources

once thought depleted. Other steam-assisted techniques, such as Cyclic Steam Stimulation (CSS), which involves using a traditional vertical well to infuse a reservoir with steam so that the bitumen may be pumped out several weeks later, typically recover less than the steam-assisted methods of horizontal drilling, except in certain situations where CSS is a more suitable recovery method.

Horizontally drilled wells, aside from being markedly more efficient under the right circumstances, are also more environmentally friendly than traditional vertical wells. “Horizontal drilling is better for the environment, because multiple horizontal wells extending in different directions can be drilled from a single pad site, effectively reducing the surface environmental footprint,” explained Marek Bartlomowicz, Technology and Performance Manager for Husky Drilling & Completions Department.

In the Sunrise Energy Project, set to begin oil production in 2014 when 49 pairs of parallel horizontal wells will be used to extract the bitumen during the first phase of bitumen recovery. Steam will be continuously pumped through the upper of the two wells into the bitumen reservoir. A steam chamber

“Although drilling a horizontal well is more difficult than a vertical well...the benefits greatly outweigh the challenges.”

will be created, heating and thinning the bitumen, allowing gravity to pull it towards the lower well and be pumped to the surface. Sunrise has excellent reservoir quality with an average bitumen thickness of more than 30 metres. Over the full life of the project, Husky believes it can achieve more than 40 years of production at the currently proposed rate of 200,000 barrels per day (gross) from over 1,500 well pairs. It is expected that the oil extracted from the Sunrise Energy Project will be processed into various transportation fuels at a Husky/BP jointly owned refinery near Toledo, Ohio in the United States.

At other Husky sites in Canada, from the Western plains to North East British Columbia through to Canada’s East coast, horizontal drilling is being used to successfully develop fields where it is more efficient and practical than vertical drilling. Husky is also using horizontal drilling in its offshore projects, such as the Husky White Rose field and satellite tiebacks in Canada’s



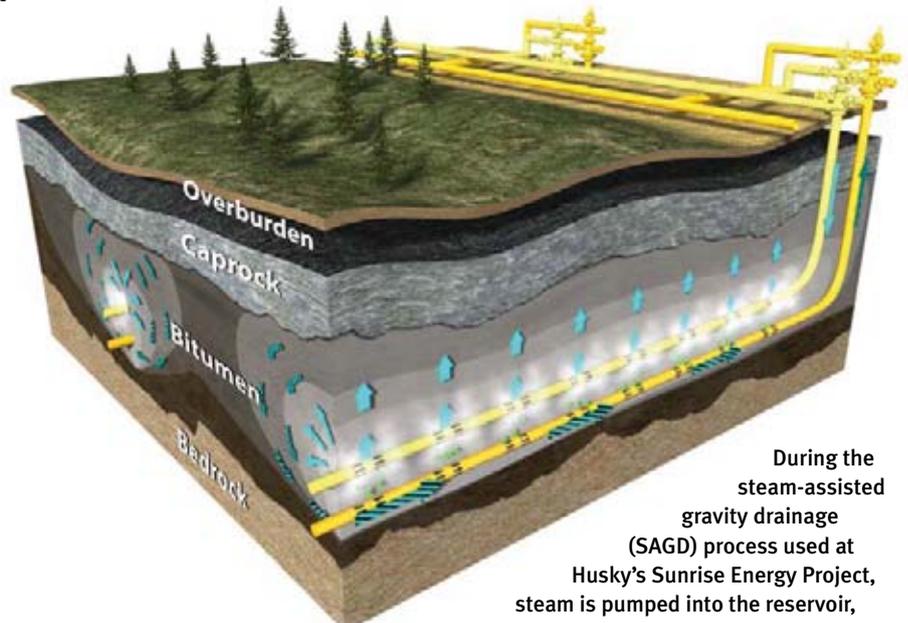
Atlantic Region, where a combined total of more than 175 million barrels have been extracted since production began in 2005.

Outside of North America, Husky is also considering horizontal drilling techniques in developing some of its largest offshore projects, including its natural gas discoveries in the Asia Pacific region, as horizontal drilling will maximise production in these areas. “Although drilling a horizontal well offshore is more difficult than a traditional vertical well, most of the challenges faced are to do with drilling offshore in general,” said Mr Bartlomowicz. “Thus, given the remarkable efficiency in accessing the resources and environmental friendliness of horizontal drilling, the benefits greatly outweigh the challenges.”

Of course, drilling horizontal wells has not come without its challenges for Husky. “Using horizontal wells has introduced more complexity to our operations, such as increased torque and drag, and thus more stress on the equipment,” explained Mr Bartlomowicz. “Additionally, the overall cost of delivering horizontal wells is higher, so all operators must overcome a learning curve before becoming

consistently good at delivering horizontal wells. This is a challenge that the industry and Husky are still navigating today.”

Today, as Husky continues to respond to the world’s changing energy needs, it employs some of the top drilling and completions experts, pushing the envelope with cutting-edge techniques that will continue to contribute substantial value to operations and keep Husky at the top of Canada’s oil production. 



During the steam-assisted gravity drainage (SAGD) process used at Husky’s Sunrise Energy Project, steam is pumped into the reservoir, heating the bitumen so that it becomes thin enough to be pumped to the earth’s surface.



Bringing more to **life**, the world over





“A culture of caring is part of the Group’s passion. It permeates every business division, every store and every employee, everywhere.”
- A S Watson CSR Policy



MEMBERS OF THE A S WATSON GROUP (ASW) are always busy bringing more to life in the communities in which they operate, and during the month of October 2011, they were particularly so.

October played host to the first ever ASW Global Volunteer Month, an idea conceived by the ASW Global Committee following the release of the ASW Corporate Social Responsibility (CSR) Policy.

Although Global Volunteer Month is the first global collective effort in support of the CSR policy, most ASW business units around the world have long been engaging in philanthropic activities on their own. In 2009 alone, the ASW’s global collective effort resulted in the contribution of more than USD13 million in

charitable donations. In environmental and emotional terms, the contributions have been priceless.

“What we really want to accomplish through Global Volunteer Month is to engage everyone across ASW and around the world all at once. What better cause for everyone to unite around than giving back to our community,” explained Mr Gerard van Breen, CEO of A S Watson Benelux and Member of the ASW CSR Global Committee, which is responsible for defining the ASW’s CSR Policy and direction. “This is a very important effort, because we have such a great responsibility to the local communities in which we operate. We absolutely cannot thrive without considering the needs of our community, and that must go beyond simply what products they need.”

October was selected as Global Volunteer Month because it is the off-peak period for most of the ASW health and beauty chains. “We saw this as the perfect time to engage all of our employees at once in something extremely meaningful,” said Mr van Breen.

Local ASW units, based on the needs of their local communities, independently determined the priorities for their contributions to the global volunteer efforts, spanning across health, environmental and disaster relief causes. “For instance, there might be some relevant services provided by the government in one country that are not provided by the government in another. That provides a gap that we can attempt to help fill with our

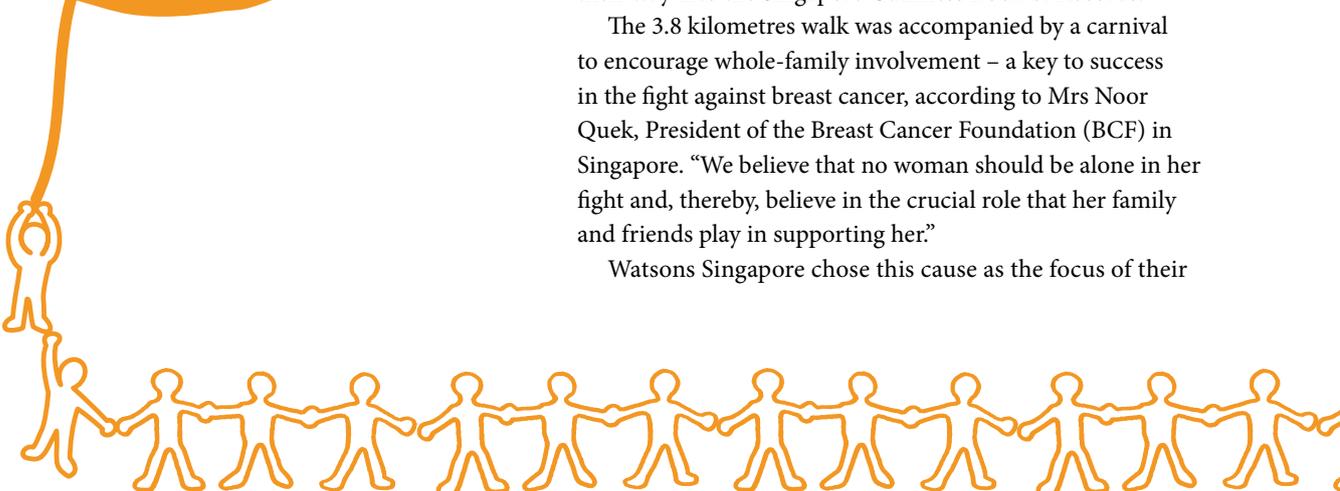




Together with students of the Hsin-chieh Elementary School in Taiwan, the staff, suppliers and families of Watsons Taiwan teamed up to raise money for underprivileged Taiwanese children through the Child Welfare League Foundation.



“This is a very important effort, because we have such a great **responsibility** to the local communities in which we **operate**.”



efforts,” explained Mr van Breen. “It really is all about bringing more to life.”

“What is great about our global group of volunteers is that we have many resources at our disposal that we are able to use in giving back to our communities,” added Mr van Breen. “Of course we have the gifts of time and labour, but also the gifts of knowledge and familiarity with our communities, which are really the most important.”

Exemplifying Selfless Service

Kicking off both the Global Volunteer Month and Breast Cancer Awareness Month, more than 5,000 breast cancer patients, survivors, friends and families participated in the Watsons Pink Ribbon Walk and Pink Glove Dance in Singapore on 1 October 2011, handily setting the record for the largest Pink Ribbon event in Singapore to date, making their way into the Singapore Guinness Book of Records.

The 3.8 kilometres walk was accompanied by a carnival to encourage whole-family involvement – a key to success in the fight against breast cancer, according to Mrs Noor Quek, President of the Breast Cancer Foundation (BCF) in Singapore. “We believe that no woman should be alone in her fight and, thereby, believe in the crucial role that her family and friends play in supporting her.”

Watsons Singapore chose this cause as the focus of their



volunteer efforts due to its strong significance to both the Singaporean community and to the local Watsons philosophy.

“Breast cancer is the number one cancer killer among women in Singapore. We strongly believe that our support in the fight against this disease should continue to grow,” said Ms Cathy Yeap, Managing Director of Watsons Personal Care stores in Singapore. “Advocating preventative healthcare is what we believe in, and that is why we support the BCF in this effort.”

In-store, Watsons customers were able to purchase the BCF Breast Book, which contains information about breast cancer and a step-by-step guide to breast self-examination.

In addition to achieving record-setting participation in the Watsons Pink Ribbon Walk, Watsons Singapore is taking their commitment to this issue even further by partnering with four of its suppliers – Brands, Johnson & Johnson, L.D. Waxson and Proctor & Gamble – to raise additional funds through the reintroduction of its “Pink Shelves” programme. For approximately six weeks in October and November, 40 Watsons stores throughout Singapore featured products

from these four partner suppliers on special pink-coloured shelves. For every product purchased, 10 cents were donated to BCF, reaching a grand total of SGD100,000 (about USD76,700) donated.

Along with the Pink Shelves, donation boxes were placed at sales counters to encourage Watsons customers to show their support for the cause. BCF pink ribbon pins were also sold in stores, helping Watsons Singapore to raise an additional SGD20,000.

“Giving back to the community is part of the A S Watson ‘DNA’. Just as we are committed to enhancing the lives of our customers by providing them with the best of beauty and health products, we also aim to bring more to the lives of those in need through community involvement,” said Ms Yeap.

Singapore was not alone in their successful efforts to make a positive difference in the community they serve. Indeed, ASW units around the world found ways to make an impactful difference in their local neighbourhoods.

Employees of the ASW regional office in the Battersea district of London spent a sunny

Left top and bottom: Staff at Watsons in the Philippines participate in “Watsons Family Health Day” with their fellow colleagues and family members.
Right: Employees of the A S Watson regional office in London spent a sunny Friday afternoon in early October volunteering at the London Wetland Centre.





Staff from PARKnSHOP China bring health and wellness advice to the homes of elderly community members.



Top: A group of young participants pause for a team photo following the Watsons Taiwan Hand-in-Hand with Love charity fun race.
Middle: Members of Retail Hong Kong chaperone a trip for underprivileged children that included coral viewing and kite flying.
Bottom: Staff from the Superdrug Head Office host a Cycle to the Moon charity bike race.

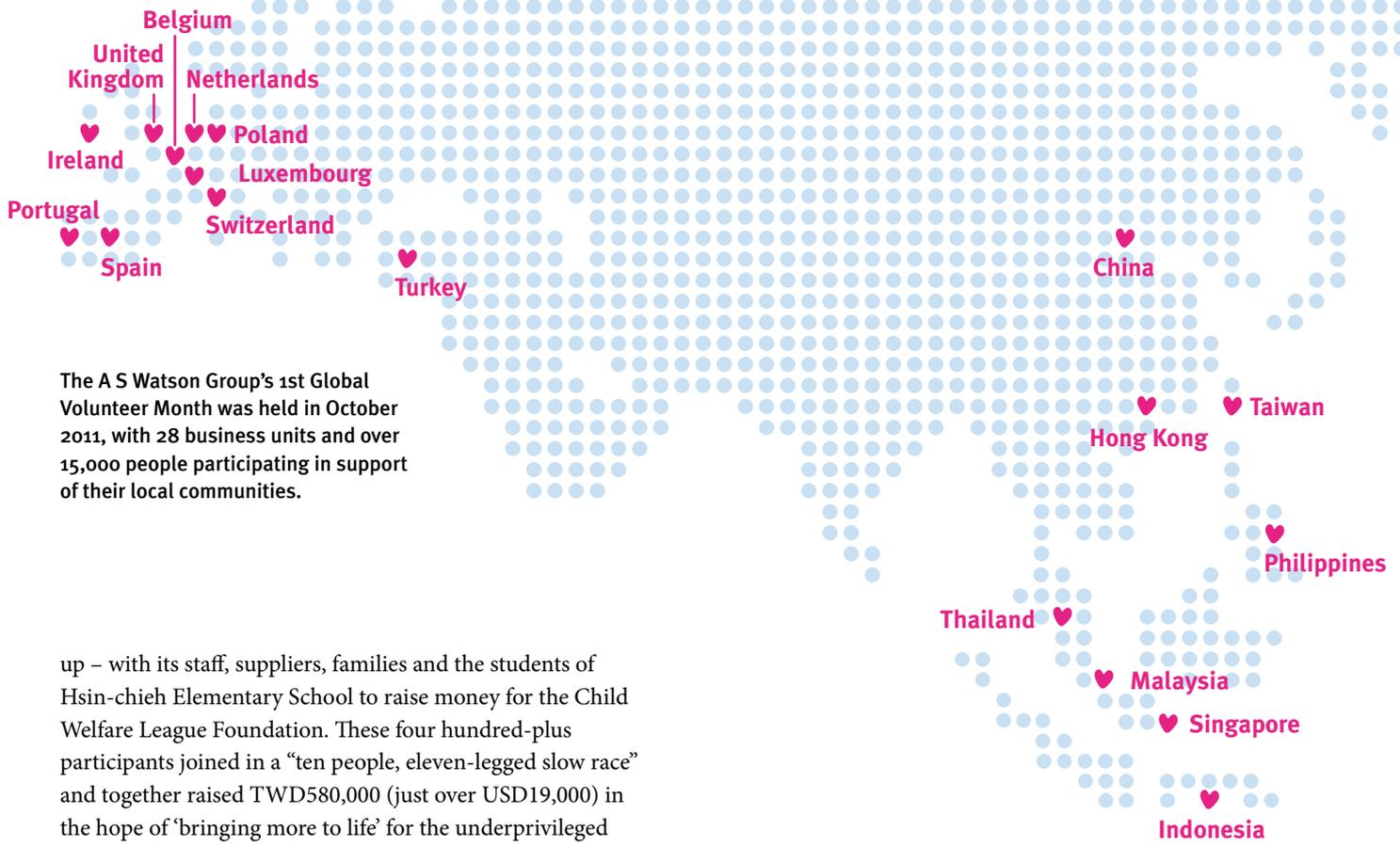
Friday in early October 2011 helping the London Wetland Centre prepare for the changing of the seasons. The team of volunteers, led by Chris Lindsay, ASW Group HR Director (Europe), spent the day planting over 2,500 autumn bulbs in preparation for autumn visitors to the London Wetland Centre and raised just over EUR500 (USD670) in donations through the sponsorship of their families and friends. “This was a truly fantastic opportunity for us to give something back to the local community whilst continuing to strengthen our team,” said Mr Lindsay.

Following the tragic 5.7 magnitude earthquake in Turkey in early November 2011, Watsons Turkey was moved to continue their Volunteer Month efforts by donating 1,000 personal care items to victims, alongside a donation of TL10,000 (about USD5,400) to the Red Crescent, the local disaster relief organisation.

Joining Watsons Turkey and the Battersea team in the European effort was Marionnaud in Spain and its “Week of Hugs” campaign, which raised funds for many causes over the course of a week. Marionnaud partnered with local NGO Ayuda en Acción for this event, during which visitors to Marionnaud stores were invited to hug staff members in order to raise money for a new cause each day. For example, all ‘hug money’ raised on Monday was donated to support hunger alleviation, all hugs on Tuesday raised money for the equal treatment of women, and so on. For each hug given and received, Marionnaud donated EUR1 to Ayuda en Acción. In total, 10,950 hugs were given and received during the Week of Hugs, and so a total of EUR10,950 was donated.

Back in Asia, Watsons Taiwan teamed up – and tied





The A S Watson Group's 1st Global Volunteer Month was held in October 2011, with 28 business units and over 15,000 people participating in support of their local communities.

up – with its staff, suppliers, families and the students of Hsin-chieh Elementary School to raise money for the Child Welfare League Foundation. These four hundred-plus participants joined in a “ten people, eleven-legged slow race” and together raised TWD580,000 (just over USD19,000) in the hope of ‘bringing more to life’ for the underprivileged children of Taiwan.

In total, the A S Watson Global Volunteer Team, comprised over 15,000 local ASW staff and their family members worldwide, donated over HKD11 million to charitable causes and participated in more than 53,000 loving gestures during the month of October 2011. Upwards of 15,000 people benefited from these donations and gestures, including underprivileged children, mentally or physically disabled citizens and cancer survivors.

“This was such an inspiring first year,” said Mr van Breen, reflecting on the success of the Global Volunteer Month. “It has been heartening to see our theoretical discussions in May 2011 successfully materialise in October and to see the incredible progress made.”

Plans are already in the works for the 2012 Global Volunteer Month, also slated for October, according to Mr van Breen. “It was great to see everyone come together like this. I know that we have touched the lives of many of our customers, and that feels really good.” 

“What better cause for everyone to unite around than giving back to our community?”



Game to do more



As airlines in most parts of the world tighten their seatbelts for market turbulence, Asia remains a bright spot for global aviation. The region's airlines now carry a quarter of the world's air travellers and 40 per cent of global air freight – and growing – according to the Association of Asia Pacific Airlines, with Chinese airlines alone accounting for 20 per cent of new aircraft deliveries in 2010. Having anticipated this trend, Hutchison's Chinese joint venture for aircraft maintenance, GAMECO, is ready to fly higher.

In flight, an aircraft stretches by around 15 centimetres.

A GOOD REASON FOR OPTIMISM is that Asian aviation markets still have plenty of space to grow. The staggering extent of China's potential, in particular, is best illustrated when compared to more mature markets; in North America, there are 17 aircraft per one million people, while in China, the figure is only 1.3 aircraft per one million people. Clearly, China has a long way to go before it matches the density of networks and passenger numbers currently seen in the United States, presently the world's largest domestic aviation market, yet the distances are similar to those between Chinese cities, making the potential plain to see. To some extent, this potential is being realised already, with the ranks of Chinese domestic air travellers continuing to swell year-on-year, reaching an average of 679,500 per day in 2010.

Of course, there are significant challenges ahead for Chinese aviation in particular. The emergence of high-speed railways as a major development priority would seem the biggest long-term threat. Recent high profile incidents, such as the fatal train collision near Wenzhou in June 2011, may cast some doubt on the future of high-speed rail as a viable alternative to air travel – unsurprisingly, the accident caused a sudden spike in demand for tickets on domestic air routes. Yet despite these setbacks, surely the undeniable glamour and rapid growth of high-speed rail poses a real test of durability and competitiveness to the domestic aviation industry.

According to Norbert Marx, General Manager of Guangzhou Aircraft Maintenance Engineering Co (GAMECO), a Guangzhou-based aircraft maintenance joint venture between HWL and China Southern Airlines (China Southern), overall growth in demand for transport services is such that

the airline industry can afford a degree of optimism:

“Of course, there will be competition on some routes, but ultimately there will be enough volume for both systems – rail and air – and they will complement each other as passenger numbers grow. High-speed rail is also costly to build, and there are some connections where air travel is more competitive, so it won't slow down development too much.”

As airlines expand their networks and capabilities, so too must aviation support services. Compared to a global growth rate of around 3.5 per cent, Chinese demand for such services is increasing at an annual rate of around 10 per cent. With such promising growth prospects, HWL's 50 per cent stake in GAMECO seems a particularly astute holding – recognising that no airline can operate without the assistance of leading edge maintenance services to keep their aircraft in top condition.

GAMECO's history is intertwined with China's development miracle. During the 1980s, increasing numbers of new aircraft, including the latest Airbus and Boeing models, arrived in the country to meet the rapidly growing demand for air travel. Previously focused on Soviet-produced aircraft, China's aviation industry lacked the domestic technical capability to service all these new models. Hutchison Whampoa (China) Limited (Hutchison China), recognising the huge business potential, came to an agreement with the Civil Aviation Administration of China (CAAC) to develop and expand such capabilities. The result was the establishment in 1989 of GAMECO – a joint venture partnership between Hutchison China, Lockheed Martin and China Southern.

In 2002, following Lockheed Martin's sale

Airlines need leading edge maintenance to keep aircraft in top condition.

Big aircraft like the Boeing 747 require up to 600 kilogrammes of paint.

of its 25 per cent stake, HWL became a 50 per cent shareholder in the company. Today, GAMECO is one of the top three aircraft maintenance companies in Mainland China and has bold plans for growth within this highly competitive industry.

Reflecting the varied nature of its offering, the company's business can be divided into three distinct segments: line maintenance, heavy maintenance and component maintenance. Additionally, the company provides a range of engineering services, upgrades to airline components and provision of training for mechanics.

The first service offering – line maintenance – generates about a quarter of revenue. This segment comprises technical services provided by GAMECO engineers to airlines during the course of their operations; in other words, performing crucial checks on aircraft during turnaround time – usually overnight – to ensure they are safe to fly the next day.

“Our objective is to develop capabilities in all areas, so that we can eventually provide our customers with a total service package.”

Equally important to the safety of air passengers are GAMECO's heavy maintenance services, accounting for around half the company's revenue. This segment covers more extensive maintenance, such as cabin refurbishment, repainting and, most importantly, regular 'deep checks' as required by national regulations or aircraft manufacturers, conducted on aircraft which have been taken out of operation for a period of time and parked in GAMECO's hangars at Guangzhou International Airport.

The rest of their revenue is derived from component maintenance, which comprises checks and repairs, carried out in specialised workshops, to many components critical to the safe and efficient operation of a modern aircraft. These include anything and everything from instrumentation, avionics and navigation devices to safety vests, oxygen equipment and life rafts.

GAMECO's partnership with China Southern – HWL's joint venture partner, also holding a 50 per cent stake in the business – virtually guarantees an exciting and fast-

moving future. The airline currently accounts for around 70 per cent of GAMECO's revenue. Such reliance is no hindrance, considering China Southern's significant clout in the Chinese aviation market; in terms of fleet size and passenger numbers, it is the largest airline in Asia – perhaps surprising, given its lower profile as compared to some other major Asian carriers.

China Southern is also at the cutting edge of aircraft developments, meaning GAMECO must keep pace with ever-changing maintenance requirements. The airline's brand new Airbus A380 entered operation with its maiden flight taking off in October 2011 – in tandem, GAMECO ensured that its engineers were ready, assisting them to attain full technical capability and clearance to service the enormous aircraft. China Southern will also be the first Chinese customer, and only the fourth airline in the world, to operate Boeing's new Dreamliner, set to enter operation in 2012 – presenting another new challenge for GAMECO's experienced mechanics to meet and overcome.

China Southern is not the only airline reliant on GAMECO for efficient and effective maintenance services. Since moving its Asian hub to Guangzhou, FedEx has been another major customer for both line and heavy maintenance. Other international airlines, such as Qantas and AeroMexico, have also called upon GAMECO in the past year, simultaneously highlighting the recognised quality of the company's services and the growing importance of Guangzhou as an international aviation hub.

Like most modern Chinese companies, GAMECO has its sights set firmly on building growth momentum over the coming years. How does it aim to achieve this, especially in a historically closed and regulated aviation market such as China's?

“Of course it is not always easy to grow, especially considering the protective tendencies of the industry here,” admitted Mr Marx. “One advantage we have is our strong partnership with China Southern, and we will continue to leverage this relationship.”

Mr Marx went on to explain how the company aims to drive growth in three areas: volume, capabilities and reach. Increased volume can be achieved primarily through building new aircraft hangars and hiring more mechanics. Construction of a new eight-bay hangar is underway at Guangzhou airport, expanding GAMECO's capacity to provide heavy maintenance services to more aircraft simultaneously.

In terms of technical capabilities, safety concerns are such that the aircraft mechanical servicing industry is necessarily subject to heavy regulation and stringent training requirements. GAMECO is presently investing heavily in training its mechanics and improving its facilities to deliver maintenance services for certain components, notably landing gear, which are currently outsourced to specialist sub-contractors. Similarly, the complex carbon-fibre





Aircraft painting requires two primers, a top coat and sometimes a clear coat.

composite materials found in Boeing's new Dreamliner aircraft produce a range of completely new

maintenance requirements. As such, GAMECO is working hard to ensure that it can provide top quality servicing once the new aircraft comes into operation later this year.

Interestingly, GAMECO is not simply a maintenance company bound by aircraft manufacturers' manuals. In 2009, the company received approval from the CAAC to devise proprietary repairs and modifications, leading to the accrual of a number of worldwide patents. Such innovations should serve the company's overall objective of providing its customers with a streamlined, high quality 'one stop shop' for all services and components.

GAMECO also aims to expand its reach, providing a greater range of services at a greater number of different airports. As Mr Marx pointed out, "No airline wants to locate and manage 20 different suppliers of various maintenance services. Our objective is to develop capabilities in all areas, so that we can eventually provide our customers with a total service package."

The main benefactor of this strategy will be GAMECO's airline customers, particularly international airlines operating routes into multiple Chinese airports, which will not need to source different maintenance suppliers or relocate their aircraft to the company's Guangzhou hub every time they require maintenance. A step in this direction, GAMECO has stationed a team of engineers at Shanghai's Pudong International Airport for the last two years, primarily to service China Southern's fleet of Boeing 777 cargo aircraft, in addition to presences at several other airports, including Changsha and Urumqi. In April 2011, the company established a maintenance base at Chongqing, the company's first such facility outside Guangzhou, a significant step towards broadening its geographical scope. These are exciting times for aviation in China and Asia, and with its strategy in place, GAMECO seems well positioned to reap the benefits of continued growth.



GAMECO mechanics hard at work on members of the China Southern Airlines fleet of aircraft, ensuring they are in top shape for their next voyage.

The People Factor

To match growing demand for its services, GAMECO's workforce has expanded rapidly over recent years. The addition of around 400 new employees in 2011 brought the total workforce to 4,300 and growth looks set to continue in the coming year.

In light of the demanding and highly technical nature of the work on offer at GAMECO, recruitment is competitive and training rigorous. Engineering candidates are typically graduates of China's eight aviation universities and 12 colleges. After joining, they are subject to five years' additional training, both in the classroom and on the job, during which they apply to receive their official licences from CAAC.

Aviation is usually seen as a man's world. To challenge stereotypes, GAMECO is keen to increase diversity and attract more women to work in technical roles. Two female employees at the company's Guangzhou facility – Mayy Du (Manager, Onboard Software Development & Management) and Yili Yu (Manager, Airworthiness Management) – were more than happy to tell us about their experiences at GAMECO. 



Ms Mayy Du performing troubleshooting procedures in an aircraft cockpit.

Why did you choose this career?

Mayy Du: I first became interested in aviation as a child, listening to the heroic tales of an uncle who lived next door, a retired military pilot. When the university entrance exams came around, my preference was for aeronautical engineering colleges. In 1996, I graduated from Nanjing University of Aeronautics and Astronautics and joined GAMECO soon after.

Yili Yu: As my background is originally in liberal arts, starting a career in aviation maintenance at GAMECO was quite unexpected. After joining in 1995, however, I found a place for myself to follow a path of development suitable for my own skills, especially my language skills. As English is the lingua franca of the aviation industry, and since GAMECO's ultimate goal is to internationalise through receiving overseas certifications and attracting foreign customers, I found that good English language skills are essential to the business.

What do you most enjoy about working at GAMECO?

Yili Yu: I really enjoy the work environment at GAMECO, which is always frank and open. My colleagues are honest, down-to-earth people who believe in a common goal of maintaining the highest standards of aircraft safety. Our work is directly related to public safety, so as aircraft maintenance specialists, we must always conduct ourselves in a pragmatic and responsible fashion, based on sincere relationships and direct communication. For me, this is one of the best features of GAMECO and helps us maintain the respect of our industry peers.

Mayy Du: The atmosphere at GAMECO is friendly and collaborative. Although everyone has a different role, there is definitely a sense of common dedication to high safety standards, and working efficiently together to make sure aircraft are delivered back to the operators on time.

Boeing's new Dreamliner is constructed out of carbon fibre composites.

What would you say has been your biggest achievement while working for GAMECO?

Yili Yu: When I first joined the company, we relied heavily on the expertise of our foreign joint venture partner, Lockheed Martin, to secure maintenance certifications issued by US and European civil aviation authorities. My supervisor at the time said to me, “Our aim should be to develop our own capabilities, so that one day, we need not rely on outside help and can cope with meeting international quality standards ourselves.” Since Lockheed’s withdrawal in 2002, we have made great progress in this regard; we have now secured maintenance certifications for over 20 different countries.

Mayy Du: Over the past 15 years, I have gained experience in a number of different roles, from parts repair shop technician, to reliability analysis engineer, to electrical engineer, to my present role as onboard software manager. Each time, I had to adapt quickly to new requirements and continue to develop myself and my technical skills. In 2010, GAMECO acquired the Civil Aviation Administration of China’s DIMOR qualifications and since then I have been involved in a number of successful high-end economy class modifications, which are among the leading design projects of their kind in the country. I am very proud of these achievements.



Ms Yili Yu reviewing airworthiness processes with a colleague.

Do you feel that your male colleagues are accepting of you as a female?

Yili Yu: There is a saying in Chinese: ‘with men and women together, the work becomes lighter’. While aircraft maintenance remains a male-dominated industry, I have found that at GAMECO, our male colleagues accept us and treat us well. In addition, within my own division, which is focused on adherence to quality principles and standards, a softer, ‘female’ approach is often appropriate, and through our combined mixed team approach GAMECO can deliver better overall team results.

Mayy Du: In this male-dominated industry, women certainly must work harder to carve out a position for themselves and gain the acceptance of male colleagues. I remember in 1998, on an overseas training trip, our Taiwan counterparts were curious and surprised to find women among the visiting engineers. But at GAMECO, I find the atmosphere friendly and welcoming. Since being here, I have seen more and more women entering traditionally male technical roles in production and maintenance, working alongside men. Through their own hard work, perseverance and flexibility, I believe women are able to gain the respect of their male colleagues. At GAMECO, more and more female engineers, like myself, have found room for continued development.

“At GAMECO, more and more female engineers, like myself, have found room for continued development.”

GAMECO is constantly developing expertise in innovative maintenance requirements.

Up, Up and Away

MAN HAS BEEN TAKING to the skies in powered aircraft for over a hundred years. Considered wishful thinking only a couple centuries ago, today, nearly 50,000 people fly each day.

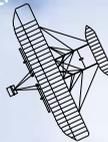
Then... On 17 December 1903, the Wright brothers made aviation history with the first powered airplane, The Flyer I. In the longest flight of the day, Wilbur Wright flew 259.7 metres.

Now... The Airbus A380, the world's larger passenger plane, can carry a maximum of 853 passengers and fly 15,400,000 metres.

GAMECO, a joint venture between Hutchison China and China Southern Airlines, has been servicing aircraft since 1989. In 2011 it began servicing the new Airbus A380 and will service Boeing's new Dreamliner in 2012. 



Length - 6.4M



Length - 72.72M

