

Lasting Serenity

Che-woo Lui

Philosophy of an Ordinary Life



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寧靜致遠

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Che-woo Lui: Philosophy of an Ordinary Life

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Preface

from Professor Wang Shenghong

**Wisdom and courage underpinned by charity and righteousness;
extraordinariness disguised in ordinary life**

Ancient Chinese identified “four beauties” for a happy and peaceful life: the beauty of pleasant moments, the beauty of fine sights, the beauty at heart and the beauty of anything that is enjoyable. Much the better if such beauties are being shared between refined and understanding minds. As a tertiary educator, I have had the privilege of getting acquainted with prominent figures in political, business and academic fields. I take great pleasure in merely reminiscing the hours spent with these esteemed personalities, especially those with acknowledged contributions to the common good. In this regard, Dr Che-woo Lui undoubtedly stands out among others.

I crossed path with Dr Lui at a dinner reception hosted by Madam State Councilor Liu Yandong, in her capacity as the leader of China Overseas Friendship Association, during the 9th Chinese People’s Political Consultative Conference (“CPPCC”) held in 1998. It was shortly after Hong Kong’s return to China, and I was moved by the genuine patriotism and aspiring hopes expressed in his speech, placid and with utmost sincerity. In the years that followed, we met more often during CPPCC meetings and were engaged in further encounters later in Shanghai when Dr Lui expanded his business in Mainland China.

Those who know Dr Lui would agree that he is a man with wisdom. Instead of being dominant and overwhelming as would be expected from a business magnate, Dr Lui

comes in an unassuming manner. Perhaps it was such quiet wisdom which guided him through the challenges as he transformed family business into corporate enterprise and grew from an entrepreneur into a business leader with political involvements. The same wisdom must have also empowered him to live his family, social and spiritual lives to their fullest, in such splendour and yet with such ease and harmony.

I am not surprised though, for Dr Lui is a typical Chinese deeply rooted in our cultural traditions, who seeks to enlighten himself with teachings of ancient Chinese philosophy. I truly believe his wisdom and courage are underpinned by his philanthropy and righteousness, while his integrity starts from inside out and filters through the community. He certainly concurs that one who grows in wealth does not deteriorate in virtue; and that the family and the nation always come first.

Fudan University is always honoured to have Dr Lui as a member of the Board of Directors. His benevolence towards Fudan are eloquently evidenced by the monuments erected in Lui Che Woo Hall of Guanghua Building and Lui Che Woo Building (formerly named Zibin Building) on our campus, while his spiritual contributions as a role model in life will become a lasting source of inspirations.

While I duly obliged when Ms Claudia Cheung of K. Wah Group invited me to contribute a preface for Dr Lui's publication, I must confess that the book, in all its sophistication and profundity, is quite impossible to be introduced within such a short span. Readers are therefore urged to savour this book to catch a glimpse of the world of Dr Lui's wisdom.

Wang Shenghong

Former President, Fudan University

January 2010

Preface

from Professor Lawrence Lau

Dr Che-woo Lui needs little introduction as a prominent entrepreneur in Hong Kong. Started up more than half a century ago as a construction materials supplier, he played a significant role in the infrastructure development of the territory. His K. Wah Group is now a multinational conglomerate engaged in properties, hospitality and entertainment and leisure businesses in addition to construction materials, spanning Hong Kong, Macau, Mainland China, Southeast Asia and North America. Dr Lui's achievements has been built on strong foundations with the benefit of his acumen and vision, which has earned him various recognitions at home and abroad.

Dr Lui is also a distinguished philanthropist who has made dedicated efforts to support tertiary education. A member of the Board of Trustees of United College of the Chinese University of Hong Kong since 1995, he has pledged generous donations in support of development at both college and university levels. As a veteran hotelier, he is convinced of the importance of nurturing local talents for the industry and hence ardently supported the establishment of the School of Hotel and Tourism Management and founded a scholarship for exchange programme with Cornell University of the United States, aiming to better equip students for future contribution to the community. Dr Lui also became an alumnus of CUHK when he was conferred the degree of Doctor of Social Science, *honoris causa*, in 2002.

It is a great pleasure for me to have personally acquainted with the Lui's family as a close friend with Mr Lawrence Lui, the second son of Dr Lui, back in the United States. I still recall the dinner hosted by Dr Lui on my return to Hong Kong five years ago for the capacity as the Vice Chancellor of CUHK, and his kindness will long be a part of

my fond memories. Given the profundity of his insights, the extent of his exposures and the immensity of his achievements after 60 years at the helm of dynamic business ventures, it comes as no surprise that *Lasting Serenity – Che-woo Lui: Philosophy of an Ordinary Life*, Dr Lui's book released in 2006, is filled with such gems of unique perspectives and rightful arguments that powerfully address the issues of our times. I am glad indeed when I learnt about the launch of the second edition in Mainland China. It is with great pleasure that I recommend this book to all avid readers, who will be able to benefit from the extraordinary qualities of Dr Lui's "philosophy of an ordinary life".

Lawrence J. Lau

Vice Chancellor, the Chinese University of Hong Kong

January 2010

Preface

from Dr Che-woo Lui

The first collection of my quotes and speeches published in 2006 was a compilation of interviews, addresses and lectures given over the years. Though such recollection was largely intended as annotations of personal references, well, sharing these thoughts with readers also subscribed to good ground for its publication. They are not profound insight, but fragments of reflections over life which might be worth sharing with readers. This was the origination of my first quote book.

The positive feedback from readers afterwards, including my business associates, employees and students, was however quite unexpected. I still remember once a group of students approached me with copies of my quote book in their hands after a discussion session of an EMBA seminar in Fudan University, asking questions passionately and even asked for my autographs. I was thrilled by their passion for life. As I came to appreciate how the same words could inspire diverse reader groups in various ways, I was encouraged to publish a second edition in the Mainland to share my thoughts with a broader audience again.

How things change everyday in mammoth scale and furious speed is always unexpected, and we may find it difficult to prepare ourselves for an unpredictable future. My modest advice is that: do not worry about change, for it is the natural fact of life. Nothing will perpetuate forever, may it be something we cherish dearly, or curses we utterly loathe. Knowing the fact that life is to be greeted by unexpected and changes somewhere somehow, why add to our own woes by frustrating ourselves further?

I am not above suggesting readers to treat changes in life nihilistically. The journey of life is like a walk through the balance beam. We'll just have to inch forward step by step, taking risks at and seeking to learn from every stride along the way.

I must thank Ms Claudia Cheung and her team for putting all these together, after accompanying me over the years in visits and lectures to take detailed notes of my speeches and, in some cases, even casual remarks. Otherwise, a publication like this would not have been possible on the basis of my sketchy memory alone.

I am also grateful to Professor Wang Shenghong, former President of Fudan University, and Professor Lawrence J. Lau, Vice Chancellor of the Chinese University of Hong Kong, who have given me immense honour by providing graceful prefaces to my book. With such flattering kind words from two well honoured Chinese scholars. As ordinary as myself I should not be complacent by their kind words.

Finally, let me conclude this preface with Adagial Buddhist principles : “All compounded matters are impermanent, and all phenomena are without inherent existence”. If all things are in a state of constant change and undualistic in nature, should we not pursue happiness by letting go of our obsessions and abiding always by a spirit of compassion? For letting go does not in the least suggest apathy and numbness, but rather opens the door to all the colourful passion of life.



Che-woo LUI
January 2010

About Dr Che-woo Lui

The career path of Dr Che-woo Lui has not been without its ups and downs. Raised in Hong Kong, he has witnessed the economic miracle of the Pearl of the Orient. Despite the territory's tribulations and changes over the years, his business empire continues to expand in a manner that demonstrates both prudence and vigour. Like the many others who grew up amid the destitution brought about by war, Dr Lui's early years were full of challenges. Although the war denied him a formal education, he has an insatiable desire for knowledge.

The hardship of war inculcated him a strong sense of perseverance. By the end of Japan's invasion of Hong Kong, this street-smart 15-year-old, had already turned himself into a manufacturer and wholesaler of food provisions in Yaumatei district. But does stability endure forever? The tribulations of war made him realize at an early age that life is fickle. He understood that cleverness alone cannot overcome adversity of life. To lay the foundation for a successful career, he had to continue the pursuit of knowledge, be creative and stand up to challenges.

After the war, he was apprenticed to his uncle in the automobile components trade. One day, he helped a client make a great deal of money by ordering some car parts for him. The man wanted to reward him with a big tip of HK\$200. Though this was quite substantial then, he declined the offer. He believed one should not accept anything extra for doing his duty. In doing so, the young Lui had already

adopted the demeanour and self-confidence of an impressive entrepreneur. Smart and diligent, Dr Lui only took about five to six years to launch his own car parts business. In the early 1950s, he heard from a friend that the American forces had left many military supplies behind in Okinawa, including jeeps, GMC trucks and rock-breaking machines. Driven by curiosity and through the introduction of a friend who had studied in Japan, he headed for Okinawa alone.

With Hong Kong still rationed at that time, he succeeded in convincing the US Army and its Embassy to sell military surplus to him. He did this despite many difficulties. A vessel sailed for Hong Kong, full of heavy machinery that was to be used in local infrastructure projects to build the war-torn city. Speaking no Japanese and little English, how could this young businessman persuade the US Army to participate in this transaction? Here, perhaps, was another indication of his extraordinary ingenuity and daring.

Dr Lui did not become complacent after making his “first pot of gold”. Instead, he came up with more business ideas. Looking at Hong Kong’s inconspicuous mountains, which others dismissed as barren rocks, he realized these could provide a lucrative source of natural materials for the city’s



numerous building projects. After processing, these raw boulders could be turned into concrete, bricks and various types of construction materials for reclamation and construction of roads, bridges and splendid high-rise buildings. A magnificent world city has thus been built on these humble rocks. By virtually turning stones into gold, this marked the beginning of a real-life story of the Midas touch. Dr Lui believes that natural resources are finite, but creativity is boundless. He is in no doubt that, through imagination and sustained effort, what appears to be worthless can always be transformed into something useful and even precious. More importantly, he enjoys the act and inherent challenge of doing so.

Dr Lui has surmounted many practical problems in his career. He was among the first in Hong Kong to persuade large corporations to accept payments for machinery by instalments when cash was limited. This was largely due to his impeccable reputation in doing business. In the 1950s, he replaced traditional labour-intensive quarrying techniques with heavy machinery, significantly enhancing both safety and productivity. At the same time, he exercised tight cost control. In the early years, he used to go down to the quarries to discuss how production could be improved with his workers. Despite his lack of formal training in engineering, he was admired for his innovative solutions for technical problems. He was hailed by the *South China Morning Post* as the “King of Quarry”.

In the early 1960s, Dr Lui established a foothold in real estate development and was involved in the construction of a range of buildings. But as his children were still young, he decided to focus on his conventional line of business in construction materials. It was only later in the 1990s that he became active in the Hong Kong

and Mainland property market. He conceded that he had missed many chances of making big money because he did not know how to speculate. Rather, he only knew how to engage in conventional business that yields tangible if sometimes modest returns. Back in the 1960s, it was not easy to hire a secondary school graduate in Hong Kong. As most of the government papers and commercial documents were written in English, he had to ask his friends who worked in foreign companies and who were skilled in English to help him until midnight with the clerical chores at his home. It was clear to him that in the future the growth of a society or a corporation would rely heavily on well-educated managers, and that proficiency in English was also a prerequisite for connecting Hong Kong to the world. Deprived of the chance to go to school in wartime, Dr Lui put great emphasis on his children's education. All five of them eventually graduated from renowned universities. He also considered family values to be important and was strict when it came to teaching his kids.

“You could satisfy a person's hunger by offering him a fish,” he said, “but it would not do him any good in the long run. However, if you teach the same person how to catch fish, he will be able to feed himself by catching fish for a living.”

He recalls that the happiest time of his life was as the owner of a small business because, even though he was busy at work, life was simple. Back then he would spend weekends with his family hiking and having barbecues during holidays.

As Hong Kong's economy took off in the 1970s, Dr Lui's business continued to grow. However, the course of his career was not always smooth. There were another 70 or so quarries in Hong Kong besides his own and his business faced

fierce competition. Due to a shortage of management staff, he was forced to abandon a listed quarrying company he was running at the time. His decision was in the best interests of the shareholders. In the face of severe challenges, he persevered. Today, Dr Lui's construction materials business empire has become a leading integrated supplier in Hong Kong, and is expanding rapidly in Mainland China. In both markets, the company has a distinguished reputation. To him, investing in China is not purely a business consideration but also an opportunity to contribute to the development of his motherland by bringing in the best management skills and technologies. Dr Lui is still visionary in exploring new business frontiers. In this, he is driven by the determination to build a strong nation rather than any desire for personal wealth or honour.

Though he was not especially active in the Hong Kong property market in the 1990s, Dr Lui is well versed in the mainland property market. He achieved a strong position when he acquired several prominent parcels of land in both downtown Shanghai and Guangzhou. Before 1997, he had refrained from fervently acquiring real estate projects even though capital was available. Instead, he reaped substantial profits by selling some of his properties at sky-high prices. He thus had abundant cash on hand to expand K. Wah's property business after the Asian financial crisis. He does not believe in speculating in the real estate market.

What he wants is to help people realize their dreams of owning a home, and to help them improve their living standards and social status by working hard. He admits that he is not as financially strong as the mega property developers, but he pays great attention to the design of the flats he builds, which provide an alternative to those who seek quality of life.

Another major stream of Dr Lui's business empire is hotels. To globalize his business network, he concentrated his hotel and property investments in the US in the 1980s and 1990s. His hotel group was named the twelfth largest American hotel owner and operator – a considerable achievement for a private enterprise from Hong Kong. Back in the 1970s, when he decided to acquire a piece of reclaimed land in Tsim Sha Tsui East to build his first hotel, his friends and business partners were not optimistic. Tsim Sha Tsui East was then a barren piece of land with little to distinguish it. Also local companies lacked the experience required to operate and manage a hotel that could meet international standards. Yet, anticipating Hong Kong's rapid growth in the 1980s, Dr Lui was confident that demand for world-class hotels would soar as old-fashioned guesthouses and hostels became out-of-date. He worked whole-heartedly on the design and construction of the hotel, and took the bold step of franchising it to an American hotel management expert - the Holiday Inn chain. He also appointed German hotel professionals to oversee the hotel's operation at the initial stage. At the same time, he started training local management teams. Currently, all his 20 hotels are privately owned and managed. He also took the time to set out proposals to the Chief Executive and senior government officials on how to boost Hong Kong's tourism industry. He believes the authorities have neglected this major source of foreign currency income and backbone of the local economy for too long. He not only helped the Chinese University of Hong Kong start up a degree programme in hotels and tourism management, but also funded a number of hotel-related scholarships. He serves as a frequent speaker at tourism-related seminars in Hong Kong and in cities on the Mainland with a view to advancing the training of professional hoteliers. More recently, he has entered the gaming business in Macau, a move that has put him under the limelight. He sees Macau developing

into a world-class resort city offering not just gaming but also facilities for entertainment, business, conventions and exhibitions, and shopping. Although Dr Lui has not tried his hand at the gaming industry, he is confident he can leverage his years of experience in the hotel and tourism industry with this new venture.

Now in his 70s, Dr Lui leaves most of the daily aspects of operating the business to senior executives, and only gets involved in major business decisions and staff mentoring. He is an avid supporter of charity, as he strongly believes in repaying society, particularly in the areas of medical care and education. He gives zealous support to universities in Mainland China, Hong Kong and overseas including the Chinese University of Hong Kong, the Hong Kong Polytechnic University, Fudan University, Shanghai, and China Europe International Business School, Beijing, to establish scholarships, build teaching facilities, support research, and promote academic exchange, so as to groom future leaders. He is also committed to supporting elementary education by pledging a total amount of HK\$45 million to the Ministry of Education since 2005 for the construction and renovation of 150 schools in impoverished region. He loves travelling and has an endless passion for experiencing new things. His wife once compared him to a wild horse that enjoys galloping in the wilderness. Dr Lui has made miracles happen in his career and stepped where others feared to tread. Yet, he leads a simple life. He loves working, sports, raising carp, gardening and classical music. Looking back, he says he has both sweet and bitter memories. He believes that “Being moderate is the way; being ordinary is a blessing”. Hopefully, readers might understand a little of the philosophy of this talented, wise and sensitive businessman, and find it applicable to their lives.

“The world is full of ruthless competition. But what we pursue with our utmost effort is not necessarily a life of glamour and wonder. Rather, an ordinary and harmonious life should be our goal. Only this will bring us genuine peace of mind and happiness.”

Che-woo Lui





- 3 Dr Lui was doubly honoured in 2007, being elected the Business Person of the Year in the DHL/SCMP Hong Kong Business Awards for his prominent contributions to Hong Kong as an entrepreneur; and the Lifetime Achievement Award from the American Academy of Hospitality Sciences for his leading role in promoting hotel and tourism industry.



1-2 Dr Che-woo Lui, Founder and Chairman of K. Wah Group, has been actively involved in community services while his business flourished through the years. As a praise of his contribution to the development of Hong Kong, Dr Lui was awarded the MBE and Gold Bauhinia Star by the Hong Kong Government in 1982 and 2005 respectively.





Upholding the belief that education is crucial to the betterment of the country, Dr Che-woo Lui gives zealous support to primary and tertiary education development in Mainland China, Hong Kong and overseas, as well as overseas Chinese students. K. Wah International Holdings Limited was named a Caring Enterprise in China in 2009.





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- 1 Dr Che-woo Lui speaks at *Talking to CEOs* organized by the EMBA programme of the Chinese University of Hong Kong to share his philosophies of life, business and management with scholars and alumni; among the attendees is Professor Lawrence Lau (right), Vice Chancellor of the university.
- 2 Dr Lui and Professor Wang Shenghong (left) hope that the synergetic partnership between enterprises and schools would bring in more talents to enterprise for its sustainability.
- 3 Dr Lui and Professor Poon Chung-kwong (left) share vision and commitment in education. Professor Poon has become one of the Independent Non-executive Directors of K. Wah International Holdings Limited since his retirement in 2009.
- 4-9 Dr Lui has been a keen supporter of tertiary education by establishing sponsorships and educational facilities, giving advice to numerous universities in Hong Kong and Mainland China and sharing his insights with students.





As the founding Chairman of Federation of Hong Kong Hotel Owners and the pioneer in hospitality and tourism, Dr Che-woo Lui has been invited to speak at various occasions such as Asian Casino Executive Summit and International Forum on China Hotel Brand Development.



27th
MACAU
International
Marathon

澳門銀河娛樂國際馬拉松

Galaxy Entertainment Marathon International de Macau
Macau Galaxy Entertainment International Marathon



In line with Dr Che-woo Lui's belief in giving back to the society, member companies of K. Wah Group actively support different community care initiatives ranging from charity, volunteer service programme to culture and sports development.





Dr Che-woo Lui values communication as the gateway to cultivate corporate culture. He interacts with his staff through various channels.



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1. March 2010 ———

Upholding virtues of life as cornerstone of harmony and happiness

.....

Dear colleagues:

I cannot help but feeling amazed at how time really flies as we celebrate the 55th anniversary of K. Wah Group in 2010, for memorable moments of the past are now but chapters in history. While I have spent most of my life running this company, I prefer to focus on the present rather than to reminisce about the past, as people at my age tend to do. We should let bygones be bygones, and rejoice in doing another honest day's work. As for the future, let us echo with that all-time classic which goes: "Do what you can, where you are, with what you have."

Lately our community has seen the emergence of a group of activists dubbed "Post-Eighties." As young, educated members of the society

typically born after 1980, they were central to actions fighting for the preservation of the Star Ferry Pier and the Queen's Pier and, more recently, against the construction of the high-speed rail. According to news reports, their discontent with current social system and government policies are partly stemmed from employment difficulties and other pressures in life. In this connection, I guess we all have had our share of social misfortune. As a "Post-Eighty" in the other sense, the fight for survival during wars has been the biggest ordeal in my life. In those days, a small meal at a modest restaurant or a weekend movie was definitely a source of immense enjoyment and contentment. However, the rich-poor divide was unbelievably wide at that time, as illustrated in Lao She's *Camel Xiangzi*, named after the main character whose single, simple hope is to become a rickshaw man and to earn enough perhaps for the day's meal. So there is really no reason for an average Hongkonger to complain, given the opportunities in education and standard of living available.

Many would think that, as a founding Chairman, I am privileged having hundreds of staff at my disposal. The truth is, the boss is forever entangled in delicate management issues that there is no way I can please everybody. In all fairness, I believe I have always treated everyone on an equal basis,

but if we are thinking merely in terms of personal gains, there would always be the feeling that our interests are being compromised. In fact, while no one can whistle a symphony, but people coming together nearly always ends up in rife of some sort. That is why I stressed the importance of moral education for the future of China in a recent conversation with a top-level official of the Central Government. As Chinese we are blessed with a rich heritage in the education of virtues. Beginning with the works of Confucius and Mencius through traditional Chinese classics such as *The Water Margin* and *The Legend of the Three Kingdoms*, as well as the philosophies of traditional Buddhist and Taoist religions, all praised the noble virtues of morality, wisdom, health, collectivity and aesthetics, that are pertinent to interpersonal and social harmony.

You may wonder what have all these to do with business management. Well, I believe they form the cornerstone of a healthy business setup, as much as they do of a harmonious society. For this reason, I have made considerable effort during the past two years to foster a culture of harmony and team work at K. Wah, and my aspiration at its 55th anniversary is for this culture to sustain in many years to come.

May I wish you all a Happy Year of the Tiger.

.....
2. July 2009 ———

Direction and determination

lay foundations for long term development
.....

Dear colleagues,

Last October, I shared with you some reflections in the midst of global financial crisis. In only a few months' time, the global economy has steadily climbed out of the gloomy trough, which once again exemplified the unpredictability of the present-day world.

Diversification and balance are key to sustainability

Nowadays, diversification of businesses and geographical reach are critical for the sustainable growth and risk management of a multinational corporation. The Group has long pursued such strategy for years, with diversified businesses ranging from construction materials, hotel, entertainment and leisure and property; in diversified locations, including North America, South East Asia, Hong Kong, Macau and major cities of Mainland China. Since the turn of the century, the regional focus on the Greater China has become more distinctive in the development of the Group.

K. Wah focuses on the Greater China region

Focusing on the Greater China region is not a novelty, but a heritage of K. Wah's commitment to China, my birthplace. As a teenager starting business in Hong Kong, I strived to keep abreast of the happenings in the Mainland, from the World War II to the establishment of the People's Republic of China. The history of China in recent decades has not been an easy one: from feudalism to democracy, innocence to civilization, poverty to prosperity, which all in all are achieved with great endeavour, and great pain.

With an eagerness to contribute, K. Wah was among the pioneers to enter China's market in the 1980s, with construction materials business as the first investment. At the time, as special licenses were required for cross border vehicles, we came up with a bold idea to transport concrete directly from Shenzhen to Hong Kong by a conveyor. Today, not only do we enjoy uninterrupted cross border traffic, K. Wah has also built a diversified business portfolio in the Mainland, including construction materials, hotel, entertainment and leisure and property, totalling tens of billions of dollars. Business presence of such depth and breadth is not driven only by economic benefits, but a passion to participate in the making of the modern China.

Businesses go hand in hand with China's development

Recently, McKinsey & Company, a global management consulting firm, released a research report, titled Preparing for China's Urban Billion, to illustrate the social and economic impacts of the rapid urbanization of China in the next two to three decades: By 2025, 1 billion people will be living in China's cities; the proportion of China's GDP generated by cities will rise to 95% with 500 million jobs. It has also become attainable for the ambitious economic growth target set out by the Central Government of the PRC of quadrupling per capita GDP by 2020.

Evidently, China's economy will continue booming with strong domestic demand. China is also keeping up with the world's standards in all aspects, resulting in escalating demand for quality products and services. In recent years, K. Wah introduced advanced technology to minimize energy consumption and pollution in the production of construction materials. On another note, Shanghai Westwood II, our large scale residential development, has become a landmark of Zhabei District, Shanghai, promoting the district's image and living conditions. The brilliant sales performance also indicated the people's aspiration for quality life.

One cannot predict changes. One can only be prepared for them.

We have to live with changes, in whatever stage or form of society or economy. How can we be ahead of them? First of all, get well prepared both in knowledge and mindset. Based on the principle of “making hypotheses with courage and seeking proofs with caution”, you will always find a way out in face of challenges. Therefore, I encourage every one of you and your team to set goals and work plans in the short to long term, and in particular, to exercise systematic management and financial prudence. With vision, planning and action, together we will stride on ahead of any uncertainty.

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3. April 2009 ———

Communication skill ascertains leadership effectiveness

.....

Dear colleagues,

Since about six months ago, I have spent about half an hour every morning for a breakfast meeting with management team from different divisions and departments, during which I listen to their issues encountered at work, and share my experience with them so as to provide an alternative way of thinking.

Sense of mission dignifies leadership

Started up as a small business when I was 20, K. Wah Group is now a multinational conglomerate with a global workforce of nearly 30,000. Easy to be in such position as it may seem, I reckon something more than that. As the founder and leader of the Group, I have to shoulder more responsibilities than anyone else. Among all, people management is the most complicated discipline as it entails profound interpersonal communication skills.

Positive attitude enhances communication

Though I am not gifted in communication skills, it is my duty to point out and resolve missing links that are being neglected in daily work. Yet some may have hard feelings on that and think I am harsh and demanding.

There are times that I see doubt in the eyes of my staff when I first propose resolutions to them. But they begin to gain a better understanding as progress is made during execution. This is something normal since everyone has his own perspective; however, new thoughts and ideas would not appear if one is reluctant to suggestions.

Any constructive ideas from others would fall flat if one takes it as criticism; on the contrary, one with a generous mind could even turn criticism as motivation for improvement.

Sincerity opens the door for mutual understanding

Interpersonal communication is said to be complicated and meticulous as it often goes beyond verbal communication - eye contact, gestures, facial cues, even the slightest change in tone could make a difference. Nevertheless, I deem sincerity to be the key of effective communication, and without which could deceive no one when time reveals hypocrisy. After all, mutual understanding and trust would only be built upon modesty and respect.

Last but not least, I would like to share with you a quote from the US President Barack Obama in his victory speech: “But I will always be honest with you about the challenges we face. I will listen to you, especially when we disagree.”

.....

4. January 2009 ———

How to lead a life without confusion, worry and fear?

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Dear colleagues,

It's beyond my expectation that the Confucius virtues of wisdom, humaneness and courage I addressed in K. Wah Group's Annual Dinner in December 2008 had ignited some discussions among the media and staff. Having talked about how these spirits could help us weather the storm amid the financial crisis, I would like to share further how they could be applied to our daily life.

A retrospect of the timelessness of Chinese culture

During a recent trip to Qufu, the legendary birthplace of Confucius (Kong Fuzi) in Shandong Province, I visited the Kong Family Mansion and the Confucian Temple. The nostalgic ambience brought me back to more than two millenniums ago when Confucianism was developed. Despite its hindrance in the modern history of China, Confucianism has long been embedded in the Chinese value system such as respect for scholars,

filial piety, care for the elderly and tribute to the virtuous. These could be witnessed by the revival of Confucian study in China in recent years.

Not prone to confusion, worry and fear amid challenges

As Confucius put it in the *Analects*, “the wise are free from confusion; the humane are not worried; and the brave are fearless.” 2008 was a year full of challenges that corporations and individuals had to mitigate against economic downturn. At times of adversity, let us forge ahead with “wisdom”; help those in need with “humaneness”; and overcome challenges with “courage”. I appreciate that our management team never hold back in the low ebb. Instead, they stay current with the market and respond timely and strategically with refined planning.

It was evidenced by the overwhelming sales of Shanghai Westwood II, a large scale Yuppy residential development of the Group in the thriving Zhabei district, posing the project as a star in Shanghai. The spirit behind this success story is truly a case worth sharing with you.

Weather the storm with wit, kindness and courage

I started to consolidate corporate governance among the Group more than a year ago with an aim to sustain KWIH’s position as an integrated property developer in Greater China. To ensure regional developments are in line with corporate objectives, we are determined to enhance management structure and to strengthen financial and project

management systems. Eastern Region has become a threshold of the exercise since April 2008, where new management mindset was promoted, creating new challenges for all of us. To reassure the team and steer directly the management initiatives, I made a number of trips to Shanghai. While progress was observed, the financial crisis posed a setback to staff morale and their confidence towards company outlook. However, I didn't and will never give up.

Success achieved by a timely approach

I encouraged the management team not to slack off amid the unfavourable economy. Instead, we should perform a thorough analysis of the market and stay alert with even subtle changes of national policies. We should also seek professional advice and formulate a creative and flexible sales programme with our wit and knowledge. Indeed, the timely support by our colleagues from the headquarters gave strong impetus to the team. It was kindness that moved them to participate wholeheartedly in the launch of Shanghai Westwood II. Nonetheless, their strong commitment and tireless spirit demonstrated what it means by "courage".

I am delighted to observe the encouraging results achieved by teamwork as well as the progress of management alignment and enhancement which is a journey rather than a destination. As what Chinese President Hu Jintao said, "We don't sway back and forth, relax our efforts or get sidetracked, but firmly push forward our effort," we must go hand in hand for long term sustainability and betterment. Happy New Year and all the best!

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5. October 2008 ——

What lessons have we learnt from the Global Financial Crisis?

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Dear colleagues,

The Global Financial Crisis (the “Crisis”) exacerbated by the meltdown in the subprime mortgage market has led to a radical reshaping of the global banking sector following the disappearance or great peril of many of the world’s leading investment banks. While the global stock market is plunging and corporations suffering from credit freeze, it is disheartening to see possible national bankruptcy in Northern Europe. Taking on an unprecedented scale, a sharp economic downturn is already baked in the cake and no one knows how deep or protracted it will be. In face of an imminent recession, how should we get prepared as individuals and a corporate body?

Speculation is nothing more than a mirage

Emergent as it seems, the Crisis became prominent in merely a month

and its evolvment was evidenced by a series of events in the past century, one of which was the real estate bubble in the United States in 1980s. The impact extended to Japan that was involved in the rescue, resulting in more than a decade of recession triggered by severe credit squeeze. The more recent cases included the Asian Financial Crisis, Dot-com Bubble and the Subprime Mortgage Crisis. The history tells us again and again the outcome of over speculation could be catastrophic; it is damaging to the economy as well as the livelihood of people who have to live through the turmoil. Why are we so forgetful about the lessons learnt?

Some say ‘it is easy to satisfy one’s need, but not one’s greed’, to which I cannot agree more. Living in a twenty-first-century metropolitan of advanced technology, material affluence, job opportunities and a regulated business environment, people should be more than satisfied with their basic needs met. However, some are still trapped in the vanity of wishing for more and more in wealth, power and material enjoyment.

Do not overly act beyond your ability

Excessive lending resulted in a very large number of debts from individuals and even nations that are already wealthy and prosperous. Mindless commitment of human and financial resources to securitization has reached its peak on the back of endless desire for material fulfillment. The phenomenon also became one of the catalysts for speculation in derivatives which were structured by investment bankers with precise

calculation and the use of leverage. The Crisis also reveals loosened underwriting standards and loopholes in the financial system which financial institutions and investors leverage on for making easy profits. However, the speculation on those toxic derivative products and fancy collateralized debt obligations resulted in large losses, the widespread of which created strong setback to the wealth of the mass public.

Master your mind with your own mind

Let's put it this way: what does "abundance" really mean? In my book *Lasting Serenity*, I shared with readers my views towards happiness and abundance. In fact, happiness is not measured by wealth or any objective criteria. Instead, you will find inner peace as long as you appreciate the meaning of life and your respective roles on the stages of life and deliver your best in playing your parts so as to derive the most fun you can.

Overcome adversity with courage and confidence

Uncertainty over the economic outlook is unusually large and the impact of the Crisis has yet been fully reflected. What is the spirit that help us well weather the storm in accession to a worse economy? As Premier Wen Jiabao put it in a recent conference, "At the time of crisis, confidence is more important than gold and currency." The confidence is not merely lip service; it depends on your determination, diligence and knowledge which form strong support for you to overcome the challenges at times of adversity.

Weather the storm with the strength of unity

Back in my letter to you in early 2006, I mentioned about our plan towards a corporate enterprise with enhancement in our corporate structure. In face of adversity, I feel an increasing need to reinforce our governance system which could be fostered by closer cooperation between management and staff, better resources sharing, mutual support and encouragement. Together, we can build a stronger enterprise against all odds.

Last but not least, I hope people suffering from evaporation of wealth have learnt an important lesson: they should always keep both feet on the ground instead of relying on speculation for living. Real economic growth relies on our hard work.

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6. July 2008 ———

Balance and serenity: the gateway to happiness and abundance

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Dear colleagues,

“Work-life balance” has become a motto of modern people to achieve an optimal state of physical and mental health. In pursuit of this kind of lifestyle, I have worked out a new schedule to allow myself more spare time for acquiring new knowledge while staying abreast with latest information. It is also my wish, as a senior, to stay carefree after hours.

Work-life balance brings serenity

Here comes my plan: every morning starts with a breakfast meeting, followed by activities related to business and management; lunch hour is scheduled for business engagements and a short break afterwards; afternoon is allotted with a self-learning session on computer; and evening is for relaxation. Frankly, I always want to lead a simple and tranquil life after years of toil. Despite my determination, it takes time for me to adapt to a more relaxed lifestyle.

Satisfaction comes from devotion

Speaking of which, the word “balance” also reminds me of the story that I was asked to share in an EMBA forum earlier: it happened some fifty years ago when I helped a client make a great deal of money by ordering car parts for him. The man rewarded me with a tip of HK\$200, which was several times the monthly salary of many. Yet I declined the offer, which some people might consider as an inappropriate act towards the client’s goodwill. However, from another perspective, I asked myself whether my job satisfaction merely came from material rewards? The gratification and contentment earned through every bit of hard work and the help to others are incomparable to material benefits; the belief remains intact after several decades.

Hold on to your mission with endeavor

I have witnessed a lot of other people’s ups and downs, while there are rare cases that people skyrocket their career. It is also not uncommon that people with great ambition and cause, ending up with a just so-so career path, thus agonizing over their dejection. People always blame their hardships on bad luck and are jealous of the success of others. They fail to realize that they might be overly ambitious just to get ahead. Unquestionably, personal attainment is an impetus to put one on his mettle. However, one will be blindfolded by his power hunger and desire for materials when he is over aggressive. Without a peace of mind,

how could one make sensible decisions? There are also opportunists who are desperate for power and money while being forgetful of their responsibilities. Their attitude and behaviour will just prevent themselves from being entrusted with important tasks from their seniors. Although pursuit of betterment is a basic human need, the question is how we should draw the line between career aspiration and career ambition so as to lead a life that we feel meaningful and accomplished.

Love fills our hearts up

To me, my soup of the soul is made through helping people in need. In recent years, I have been supporting the building of primary schools across the Mainland and providing sponsorship for the students from local villages to pursue tertiary education. Although I have yet met and may unlikely meet those I helped, my heart is filled up with joy when I know they might have a bright future because of my little help. Last but not least, I encourage you to experience life in different perspectives. The abundance of life comes from intelligence and knowledge, but the fulfillment of it relies on an abundant mind with wisdom.

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7. April 2008 ———

Passing on the wisdom, leading the walk

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Dear colleagues,

I love the weather these days. As always, I begin the day by taking some swings on the green and the breezy morning brings me up for a good day of work.

On the green or at work, I always try my best. As the Group Chairman, “doing” of work is not my major concern, but the “delivering” of wisdom garnered from decades of work to the next generation of leaders. It is my hope and my mission to develop in them a global vision, a keen business acumen, an unwavering judgment and more importantly, a delicate balance of “just right” in all things they do. They will become leaders with righteousness, generosity and patience, who have the knowledge of the factors and changes affecting a business and thus the resilience to lead the Group in any situation.

Wisdom on global vision: discerning “risk” and “opportunity”

Let’s take a look at the world’s economy and few will dispute that the US subprime mortgage crisis has felt across the globe. When the crisis set off in the US in early 2007, many investors chose the emerging markets including China and Asian countries as haven, which have been on the fast track of economic growth. With a mass exodus of hot money into the markets, Hong Kong and China’s stock indices almost doubled within one year. At the time, I was cautious as the rippling effect of the subprime crisis was still of an unknown magnitude. The impromptu switch of funds could be taking a risk instead of an opportunity, and many investors suffered from losses as they were unable to adjust to the ever-changing markets.

We all know the concepts of turning “risk” to “opportunity” and risk control. But in reality, to control risks, it takes timely judgment and moral courage. Take HSBC as an example. In February 2007, HSBC was the first bank in the world to reveal its exposure to subprime mortgage and make provision for possible damage. HSBC stocks were then facing overwhelming sell pressure. Over time, with its high transparency and determination to cut all subprime mortgage business, the market confidence gradually picked up and so did its stock price. On the other hand, some big investment banks were slow to contain the crisis in a timely manner and the negative impact was almost inevitable. The moral

is: amidst the worst market conditions, only corporations with foresight, prudence, flexibility and a discerning leadership are capable of formulating all-embracing policies, waiting on the right moment and making the right judgment for future development.

Wisdom on corporate management: balancing “control” and “freedom”

In addition to making sound judgment, I also expect leaders of the Group to excel in human management as it's people who define the Group. Management is an art of balancing: when to exert control or to give people freehand; when to observe or to play a part; and when to press forward or to hold back. Only through experience and practice one will acquire the art of such delicate balance. It requires you to see through the superficial. It is not mere knowledge or something learnt from a guidebook. It is about the accumulation of experience and knowledge to master and apply the essence organically in all circumstances. I encourage our management staff to work hard as well as to nurture your mind quality so that you are well-planned, but not rigid; capable, but not burnt out. As for all staff, I have positive anticipation on everyone of you, as you are carefully chosen and cultivated by the Group.

Keep working and walking with you

My determination to continue working is not because of the position or the honour, but work has become part of my life and I am to guide my fellow staff to carry on the spirit of K. Wah. The octogenarian Singapore's Minister Mentor Lee Kuan Yew once said about aging, "An active lifestyle keeps people at my age healthy. To live to the fullest, you must have an interest in life. You need a challenge and you need to meet people and to catch up with the world." Therefore, I'll keep working and walking by your side, leading you to take on the challenge and achieve great things together.

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8.December 2007 ———

Together we stride forward into
NEW AGE NEW FACE

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Dear colleagues,

I am glad to have enjoyed an evening with you all at the Annual Dinner 2007 for K. Wah Group (“the Group”). The dinner was a great success and credits must go to the organizing committee for their several months of hardwork and teamwork. As a cross-divisional effort, the dinner drew everybody together, displayed a high level of professionalism and more importantly, brilliantly exemplified the evening’s theme, One Company One Dream.

Two years ago, I shared with you here about my dream of leading the Group into a truly multinational corporation, where a streamlined management structure and reporting system in which clear accountability and roles are instrumental for its incessant growth. For a corporation of such scale to undertake a corporate change exercise, it would have taken at

least three years for us to succeed. Now in gratitude of the dedications of our management and staff, I am delighted that we have already achieved a remarkable progress in the last six months.

One of the key advances is the implementation of unified human resources measures in the Group office for providing an environment that staff can combine forces, excel and grow with the Group. K. Wah International Holdings Limited (“KWIH”), the Group’s listed flagship, has also kicked off the NEW AGE NEW FACE branding campaign in 2007, in celebration of its 20th anniversary of listing in Hong Kong. Into the new age, KWIH shall build upon its solid foundation to embark on ambitious business strategies and enhance investor relations. The corporate identity of KWIH as a quality property developer will also be strengthened for garnering a competitive edge.

Moreover, the move by Permira Funds, one of the world’s leading private equity firms, to acquire a stake in Galaxy Entertainment Group Limited (“GEG”) not only stood for a vote of confidence on GEG’s strategy from international investors, it also inspired us with ideas and practices to become truly international. At present, GEG is planning the Cotai project in full force. Large-scale entertainment, cultural & arts and leisure facilities as international landmarks are in the blueprint, in support of the economic development and entertainment & leisure business of Macau.

Driven by the new mindset, K. Wah shall continue to thrive as a quality brand and a company that every staff takes pride in.

I look forward to working with you all to make 2008 a milestone for K. Wah!

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9. September 2007 ——

Organization restructuring and system reinvention

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Dear colleagues,

As a continuation of my thoughts on human resources management in the last issue, I would like to share some more with you here.

Setting forward a sound organization structure

I believe the concept of “appointment of the fittest, fair play and accountability” is indisputable in any sizable corporation. To achieve this is no easy task, yet we should leave no hesitation in doing so. In response to the essential issue in coping with future challenges due to rapid development, we have commissioned Hay Group, a world renowned human resources consultancy firm, to diagnose our current structure so as to set forward a sound organization structure. I am delighted to see that, under the common aspiration of enhancing management structure and practice, members of the key management team have reached unanimous

consensus towards the reinforcement of matrix management and dual reporting initiated by Hay Group for K. Wah's listed property arm K. Wah International Holdings Limited ("KWIH"). Furthermore, these two initiatives form an integral part in our strategic management direction, which is particularly vital to KWIH in demonstrating the essence of accountability and appointment of the fittest during its evolution into a sizable integrated property developer in Asia and Greater China region.

Creating shareholder value

We have successfully made an instrumental and fundamental step towards developing a corporate enterprise. In the forth coming months, structural reorganization, progress monitoring, risk assessment, regional development and resources allocation will be put into implementation. All these aim at enhancing communications between the corporate office and member companies, and setting strategic direction on value creation and management efficiency for our mass shareholders.

Strengthening staff training and development

Core competence of a corporation relies on individual excellence. As the Chairman, I shoulder the responsibility to safeguard the best interest of shareholders while providing an environment that staff can excel and grow with the Group, and one that is fair and secured. New HR mindset is to cultivate a good environment for staff to develop a life long career path.

We treasure staff with loyalty and motivation; we want to do our best to provide training and the opportunity for development to staff who want to improve themselves and expand their career opportunities. We will also dedicate more time in enhancing morale and team spirit among staff. As an effort to lay a strong foundation and to groom our future leaders, we will continue to attract and develop people of the highest character and competence.

Collaboration, understanding and respect

Rome was not built in a day. Any new policies and systems would be futile without cooperation, mutual understanding and respect among the entire Group. It is hoped that in near future, a more remarkable progress can be attained through effective communication between department heads and staff.

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10. June 2007 ———

Appointment of the fittest, fair play and accountability

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Dear colleagues,

When I was preparing this letter, it came to the 10th anniversary of Hong Kong's handover to Mainland China. In recent media interviews, I was asked frequently how I perceive the ways that Hong Kong fared in the last decade. At the peak of a series of celebrations, with my hands on my heart, I can't help pondering how we should map out the development of K.Wah Group in the next ten years.

Success relies on perseverance and commitment

Thanks to the endeavouring tradition of the people of Hong Kong, the city's economy has been recovering since the past couple of years. Some people may say the business environment should benefit from the buoyant stock market. However, from my point of view, the market is getting increasingly competitive.

With a solid foundation K. Wah has laid in the past decades, we had moments of celebrations from the achievements we made. Among all, Galaxy has gained a strong foothold from a zero base to a market share of over 20% since its inception a few years ago. The Properties division has also been recognized for its exceptional sales and quality while the Construction Materials business has made encouraging progress. I appreciate all the hard work of my loyal staff who achieved all these with their perseverance as well as their courage and commitments in overcoming the challenges ahead.

Sharing resources and enhancing communication

To be honest, I should not be doing that much at my age. Sometimes I ask myself why I am still working so hard. However, as the founder and chairman, I still have the mission to guide and to pass on my experience and skills to my fellow staff.

Amid an abundant supply of capital in the Greater China region, the corporate world is thirsty for technology, talent and knowledge. In view of the continuous expansion and the interdependence of various business divisions, a proper structure governing the allocation and sharing of resources as well as timely communication is of utmost importance. As reiterated by President Hu Jintao in the 10th anniversary of the handover of Hong Kong, “one country, two systems” is a comprehensive concept in which “two systems” are primarily based on “one country”, and both elements are inseparable.

Accountability and fair play

Company policies and strategies can hardly be implemented without a strong workforce. Since a year ago, I have been discussing with a few department heads regarding the reallocation of the Group's human resources with a view to reengineering the corporate culture and regenerating the management mindset. It is the time for the Group to review the human resources policy which fits the needs and future plans of the Group. The measures include reinforcing the communication mechanism between headquarters and regional offices, reviewing the organizational structure and enhancing productivity with information technology. All in all, these shall make a total human resources solution to ensure that the policies are in line with market trend and the future needs of K. Wah.

Grooming future leaders

Long-term sustainability of the Group depends on a sound management team. In a recent discussion, a colleague emphasized that "key management staff should be few but good". While putting the right person at the right position, leadership succession is always a key mission of the Group. Other than recruiting professionals from the market, we should identify top talents who demonstrate high level of capability, loyalty, sincerity, integrity, prudence and attention to details within our workforce. Adequate training and development opportunities should

be offered to the candidates. Undoubtedly, it is the primary mission of the human resources unit to establish a more comprehensive employee development and training system.

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11. March 2007 ———

Be vigilant against complacency

Be prepared ahead of challenges

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Dear colleagues,

Business environment and livelihoods have shown signs of improvement following the recovery in global economy. The introduction of numerous preferential and relieving measures in the latest Government Budget are expected to give additional impetus to the economy.

Don't let complacency on success form a ceiling to new heights

Quite a number of retail investors made considerable fortunes from active fundraising activities conducted by numerous Mainland and Hong Kong-based corporations amid the bullish market in 2006. However, the market became exceptionally volatile earlier this year with a plunge of over 2,000 points. Although the market has been stabilized, some might have suffered losses or saw their profit vanish completely.

In view of globalization of the economy, strategies on corporate investment and management have to be formulated in a prudent manner in order to sustain corporate strengths. Above all, the most important mindset we should embrace is that we have to be well prepared for the worst and the challenges ahead. A run of good fortune does not equate to a formula for permanent success. Ironically, temporary triumphs can block our progress towards permanent betterment.

The history and reality have reminded us of the wisdom of the ages. “*Live with calamity but die with ease.*” As we scale new heights, we need to be climbing from a firm and sensible foundation, and think out of the box with creativity and innovation. The interrelation of international finance and trading as well as securitization of large-scale corporations indicate that we should keep on learning to strengthen ourselves so that we can stand out and take opportunity when it comes to us.

Enhancing corporate branding

Our business performance in the recent year has been encouraging while market competition is intensifying. The management has realized that a timely adjustment to our corporate branding strategy is vital to sustaining competitiveness in the long-run. Regenerating corporate branding is not merely a window-dressing exercise but a move from within, a big step in our progress towards identifying our company’s innermost strengths and its identity.

The development of corporate branding relies on market intelligence and customer needs as well as the connection with the press and financial market. As a multinational and listed corporation, management talent embracing strategic mindset and holistic view is crucial to the success in corporate planning and management. Today, investor relations plays an increasingly important role in overall management as effective external communication is vital to enhancing corporate competitiveness in the capital market. As such, a thorough understanding of internal and external environment is of prime importance.

Nurturing corporate culture

The management has begun formulating our branding strategy and measures with a view to linking the brand with corporate social responsibilities. This involves the cultivation of corporate culture and core values, good corporate governance, sensitivity to human resources, innovative information technology, creative staff training and close attention to marketing and investors relations. Our workforce is the Group's momentum and its success relies on every member. The management hopes the new measures will stimulate the enthusiasm of our keen crew and that we will experience a renewal of attitude from the bottom through to the top and fire up afresh the Group's powerful locomotive.

Promoting corporate social responsibilities

The Group gives weight to the reality of corporate citizenship and supports the idea of sustainable development in our community and economy by encouraging staff to take part in community services. The Group strongly believes that it is imperative for both the management and the staff to be good citizens. I wholeheartedly believe that a balance between work and life should be struck and I am happy to see more staff participating in volunteering after work.

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12. December 2006 ———

Have we delivered what we promised?

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Dear colleagues,

Year 2007 is approaching; in retrospect of the past year, I feel proud of your hard work dedicated to delivering a good harvest for the Group. I believe we share the same feelings in a process amalgamated with success and failure as well as excitement and dejection. No matter what position we are in, we all experience the same process and work towards the same goal. After all, hard work is the price we pay for success.

As the Chairman of a listed group and an investor, I believe in prudence and ceaseless quest for excellence which are fundamental qualities of being a leader and a socially responsible person. In corporate perspective, I think leadership is not a personal affair but a commitment to ensuring efficiency and effectiveness, as well as balancing the interests in every possible aspect.

Sometimes we are envious at other people's success, and thought it was a matter of luck. Luck may be a factor occasionally when you catch on a favourable trend to achieve short-term fortune and success but long-term success and survival can never count on pure luck. Rather, hard work and dedication are the key.

We should not be complacent of our success either. It is not uncommon that without perseverance, careful planning and accurate budgeting, and with overspending, management crises will be likely in future. Fortunately, the long establishment of K. Wah Group offers a strong foundation for us to ride on our own strengths and expertise to excel in an ever-changing environment.

China has emerged as a strong economy and one of the fastest-growing countries in the world. Back to the past one to two decades, China mainly relied on the import of Western management and business models. Today, Chinese corporations have been the most sought after in the global market. With in-depth understanding of global economic trend and market needs, they have either been outperforming the market or reversing from a lagging position. Their spirit of perseverance and pursuit for excellence have made them strong players in the market. Looking at the record-breaking size of major listing and financing activities in Hong Kong, most of them were conducted by Mainland companies, reflecting international investors' confidence in the prospects of China and its economy. While investors have made good profit from these newly listed companies, from a management perspective, I would like to remind you not to overlook the competition brought by them.

To maintain long-term competitiveness, we need to continuously enhance our service, product quality, brand image and resource sharing. World renowned and successful brands like UBS and HSBC are keen on launching large-scale marketing and branding activities. Why? As forward-

looking and visionary organizations, they aim at sustaining present market and cultivating many years ahead of time a group of new customers. That's why I would encourage you to duly consider how we are going to position ourselves.

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13. September 2006 ———

Integration of IT and business wisdom

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Dear colleagues,

Information technology (“IT”) has changed our life and the operation in corporate world. Technological advancement enables information to be transmitted at a speed beyond our imagination, and new services and products to emerge quickly. In the ever-changing international business arena, IT application is inevitably a key to success.

Market intelligence helps enhance efficiency in decision making

Smooth and efficient operation relies on the synergy created by various business divisions. To achieve that, we must connect all the strata within the corporation to prevent unnecessary animosity between businesses. Furthermore, through transmission, division, analysis and storage of the information, it furthers the corporation’s reach and co-ordination of these data, thus assisting our management, supervision and understanding of the businesses.

Multinational corporations usually embrace a diversified range of businesses; the operation of which should not be separated from each other. To benefit the operation of individual divisions and the corporation as a whole, we must ensure interaction and resources sharing among them. As an investor, we must stay abreast of the latest information related to finance and economics, property market, interest rates, stock market, foreign exchange, oil prices, government policies, etc, and closely monitor the political and social conditions. Consequently, in times of adversity, we can receive current intelligence to guide us along, while in favourable circumstances, we can remain one step ahead in the market. However, information flow should be adequate and relevant without overload for management to make decisions in a timely and swift manner. Hence, we must duly select the highest standard and most appropriate technology and equipment.

Information is power

Looking at the successful corporations worldwide, one common factor can be identified, that is, the application of IT to enhance operational efficiency and return on investments. Take the Just-In-Time inventory management system initiated by Toyota as an example. It helps reduce inventory-related costs and attracts other multi-national corporations to follow through. Dell, General Motors and the China-based Haier have adopted this system, which results in remarkable cost reductions and earning improvement.

Business wisdom and staff competence count in surpassing the business results of a corporation, but it is also attributable to the application of IT. K. Wah's record breaking sales in property projects, for instance, highlights the significance of information, from customer preferences, interior design trend, flat layout and size, to family structure, without which we would not have developed projects catering to the specific needs of the market. Nonetheless, the operation of the Group's Galaxy casinos and the Fast Track Construction procedure of StarWorld further prove the higher efficiency and effectiveness brought by advanced software.

An innovative management mindset

IT is merely a tool, the application of which relies on the mindset of users. We must stay tuned with technological trend and become connected with the new information era in order to propel our corporation into a brighter future.

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14. June 2006 ———

Corporate edge relies on strong corporate brand

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Dear colleagues,

We come across “brand name” quite often in our everyday life from advertisements in various media. It is influential to our consumption decision in many aspects. However, I believe not many of you have ever dug into the in-depth meaning of “brand name” nor have you considered its significance to the development of a corporation. These are the topics I would like to share with you.

What is a corporate brand?

Literally, a brand is a name, symbol, design, function, or an embodiment of all the information connected with a product or service. Brand image is built up over time when customers can associate the quality of a product or service with its brand, enabling the brand to differentiate itself from its competitors. A brand endorses the quality, functional value and emotional attachment of a product or service. Through the creation of

brand knowledge, brand image and brand awareness are developed in the market.

Synergy between parent brand and sub-brands

Along the past five decades, K. Wah Group enriched its business portfolio step-by-step with new ventures and successfully nurtured numerous successful brands. Under the K. Wah umbrella, brands such as K. Wah Real Estates, K. Wah Construction Materials, Stanford Hotels, and Galaxy Entertainment Group, are all standing on their own feet today. With compatible products and services, they are well received by their respective markets. Our success does not rely on luck, but our quest for supreme quality, innovative mindset, fortitude in face of adversity, flexible marketing strategy as well as our prudent operation management, financial management and corporate governance. These attributes form the backbone of the K. Wah corporate culture and brand image.

K. Wah brands in a business perspective

In its evolution from a local construction materials supplier into a multibillion-cum-multinational corporation, K. Wah has undergone various stages of growth and transformation. I feel proud of those member companies achieving remarkable performance and distinguished brand name. Derived from the K. Wah brand, they carry on the mission and core values of their parent through resources sharing, mutual learning

and team work, thus creating synergy as well as adding dynamics and vitality to the K. Wah brand to make it a sustaining one.

Akio Morita, founder of Sony Corporation, once said, “I have always believed that the company name is the life of an enterprise. It carries responsibility and guarantees the quality of the product.” I share his view and hope the K. Wah brand will continue to deliver what we promise to our customers and investors.

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15. March 2006 ——

Reinforce corporate management for long term sustainable growth

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Dear colleagues,

In 2005, K. Wah Group celebrated its 50 years of success achieved by your collective effort. I am delighted to see our Group evolving from a local construction material supplier into a multinational corporation embracing more than 200 subsidiaries engaging in a diversified range of businesses. Your dedication and hard work are indispensable for our groundbreaking achievements along the way.

A multinational corporation with diversified businesses

I feel proud of our constant excellence over the years, for example, Galaxy Entertainment Group became a main stream gaming operator in the booming Macau market last year, followed by K. Wah Real Estates' winning of the first Business Superbrands among its peers. Our construction materials business in eastern and southern China has reaped

a good harvest while our hospitality business in Hong Kong is improving amidst economic recovery. Besides, performances of our real estates and hotel operations in the US have been encouraging.

Building a corporate family

In view of our internationalization and diversification, long term sustainable growth of the Group relies on a well-established and rigorous mechanism that clearly defines authority and responsibility. More than 10 years ago, I started to implement the concept of Corporate Family. However, progress seemed lagging as we were dedicated to our fast-growing businesses. Today, while we are enjoying the fruit, we have to drive the implementation of Corporate Family in order to enhance our synergy.

A clearly defined management structure

Like the cabinet and brain trust of a government, the Corporate Office is entrusted to monitor and steer the reinforcement of Corporate Family by formulating strategies, setting business targets, balancing interest, and resolving conflicts and severe problems. Nonetheless, it is to ensure sound

financial performance of different divisions through effective policies on treasury and finance. Business divisions should follow the predefined corporate directions and strive to meet operational targets.

Management commitment is key to successful implementation of Corporate Family which is crucial to the Group's long term sustainability. Staff have to fully understand the significance of the implementation of a sophisticated management system as well as to work towards the overall direction and interests of the Group.

A sheer determination for change

Corporate change requires a lot of effort to tackle the challenges ahead, yet it is an irresistible trend. I am determined to take the move no matter it will take one year, three years or even 10 years for us to succeed. It is an arduous journey that your unwavering commitment counts.

Chapter 2

Philosophy of Life

One has to persevere and be self-reliant.

Flexibility and creativity are essential in keeping up with the times.

“Only by putting in your best effort and striving for perfection will you be able to improve yourself and give your life a meaningful goal.”

Dr Che-woo Lui has developed his own set of beliefs over his lifelong career.

A reporter once asked him about the key to his professional success. He answered, “Rely on yourself and work hard.” A person, he advised, should not depend on others for whatever he does.

Many people who have met Dr Lui in person think he is a man of composure and wisdom, who stays calm even in times of crisis. He said, “You feel restless when a problem is unresolved; but once you have found the root of the problem and are determined to overcome it, you will feel much better. Decision-making is simply about deciding what action to take by referring to your previous experience. And we should be able to know how much risk we are taking.”

Dr Lui says he was not a man with great ambition; he just loved his work. He likens his brain to computer software specially designed for doing business. The programme will automatically operate when the computer is on. He does feel tired at times, but his belief in hard work has kept driving him forward. Also, he advises, one should explore the joy and interest of working.

Despite dropping out of school because of the war, Dr Lui has a keen desire for knowledge and a mind full of original ideas. He joked to his grandchildren that had he not dropped out of school, he might have

become a scientist instead of a businessman. During the war, food was scarce in Hong Kong. Only potato powder was available. However, potato powder could not be turned into dough, as it was not adhesive. Dr Lui, then at the age of 12, solved the problem by mixing the powder with boiling water to make it sticky. By adding more powder, the sticky mixture would then be turned into dough that could be used in making edible meat and vegetable dumplings. As the supply of cooking oil was also limited during the Japanese occupation, Dr Lui tried to make “Ma Chai” by deep frying dried vermicelli until it “popped” like popcorn and mixing it together with syrup, then selling it as a kind of dimsum. The product, according to him, did not taste as good as the food today. Yet, it was very popular as there were few other options available. After that, he started his food business. By the end of the war, he had already become a food manufacturer and wholesaler, providing food for working-class people. Living in Yaumatei at that time, Dr Lui saw heaps of corpses every day who had died of starvation and were awaiting disposal by the Sanitary Unit. Despite the stench, he was forced to stay in his house in case intruders entered his ancestral home or it was demolished.

One of his sons says, “People of my father’s time who suffered misery during the war have a strong will, which is something people of this generation lack.”

After the war, Dr Lui was apprenticed to his uncle in the car components trade, while learning English at evening school. Although he had made a

considerable fortune selling foodstuffs during wartime, he kept learning and upgrading his abilities, knowing that a long road paved with challenges lay ahead of him.

As a prudent businessman, Dr Lui takes a step-by-step approach to doing business and refrains from taking incalculable risks. He said, “In whatever business, doing it without money is gambling, having money to do it is investment.” He says that while his straightforward personality won’t make him the number one tycoon, it won’t make him the poorest either. Yet his achievements are evident.

He always tells young people to refrain from the idea of taking short cuts or any aggressive method to achieve results, and the importance of working hard should not be overlooked. He attributes the general belief in making “quick bucks” among Hong Kong people to the rapid economic growth of the past.

Although the Asian financial crisis has dealt a severe blow to Hong Kong’s economy, he holds that it has resulted in some soul-searching and made people work harder. In his eyes, success is not just a matter of luck. The media once called Dr Lui a “Big Shark”, because he always calmly evaluates the environment before attacking his business target at full speed, without leaving a ripple. To sum up, the keys to Dr Lui’s success are: keep learning; be flexible; be well prepared; be self-reliant; and do not panic in crises.

Quotations from Dr Che-woo Lui

- I never gave up learning, although I was forced to drop out of school during the war. Instead, I tried to absorb knowledge whenever I could and make use of it at work.
- Due to the adversity that resulted from the war, I worked really hard to try to make ends meet and feed my family. I had never dreamed of becoming a billionaire or anybody special. I just subscribed to a philosophy of self-reliance, always relying on myself and doing my best. Note 1
- The old adage, “be self-reliant”, is so true even today. In this constantly changing world, we must double our efforts, try to innovate and keep learning in order to find a way forward for ourselves and for Hong Kong.
- Entrepreneurs of our time made Hong Kong’s economic miracle happen from scratch. It all depended on perseverance.
- I have taken my job as a hobby, which has kept me motivated. But most important of all, you have to work hard. Everybody knows this, but not everybody can do it.

- I handle every difficulty with care. I seek advice, identify the root of the problem, and tackle it with persistence and determination.
- As the old saying goes, “When three men walk side by side, there is always something I can learn.” Nobody knows everything. In order to improve ourselves, it is vital to be receptive to good opinions.
- Everybody experiences the ups and downs of life. In times of prosperity, keep your mind clear and do not be complacent about your success. In times of adversity, endure and overcome difficulties with determination. Look ahead and do not complain.

Note 1 *At 8:30 am on 8 December 1941, Japanese forces launched an air attack on Kai Tak Airport. It marked the beginning of the Japanese occupation of Hong Kong that lasted three years and eight months, during which the people of Hong Kong lived in penury. In mid-1943, there was an acute food shortage in Hong Kong and food rationing was imposed by the Japanese invaders. Each person was allowed only 6.4 taels of rice a day. This decreased to 4.6 taels a day when the food shortage became even more severe. Citizens had to resort to eating grass roots. There were even cases of cannibalism.*

- We must not over-react when we fail. We should always do our best, although success is not guaranteed. Come what may, do not be angry with others and blame them. Note 2
- In times of prosperity, many people may become complacent and think money comes easily. However, they are unaware that happiness is not necessarily something that occurs automatically and they should not take it for granted.
- The wealth of many Hong Kong people simply evaporated with the Asian financial crisis, although there have been positive effects as people have learnt an important lesson: they should always keep both feet on the ground instead of relying on speculation for a living.
- If you do not put in any effort, fortune will not come your way. Always trust yourself, rely on yourself and work hard, and do not to be a freeloader.
- If you want to get rich, count on yourself. Success doesn't happen by accident. You have to keep trying, work hard, keep abreast of the times and embrace social changes with an open mind. Ensure you are equipped to benefit from opportunities that may come along. Note 3
- Always enrich your knowledge, build your character, develop your creativity, improve your organizational and analytical skills to make

yourself an all-round leader.

Note 2 *As the Chinese saying goes, “People are not sacred. So how can we ever be immune to mistakes?” Even the legendary and loyal military strategist Zhuge Liang was not infallible. His master Liu Bei told him on his deathbed not to assign any important tasks to Ma Su. However, Zhuge did not take the advice seriously during his first military campaign to reclaim the heart of the country in the North. As a result, the strategic city of Jieting was lost. Zhuge retreated. He asked the young Lord Liu Shan to punish him. The new master told him that victories and defeats were common in battles, but Zhuge resolutely insisted that the rules must be adhered to. When he arrived in central China, he doubled his efforts in caring for local people and training his soldiers, so as to make up for his mistake. A person should confront failure head-on with an open heart and take responsibility. One has to learn from mistakes by finding out what had gone wrong. This is the best medicine for healing the wounds of failure and paving the way for success in the future.*

Note 3 *The management guru Andrew Grove asserts in his masterpiece, Only the Paranoid Survive, that the concept of using paradigms for strategic management no longer works. This is because paradigms are based on experience and past data, which are becoming more and more irrelevant in today’s world. What happens today is not necessarily a result of what happened in the past, and the future might not be a repetition of what happens today. Things today are changing at 10 times the speed of yesterday. It will be difficult to use past data to project the future with any degree of accuracy. The external business environment is always in a state of flux, making it increasingly difficult to make predictions. A person cannot rely on past experience as guidance for planning for the future. The margin of error is bound to be big. Managers must therefore always broaden their horizons. Only what appears in front of you can be taken as reference for the future.*

- We encounter problems at work in the same way a driver finds a road blocked by boulders. Some people get anxious and do not know what to do in such a situation; some get frustrated and give up; some force their way through; and some take a more difficult path. However, if you get out of the car and remove the boulders one by one, you will be able to move on and reach your destination. Whether you succeed depends on your ability to stay calm in the face of difficulty.
- Do not be conceited. Try to improve in areas where you are weak and make up for any deficiency by following the example of others that possess distinct strengths. Don't let yourself be trapped into picking fault with others as a way to highlight your own cleverness and heroism.
- To survive future competition in the business world is not easy. To succeed, you have to be ambitious, determined, knowledgeable and ready. By ambitious I mean one has to have lofty ideas.
- You have to learn about your job, human relations and topics of personal interest. Campus life is just a very small part of your life-long learning process. Those who are not determined to learn in society will not progress with society.
- In our constantly changing society, we should always keep a quick and flexible mind. If we get stuck in a rut, we will lag behind. Always keep this in mind.

- Success in business is more than diligence and good luck. You should also keep an eye on the market and try to think of new ideas.
- Speed and efficiency are essential in today's society. Products, business concepts and market trends change rapidly. Only by learning, innovating and trying can we survive the fierce competition and challenges.
- Changes are inevitable, but they can be turned into opportunities. Do not run away from changes. Note 4

Note 4 *People are afraid of venturing outside their comfort zones. They do not understand that the only thing that is unchanged is change itself. Excellent managers should be able to see through the changes and lead the corporation to greener pastures. In the mid-1980s, General Electric was the second largest car manufacturer in the United States. At that time, oil prices were dropping and the number of drivers was rising all the time. The big cars manufactured by General Electric were very popular. Employees did not have to bother about purchase orders and had become complacent. Fortunately, the then general manager of the company, Mr Smith, had a sense of impending crisis and, in response, the company adopted a two-pronged approach. General Electric cooperated with the emerging Japanese brands, such as Toyota and Suzuki, to combine their strengths in producing the new Chevrolet. General Electric used the experience it gained in this to set up its own brand for producing small cars. Meanwhile, it spent US\$2.5 billion to acquire an electronic data system company. As a result, the cost-effectiveness of the company's inquiry department significantly improved by deploying its data processing technologies like an assembly line. Ever since, General Electric's high standard of customer service has played a key role in its continuing status as a business giant.*

- Life is a stage on which the performers should dance and sing. It is no easy task. But if you are devoted to your role, you will experience the joy of what you do.
- I love my work, but I have never insisted on any particular return. I have never dreamed of making a fortune even. Neither do I have any ultimate target. However, whenever an opportunity arises, I will seize it and try my very best so that I will have no regrets in life.
- I like to lead an ordinary and relaxed life. Earthly wealth is no more than a floating cloud for me.
- One should strive for excellence in both one's life and career. The outcome, however, is not the most important. Successes and failures in life are not measured solely by how wealthy or poor we are. Instead, it is the sense of satisfaction that counts. Helping others by sharing your experience and what you have is a real achievement. As the Chinese saying goes, "a poor but contented person is happy; a wealthy but discontented person is miserable."

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Be moderate. Be self-sufficient.

Be honest and strive for a win-win co-existence.
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“The greatest happiness derives from a simple and sufficient life.”
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Dr Che-woo Lui is now a highly successful and distinguished entrepreneur at the helm of a billion-dollar multinational business empire. Starting out in the construction materials sector, he introduced modern excavation techniques to Hong Kong’s quarrying industry in the 1950s. Two decades ago, he was hailed by the *South China Morning Post* as “The King of Quarry”.

As a chairman of a multinational consortium, and as a wealthy businessman with high social status, Dr Lui treasures freedom and simplicity of life. He does not like the pomposity of being surrounded by a large contingent of aides. He says the greatest happiness derives from an ordinary life. While it is hard to live in poverty, he is certain that having more money than necessary results in many troubles and worries.

One does not have to be rich to be happy. Those who follow a belief in moderation and feel content in their hearts are the wealthiest. He says it is inevitable that people will experience ups and downs in their bumpy journeys through life. All we need to do is to take it easy and learn how to seek happiness in the face of adversity.

As the head of a mammoth corporation, Dr Lui demands the best from his subordinates. No mistakes escape his attention as he is a clear-sighted man with a sharp mind. Born with naturally dignified temperament, he is respected and admired by his subordinates. At the same time, Dr Lui is a very reasonable and considerate person, always encouraging his subordinates to speak out and believing that people should communicate openly with each other. As long as people tell him the problems they encounter, he will try to sort them out for them.

According to him, simple issues become complicated because people are not willing to open themselves up and discuss issues with others, preferring to “second-guess” instead. As a result, efforts are wasted as people go down the wrong paths. Therefore, for years, he has been promoting in his corporation the spirit of the 3Cs: “communication”, “cooperation” and “consideration”.

Dr Lui is adamant that human relations should be built upon harmony and mutual benefit, not vicious competition. At the business level, he adheres to the principle of seeking co-existence and not dealing a deadly

blow to his rivals or seizing things from others.

To draw an analogy between Dr Lui's personal style and a ball game, he is a master player who does not aim at knocking out his opponents with a master stroke. Rather, he tries to give weaker opponents chances to keep playing. In this way, both sides can enjoy the game. After all, he understands the loneliness of being invincible. In his ideal world, life should be a joyful journey, not a battlefield.

Quotations from Dr Che-woo Lui

- I tend to strike an equilibrium between being “too risky” and “too conservative” in doing business.
- People say I am a conservative businessman because I conduct my business affairs honestly. But if I were conservative, why would I have embarked on so many types of business?
- I do not aim to make excessive profits; neither do I wish to see a deficit. Simply put, I am not the number one tycoon; but I will not finish last either.

- I do not have an ultimate goal for doing business. I am satisfied with reasonable profits. Others may want to eat three bowls of rice; I am fine with one.
- It is hard to live in poverty, but having more money than is necessary results in many troubles and worries. Think about it. A man works hard for his whole life to make money but has no time to spend it. In the end, he has to worry about how to handle his wealth. What is so good about being a wealthy man?
- All my children help me with my business, although I am never demanding on them. My advice to them is: adhere to a belief in modesty. Avoid comparing yourselves with others. If you have already given your best, you should have no regrets.
- I am not a man with significant ambitions. I just love my job. Maybe it is in my nature not to speculate; I like to progress step by step.
- We should always be generous and selfless, love our parents and siblings. Those of us who are living in happiness should help and sympathize for the less fortunate. Do not take money and fortune for granted. Spend it with care.
- To properly manage ourselves, we should take charge of our own health, the development of our personality and virtue and then be

responsible for our own deeds. Also, we should each try to understand our respective emotional and psychological barriers and develop a suitable lifestyle.

- We must be true to ourselves. Be selfless to others. Play the right role and be impartial.
- Those who have a generous mind will succeed; those without one will not thrive. Note 5
- A person with fame, fortune and a luxurious car is the envy of many. However, few are aware of the worries and troubles that arise from that person's work while working class people may well lead a simple life that does not carry much worry. Although they have to eke out a living by working hard, they are trouble-free and happier than the rich, and can always enjoy sound sleep at night.

Note 5 *The Japanese sociologist Yokoyama devised the Yokoyama Principle, which states that the most efficient and sustained way of exercising control is not achieved through coercion. Rather, it can be achieved by inducing a person to exercise self-control. In business, management must be tolerant of employees' mistakes and look to help workers develop a sense of self-control. If you do not adopt this approach, you will fall into the trap of imposing control over people. The workers may behave in an obedient manner but they will not have the enthusiasm to take initiatives in their jobs.*

- Many people are misled by the media into thinking that billionaires live in luxury and indulge in all kinds of expensive delicacies every day. Some flamboyant billionaires do. But most of them just lead a simple, ordinary and frugal life.
- Be moderate, polite and considerate towards others. Always work with the aim of achieving mutual benefit.
- The greatest happiness derives from a simple and sufficient life. The most important thing is to feel contentment, which will bring you happiness.
- It was the happiest time of my life being the owner of a small business. Every day I worked hard, and during weekends I went hiking or had barbeques with my young children. There was not much to worry about.
- Effective communication is not only about content and the ability to deliver what you mean; it is also about modesty, sincerity and gentleness. If you offer your opinions in an arrogant manner, the person you are communicating with will be unable to listen to you because there will be a psychological barrier. Note 6
- Without the support of your co-workers, the greatest and most constructive idea will fall flat. Therefore, we should always listen to

opposite views and try to reach a consensus in order for the idea to be put into practice.

- You can work with your co-workers towards a unanimous goal only if you can forget about your ego and try to reach a consensus.
- Many people think they have no problems in communicating and working with others. Indeed, the two things are easier said than done. Communication, in particular, is easily influenced by human nature. It is not an easy task to make others agree with us.
- The younger generations in Hong Kong are mostly influenced by western culture and pursue freedom, democracy and equality, which are definitely manifestations of civilization. However, some people neglect their duties and responsibilities to society in their fight for personal rights, putting their private interests ahead of public interests. This individualism and obsession with material desires places great obstacles in the path to their long-term development.

Note 6 As management guru Dale Carnegie put it: “You can’t win an argument. You can’t because if you lose it, you lose it; and if you win it, you lose it. Why, suppose you triumph over the other and shoot his argument full of holes and prove that he is stupid. Then what? You will feel fine. But what about him? You have made him feel inferior. You have hurt his pride. He will resent your triumph.” This proves that a good attitude is essential for people who want to give advice.

- The present education system emphasizes technology and professional knowledge but has neglected moral education.
- Many small issues turn into problems because people refrain from communicating honestly and thinking of ways to resolve issues until they become complicated. The hostility and suspicion may lead to conflict. In fact, if everyone has a generous mind, and tries not to hurt feelings when expressing their views, and considers the situation as a whole, we can all live in harmony.
- Many people consider themselves to be smart. However, whether you are smart is not for yourself to judge. This question should be left for others to conclude objectively based on your performance.
- The development of information technology has changed our mode of communication, but only in terms of tools and format. Communication and contact between people can never be replaced by high-tech products. Advanced technology has enhanced the speed and accuracy of our communication, but it cannot serve as a substitute for the analytical mind and emotions of humans.
- Communication is the exchange of ideas between two or more parties. If a supervisor is open-minded, his subordinates will be ready to voice opinions; if a subordinate accepts advice in good faith, his supervisor will be willing to teach. Forget about your self-esteem whenever

necessary and you will find communication more effective. Note 7

- It is a shame to ridicule others and make others feel awkward when they are turning to you for help.
- Sometimes your boss may turn down your suggestions. Later, when you find he uses your suggestions after all you are upset, thinking that he has stolen your idea. However, the fact of the matter is that your boss was unable to take your suggestions on board immediately because the timing and circumstances were wrong. So do not be discouraged if your suggestions appear not to have been accepted but continue to put forward innovative ideas.

Note 7 *One must remain modest in accepting others' opinions and learning from others. Yet simply being humble is not sufficient. One must also acquire the skills of perceptive listening. Procter & Gamble is one of the largest manufacturers in the world of products that are daily necessities. Founded 170 years ago, its business is as brisk as ever. Its current success can be attributed to its visionary president at the turn of the 20th Century. He was insightful and fair-minded in accepting the suggestion of his sales manager that the company should set up a constructive internal competitive system. Ever since, the arrangement has ensured that staff work with a sense of decisiveness and competitiveness. This system has also ensured the company stayed ahead of the crowd in the face of keen competition throughout the century.*

Chapter 3

Management Insights

Management philosophy consists of the art of staff deployment.

Business strategy should be based on a win-win approach.

“ Western management systems are particularly adept at designing procedures and organizational structures. Chinese management, on the other hand, stresses the need to strike a balance out of the intricate relationships between what is emotional, rational and legal. Hong Kong is good at fusing the best from both the West and the East. This is Hong Kong’s specific key to success.”

Numerous management philosophies and principles have been developed in the East and the West. They all dwell on how to manage people. This chapter sets out the views of the optimistic, contented and multi-talented Dr Lui on his philosophy of people management.

Shrewd as he is, Dr Lui is well aware of the difficulties involved in training up a top-notch leader. He said, “Staff members are the same as your own kids when it comes to educating them. Whether they ‘get it’ depends on their intelligence, determination and diligence.” He is convinced that there is no short cut when it comes to grooming top-class executives. Rushing them will be counter-productive. He is strict on both his children and staff, as he believes in really putting them through the mill. It’s a disservice to a rookie to place him or her in a responsible position when they are not ready. Unlike some employers who like to be bossy to underline their superiority, Dr Lui is strict with his staff because he believes this will help them develop and serve their best interests.

For Dr Lui, the term management is deceptively simple. The reality is that management is a complicated discipline and an art itself. Motivating employees entails profound interpersonal communication skills. An avuncular figure in the construction industry once told him that, “Even the Governor is not versed in all topics. Things in Hong Kong will however become orderly if he knows how to manage.” Dr Lui holds that business management is scientific and can be quantified. However, many human and interpersonal factors are involved in fostering staff

loyalty and cohesion. Scientific calculations alone will not work. Business management is thus an art of interpersonal relationships founded on scientific principles.

Dr Lui always encourages staff members to put forward their opinions. He believes that staff suggestions are a major contribution to the company. Even the most brilliant minds are limited in their knowledge. He sees responsibility, cohesion and selflessness as some of the advantageous qualities that a business has. Nonetheless, when a family business has grown into a sizable operation, professionals, consultants and management executives will have to be brought in to transform it into a “corporate enterprise”.

A successful enterprise needs outstanding leaders and a loyal team of staff. Business strategy and tactics are also indispensable. “Enemies are often nothing more than imaginary,” said Dr Lui, “the business sector emphasizes co-existence rather than snatching from others. Everybody should be recognized and allowed to survive.” In addition, credibility and sincerity are also essential. After the riots in 1967, Dr Lui’s quarry business went downhill. At that time, he had made a bulk purchase of machinery from Gilman but did not have the money for the payment. Gilman did not force him to pay up, allowing him time to get through the difficulties. Dr Lui avoided getting squashed mainly because of his well-established business credibility and interpersonal relationships. He surmises that in the 21st century business arena, competition will become increasingly

invisible. An enterprise needs to have professional expertise, a sound financial condition, and the drive always to seek excellence. Management must keep up with the times and be flexible in meeting challenges.

Quotations from Dr Che-woo Lui

- Intelligence and aptitude are important in determining whether a person can be trained into somebody with exceptional ability. It also takes time. Rushing things will only be counter-productive. It is like plucking a fruit. If you do it too early, the unripe fruit will be sour and bitter.
- Knowledge is now transmitted at the speed of lightning. The changes facing corporations in the next decade will be more momentous than those in the whole of the last 50 years. Corporations will grow faster, but they will be eliminated faster too. Competition will become more invisible in the future business environment. An enterprise's chances of success will be determined by whether it can make quick and efficient decisions.
- In the 1960s and 1970s, most companies were not aware of what management was all about. At that time, I told myself that I would need to install a systematic management mechanism in order to expand my

business. I had been looking around for a good business management school for my daughter, at a time when she was about to further her studies overseas. Very few universities were equipped with a business management school then but after 30 years of development almost every university today has a business school. I believe the universities in Mainland China should also embark on this path.

- The discipline of management was initially skewed towards how to raise the cost-effectiveness of production and establish a working system. It emphasized communication and relationship-building between the enterprise and its workforce. Contemporary management should thus embrace both “human” and “rational” elements.
- Business management is scientific as results can usually be quantified. However, many human and interpersonal factors are involved in fostering staff loyalty and cohesion. Scientific calculations alone will not work. Business management is thus an art of interpersonal relationships founded on scientific principles.
- A management executive should, of course, have a broad knowledge base. The emphasis, however, is not on professional operations alone. The key is whether the executive knows how to manage people. Even a president of a country cannot be expected to be omniscient. Yet, he can still keep his country in order. The crux of the matter is whether he knows how to manage people.

- Many management theories now suggest that the Emotional Quotient (EQ) is more important than the Intelligence Quotient (IQ) for a successful executive. I tend to accept that IQ is inborn. Although EQ is also shaped by one's inherent character, it can also be strengthened by everyday experiences and the handling of everyday issues. This has to do with what we Chinese refer to as self-cultivation.
- A senior executive will have to rely on a group of middle-ranking and supportive staff members to ensure that the operation runs smoothly. The work attitude of these staff members will be determined by the training and guidance of the executive and whether he can strictly enforce the management system. In this way, the operation becomes smoother. Note 1

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Note 1 Dale Carnegie admitted that it is hard to make people agree with your views. Managers can try the following approaches when they need to change the perspectives of others:

1. Be sincere. Do not promise anything you cannot deliver.
2. Be empathic. Ask yourself what the other person really wants.
3. When you make your request, put it in a form that will convey to the other person the idea that he personally will benefit.

- Chinese philosophy stems primarily from Confucianism, Taoism, and legal and military principles. Confucianists stress self-discipline, self-improvement and interpersonal harmony. The Taoists are naturalists. The Legalists put the accent on the use of power, while the Militarists stress strategy and tactics. These cultural values have a long history and are shared by intelligent people. They have permeated into the Chinese communities. A thorough understanding of these thoughts will help an executive manage all types of day-to-day problems.
- Different people may have different readings of what the ‘Middle Way’ means in the teachings of Confucius. For me, as a leader, it means being kind to others and being modest. Only in this way can one inspire conviction in others. Strength arises through solidarity and harmony.
- Management must absorb more than professional industry-specific knowledge. It needs to integrate and use traditional wisdom and communal common sense.
- In order to become a top executive, a person must constantly improve his organizational, analytical, problem-solving and innovative capabilities. One must be broad-minded in terms of acquiring cultural knowledge and improving one’s moral character.
- We must treat our co-workers as comrades in combat. People in different positions are charged with different responsibilities. But

as they all work for the same organization, they must share the same goal and deliver the best for the company. Even if there is competition among colleagues, it should only be healthy competition that can inspire and help everybody to advance. No obstacle is ever insurmountable as long as everybody works together as a team. Note 2

- As a managerial staff member, one should take overall responsibility for day-to-day operations. When the company entrusts you with a job, you should handle it like a nanny taking care of a baby. You have to take care of all the baby's mundane needs. Only you will know exactly what the baby needs.
- We should not wait for instructions from superiors before we tackle jobs at hand. We should use our mind and figure out how to solve problems. If problems really are too much for us, we should not hide them. We must report the situation to our superiors so that they can make a decision on what to do before the problems get worse.

Note 2 Listen to these sage words from Harvard Professor William James, one of the most distinguished psychologists and philosophers America has ever produced: "What we are making use of is only a small part of our physical and psychological resources... We have yet to exploit the fullest of our capability." Abilities wither under criticism; they blossom under encouragement. To become a more effective leader of people, praise the slightest improvement and praise every improvement. Be hearty in your approbation and lavish in your praises.

- One should use a proactive approach to solve problems; an interactive approach to handle issues; and a timely response to meet challenges.
- The agile brains of employees are a company's best assets.
- Sometimes during the course of our work we will encounter difficult and mediocre people who are in high positions. My experience shows that these people will not be around for long and will be eliminated sooner or later.
- Anxiety, anger, frustration and dejection will only make a bad situation worse. All that's needed is patience and a step-by-step approach to tackling the crux of the problem. This is the way ahead for reaching one's objective in work.
- It is human nature to resist new things. If an executive is to excel, he needs to catch up with the times and abandon any resistance to unfamiliar things.
- Some people think it is easy to make complicated issues simple. They are mistaken. In reality, it is very difficult to apply this concept at work.
- I will take a hands-on approach in setting up any new business. I will devote myself to the job until the business has been set on the right track. I will then start training up successors so that I can release myself

for other new endeavours.

- In the 1960s, I convinced the banks to support my payments for the quarry site at Anderson Road by instalments. This was possible because of my prudent business style. Construction materials aside, I also had some other lines of business to supplement my income. That was why the banks had confidence in me. As the Chinese saying goes: even if I were to be washed away by waves, I would still have a rope to hang on to. In other words, even if I encountered a serious problem, I knew I would be able to stand up again and wait for a second chance. Note 3

Note 3 *The leftist riots, which lasted seven months, dealt a severe blow to the local economy. The number of civil construction projects in the first 10 months of 1967 plummeted by 40% compared to the same period in 1966. The sales volumes of steel and concrete dropped drastically. The 1967 riots also triggered a sharp reduction in deposits in local savings accounts. By the end of May that year, the total amount of deposits in the local banks added up to just one billion, a decrease of HK\$501.84 million over the previous month. The savings deposits in local banks in December 1967 amounted to HK\$8.162 billion, which was HK\$243 million, or 2.8%, less than the record at the end of 1966. The figures pointed clearly to an outflow of capital. In response to the 1967 riots, former Governor Sir Murray MacLehose introduced a series of reform policies including a Ten-Year Housing Programme, a Nine-Year Free Education Scheme, a Social Security Assistance Scheme, and a string of other labour policies. The economy started to rebound.*

- I cooperated with another company to buy a building. When we resold it, the partner was positive that we could set an asking price of HK\$1,500 per square foot. I was confident that we could ask for even more. The partner said, “I will be happy if you can buy my part at HK\$1,500.” I replied, “I am positive about the price I have set. However, I don’t want to buy yours at a lower price to make others think that I have taken advantage of you. It won’t do us any harm to try selling it at HK\$1,700 together in the market.” More than 80% of the flats were sold at over HK\$1,700 per square foot the following day. In the third day, all the units were sold. The partner was of course delighted to make an extra profit and we have become good friends. At that time, I thought it would not make a big difference for me whether or not I could earn a few million dollars more. Conversely, if I had done something controversial, I would have left a permanent bad impression in the minds of others.
- In the late 1970s when I acquired the site for the Holiday Inn Harbour View, Tsim Sha Tsui East remained an undeveloped area. Others thought I was gambling. However, what was in my mind was that: “I would have been gambling if I did not have the necessary capital in hand. Since I already had the money, it was an investment.”
- My business philosophy is to treat others with sincerity while also taking care of all matters personally. My key to success is to be self-reliant and self-driven.

- If you cooperate with friends, you need to make sure that they will make a profit. If you save the best for yourself, others will criticize you.
- People often have imaginary enemies. But this is wrong in the business arena. The business sector emphasizes co-existence rather than snatching from others. Everybody should be recognized and allowed to survive.
- Leaders have to be knowledgeable and able to keep up with the times so as to seize every opportunity. They need to have a strong will, excellent communication skills and a fighting spirit. This unwavering, fighting spirit has to be tempered in the battle of life.
- Many of my generation were denied a tertiary education. Only a minority of outstanding people made it into this league. Now most people are well educated and have all sorts of information at their fingertips. You should realize that your competitors have also acquired a good education. If you are to excel, you have to strive hard in all dimensions to outperform others.
- Western management systems are good for devising rigorous operational structures and technical procedures. With this theoretical foundation, we can carry out our managerial duties more systematically. This is applicable to the middle and operational level. Systematic management of technical procedures can help make an operation more competitive. As for top-level management, it has more

to do with interpersonal relationships.

- Many people have likened the business arena to a battlefield, a place of deceit and throat-cutting. This may have a ring of truth to it. In my decades of business experience, I have suffered many losses. However, my heart tells me that I always want to arrive at a win-win situation for all. Note 4
- A top leader must love and treasure talented people and be able to draw out the best qualities in a person when assigning duties to him.
- We should delegate duties according to the qualities of individual staff members. Make use of the benevolence of the benevolent, the wisdom of the wise, the potency of knights. In this way, one gathers all available talents together and gains the most support. Those with great aspirations should delegate work to others in accordance with their respective abilities. Note 5
- Managers are bound to come across subordinates competing for attention. It is hard to resolve such rivalry. As superiors, we must not ignore the problem. Instead, we should try our best to understand what is going on and be sympathetic. We need to counsel the staff members in question so that grievances will not intensify and get out of hand.
- As well as K. Wah, corporations such as Ford in the United States and

Note 4 *The fable about the horse and the donkey underlines the importance of reaching a win-win resolution. Otherwise everybody will end up as a loser. A horse and a donkey were carrying some goods for their master. The donkey was overloaded, while the horse was only carrying a light load. The donkey asked for help, but the horse rejected. The donkey died of exhaustion on the way. The master not only made the horse carry all the goods, but the skin of the dead donkey as well. The horse then regretted what it had done. Enterprises, like the animals in the fable, should coexist. One must not be blinded by self-interest and even competition does not have to be antagonistic. The moral of the fable is that managers must insist on a win-win approach.*

Note 5 *Stories about Chinese masters seeking talented personnel abound. During the era of the Three Kingdoms, Lord Liu Bei made three calls to the thatched cottage of the wise Zhuge Liang to ask him to serve as his strategist. This legend was repeated in modern Taiwan. In the 1960s, Mr Wang Yung-ching realized that the remains of woods and branches scattered in the mountains could be turned into expensive fibres through chemical processing. The business opportunities there were boundless. To do that, he had to solve the problem of capital first. Someone recommended Mr Ding Rui-jia, a wizard in finance with rich practical experience. Mr Wang called upon him immediately.*

He visited him once, twice, a third time and a fourth time but all to no avail. He tried to appeal to him both emotionally and rationally but without success. Chairman Wang, however, did not give up. During his fifth visit, Mr Wang told Mr Ding Rui-jia that the future expansion of the Formosa Plastics Corporation would depend on experts like him. Mr Ding Rui-jia was finally moved and helped the company secure the capital it needed. He became one of the most important founders of the group. Established in 1954 with a capitalization of NT\$5 million, the corporation has matured into a multi-national enterprise currently capitalized at NT\$50.952 billion. The Wang-Ding story underlines what a competent person can contribute to an enterprise.

Mitsubishi in Japan both started as a family business. However, as the family enterprise keeps expanding, a way has to be found to transform it into an enterprise family. To do this, our company has introduced into its board of directors many experts in various fields, including former senior government officials, accountants, lawyers and other professionals. We leverage their expertise to the full so that we can turn the family enterprise into a corporate enterprise.

- Managers should delegate responsibilities to their subordinates. They can then watch the results and ascertain whether the subordinates have performed well. If the outcomes are unsatisfactory, it will be the superiors' duty to figure out why their subordinates have failed to deliver. They should give specific instructions to improve the situation. Staff can then gain practical experience that will help them perform better at work.
- Experience has told me that most employees are gifted at work in one way or another. The question is how gifted people are. Some may score 90 marks, some 50, others 10. Those less gifted should work hard to make up for their innate deficiencies. A person can hone his ability by following a good teacher. However, it is not easy to train them in management and organizational skills. The results can seldom be guaranteed.
- Your costs will go up, if you do not enjoy a good reputation. This

applies both to doing business and to investing. If others do not trust you and refrain from supporting you, you will then have to come up with more of your own money.

- An EMBA student from the mainland once asked me, “You often stress the importance of credibility and honesty. In today’s competitive society, do you really believe that this can work?” I replied that my very survival in the business arena answers the question. Note 6
- You cannot rely on your authoritative position in the workplace to earn the respect of your subordinates. You need to take good care of them by helping them solve problems not just at work but also in their daily lives. Their respect for you will happen naturally. Otherwise, they will only be afraid of you.

Note 6 *Chinese entrepreneurs treasure sincerity. Sincerity has been hailed as a virtue in China since the ancient days. Some western managers also subscribe to this virtue. An ice cream manufacturer in the United States, Mr Carvel, is a loyal follower of this philosophy. During a regular inspection of his shops, he found out that a manager had acted on his own to lower standards in producing ice cream. He lost his temper and punished the manager, who in turn took legal action and accused Mr Carvel of abusing the workers. The court proceedings lasted nine years before he could clear his name. After the court victory, he was asked why he had invested so much time and money in the case. He said it would be tantamount to fraud, if a child had been taken ill after eating his ice cream, or a 3-ounce ice cream had been sold as a 3.5-ounce one. The customers, he said, would have never come back.*

Chapter 4

Economic Perspectives

People's livelihood hinges on the ups and downs of the property market.

Hotel and tourism industry is a pillar of the economy.

“If people are convinced that working hard and saving money to buy flats can improve their living standard, many citizens will then be willing to work hard. This will indirectly promote the concept that one can earn more by working harder. Conversely, if people resign to fatalism and become indifferent, they will lose their sense of direction.”

This is the negative consequence of a welfare state.”

“The tourism industry comprises civil aviation, hotels, catering, marine and land transportation, retailing, entertainment, as well as cultural and sports activities. A vigorous tourism industry will energize the related industries. The local economy will definitely also be invigorated.”

Many people have mistakenly seen the hotel industry as a form of real estate development. Dr Che-woo Lui has pointed out that this is a complete fallacy.

He started participating in real estate projects in the 1960s. In the 1970s, he became the first Hong Konger to invest in and operate a five-star hotel. He has observed the glorious takeoff in both the real estate and hotel sectors at close range. He is in the best position to comment on these two economic pillars for Hong Kong.

Both industries start with the two basic steps of site acquisition and civil construction. Profits derived from a real estate project are measured in terms of the Hong Kong Dollar. Profits ultimately come from the pockets of local people. Hotel earnings, on the other hand, are largely in foreign currency. The real estate industry not only provides housing for the people of Hong Kong, it is also a way to save money and make a long-term investment. People may use their life-long savings for mortgages on their apartments. Rises in property values mean financial security for them. In a meritocracy and free economy like Hong Kong, real estate has offered protection for citizens. This has emerged as Hong Kong's unique economic structure.

The development of the international hotel sector marks a new phase after the takeoff of the manufacturing industry. After the destitution of the 1950s and 1960s, post-war Hong Kong produced many self-

made millionaires. Poor individuals had grown rich, while Hong Kong evolved into a metropolis. Traditional family-run hostels could no longer cope with the demands of international visitors. There were budding international “star-rated” hotels earning foreign currency. Dr Lui has time and again expressed his views to both the government and the media. He asserts: “The government’s job is to ensure that the poor are sheltered, rather than coming up with a policy to turn all Hong Kongers into home owners. The public housing scheme should be accelerated so that those in need can move into a flat as soon as possible. It is, however, unnecessary for them to buy their own flats.”

As a property developer, Dr Lui does not want to make exorbitant profits out of runaway property prices. What he would like to see is a steady rise in prices, as he is well aware of the many economic implications of a precarious property market.

In comparison, hotels are very long-term investments. Acquisition of sites and civil construction aside, hoteliers will also have to take care of the management and operation of the hotels. This is a daunting and professional process. After the physical structure of a hotel is completed, its management will have to plan for its marketing campaigns almost on a monthly or even daily basis year after year. Hotel management is an around-the-clock business.

It takes at least three to four decades of care and effort to establish an international hotel brand. The complexity of such operation, which includes issues such as promotion, quality control and management, is beyond the comprehension of many people. He pointed out that the government should invest heavily in promoting the Hong Kong tourism industry, which can generate large numbers of middle- and lower-rank positions. Such foreign earnings can bring about real growth for the local economy. Dr Lui has contributed in many ways to the industry over the years. He has given lectures to numerous universities and professional bodies in both Hong Kong and Mainland China. He has also submitted many proposals to the authorities on how to develop the tourism industry. The Government of the Hong Kong Special Administrative Region has adopted many of his ideas. As a business achiever, he is not only fully involved in promoting the economy, but has also taken on the additional mission of improving the way our society is run and people's livelihood.

Quotations from Dr Che-woo Lui

The Hong Kong Property Market

- Property prices in Hong Kong soared to HK\$10,000 per square foot in 1997 when I was holding many properties. Some of my property projects were on sale. However, deep in my heart, I did not want the property prices to continue to rise in such an irrational way. This was because such high prices could only undermine Hong Kong's competitive edge. Note 1

- Buying a flat is a symbol of status for Hong Kongers in recognition of their hard work. It is also a long-term investment. Rises in property value represent a guarantee for future stability and protection. Nonetheless, the government was determined to suppress property prices. As a result, the invisible economic structure behind it collapsed, and so did the confidence of the people of Hong Kong.

Note 1 *Just a month after Hong Kong's reunification with China, Dr Che-woo Lui granted an interview for Wide Angle Magazine. Hong Kong people were then bathed in a jubilant mood of prosperity. When asked to comment on Hong Kong's economic future, Dr Lui replied: "The Hang Seng Index has climbed from 6,000 points to the current level of 16,000. Property prices have risen from HK\$3,000 to HK\$7,000 per square foot. I don't consider these transactions to be an income for Hong Kong. They are, on the contrary, expenses for us. They cannot be counted as real foreign exchange earnings. Earnings from industry and the financial services sector are feeding Hong Kong. However, the stock and property markets have risen to such unreasonable levels that I am afraid we will create a bubble economy. It will be detrimental to Hong Kong's economy in the long run."*

"I have arrived at a deeper understanding of the real estate market in Japan," Dr Lui continued. "The best residential blocks there are only priced at a little over HK\$7,000 per square foot. In Hong Kong, a comparable apartment carries a price tag of over HK\$10,000 per square foot. The interest rate in Japan is only about 4%. In contrast, the interest rates in Hong Kong are as high as 8% to 9%. What I am driving at is that the economic bubble in Japan burst about a decade ago. Domestic consumption has plummeted. It is my biggest worry that Hong Kong will make the same mistake and follow in the footsteps of Japan." Just two months after the interview was published, as Dr Lui predicted, Hong Kong's economic bubble burst amid the Asian financial crisis exactly as described in the magazine.

- The government's job is to ensure that the poor are sheltered, rather than coming up with a policy to turn all Hong Kongers into home owners. The public housing scheme should be accelerated so that those in need can move into a flat as soon as possible. It is, however, unnecessary for them to buy their own flats.
- I am not in a position to judge whether the policy to limit the supply of new residential flats to 85,000 units a year was misguided. Yet, the mere fact that an artificial ceiling was imposed on the supposedly free economy has left an impression of a planned economy. That was hardly a free market system. I am positive that a free market system will benefit Hong Kong's economy in the long term.
- The government is used to putting large land sites on auction. Only the mega-developers can afford the considerable capital investments that the policy entails. Middle-sized developers have thus been excluded from the game. This has led to limited choices in the market for citizens. If the sites are divided into smaller lots to accommodate more developers, the market will become healthier as a result of greater competition.
- Middle-sized developers have limited financial capabilities. In order to realize their capital investments as quickly as possible, they must come up with appealing designs to attract buyers, which in turn will give the public more choices.

- The government has put large sites up for auction because officials think the overall facilities and infrastructure for a small district would be better if planned by a single developer. In reality, if the government can come up with clearer town planning guidelines, the supplementary facilities can be perfectly satisfactory even if the sites on offer are smaller. Note 2
- Once allowed to compete on a level playing field, developers will naturally come up with quality and diversified private residential blocks at reasonable prices. Such private blocks will of course be superior to the homogeneous and unimaginative Home Ownership Scheme projects.

Note 2 *Sponsored by Dr Che-woo Lui, Mr Philip Y K Liao drafted a blueprint to redevelop the North Point Estate into a Chinese cultural and arts centre in 2003. Mr Liao was the first runner-up for the West Kowloon Reclamation Concept Plan Competition. He envisaged 14 permanent performance venues in the repackaged North Point being completed in 12 stages with various Chinese ethnic cultural performing groups as resident companies. The scheme was supposed to be divided into 12 phases. The smallest component was to be an arts and cultural building with a floor area of 150,000 sq ft. The biggest one was to be a residential shopping mall with a floor area of 880,000 sq ft. Developers of different sizes could all compete for a slice of the project according to their own financial and technical resources. He had time and again reminded officials of the importance of fair competition. Had the plan been adopted, he would like to have seen the site divided into smaller parts so that different developers would have a chance to participate.*

- I am a conservative property developer. I only spend what I can earn. I shun speculation and will not over-estimate my capabilities. As a result, I will not make a lot of profit even when the market is bullish. Yet, when the market turns weak, I will not be doing too badly either.

Hotels and Tourism

- Hotel management is not as simple as it appears. It involves complicated management theories and practices. Apart from providing accommodation to visitors, hotels also have to take care of the differences in nationality, culture, religion and way of life. Attention to detail is paramount. This is particularly so in organizing major international events and receiving heads of state. Hotels must be equipped with international standard communications, conference facilities, transportation, catering and secretarial services. The operation is even more complicated and stringent than running a hospital.
- The hotels of today are markedly different from the inn-like facilities in the 1970s. They offer accommodation but also quality communications, secretarial services, entertainment, as well as convention and exhibition facilities. Note 3
- The discipline of hotel management originates from Europe and the United States. In the 1970s, hotels in Hong Kong were mostly operated like family-run traditional inns. Their hygiene and fire safety standards left much to be desired. They were dwarfed by the hotels in the West.

In the short span of three decades, however, hoteliers in Hong Kong have worked hard to catch up and even outperform their counterparts in Europe and the United States. Many hotels operating in Hong Kong have made it into the league of the best hotels in the world.

- Constant improvements in services are essential for making guests feel at home. This may seem clichéd, but its execution requires sincerity, courtesy and friendliness from each and every service staff member. Outward appearance alone is inadequate.
- Several years ago, the Chinese University of Hong Kong was trying to start up a degree programme in hotel management. The Hotel Management Professional Association raised its objection when it was consulted about the idea. It insisted that the supply of hotel professionals had been adequate. In reality, the local educational

Note 3 *Dr Lui has been trying to educate the public, including scholars and officials, that hotel development is fundamentally different from other real estate projects. He is adamant that hotels should be recognized as a separate industry. Provision of catering and accommodation aside, hotels entail services in, among other things, security, transportation, telecommunications, interpretation, secretarial support, property management, exhibitions and conventions, sports, entertainment, leisure and gaming amenities, as well as personal and public hygiene. He has supported both the Chinese University of Hong Kong and the Hong Kong Polytechnic University in, among other projects, setting up scholarships and promoting research in resources allocation for the industry.*

institutions only provided training for middle and lower level hotel practitioners. There had been a lack of training for senior managers. Expatriates had thus monopolized the managerial grade. They, of course, did not want to see an increase in the supply of local professionals. However, in order to keep up with the future development of the tourism industries in Hong Kong and Mainland China, Hong Kong must strengthen its training of hotel professionals. As a hotel operator, I have strongly appealed to the government in support of the Chinese University's new programme. As a result of the efforts by former Vice Chancellor Professor Arthur Li Kwok-cheung, the university's School of Hotel and Tourism Management was opened in 1998. It has now become one of the most popular disciplines for university applicants.

- The design of university courses in hotel management must be in tandem with developments in the industry. The best people in the hotel industry must be invited to serve as course advisers so that their objective and practical opinions can be taken into consideration. This can help improve the curriculum so that students do not become too theoretical.
- Hong Kong people knew virtually nothing about hotel management three decades ago. We started from scratch. Hong Kong now has multiple global hotel networks. The determination and fighting spirit that have made this possible are stunning. It will not be too difficult

for Hong Kong to become a unique hotel kingdom, if the government is supportive of the growth of the sector in terms of overall economic policies and university education.

- Theories aside, practical experience is indispensable in the management of a service industry. Hotel staff training should not be focused just on senior executives, as training for middle and lower ranking staff is equally important. This is because they are the ones who serve the guests in the frontline. Note 4
- At present, virtually all hotel chains are run by the Americans. The Hong Kong hotel industry had had a chance to become a leader in the

Note 4 *In 2005, Dr Lui and the Federation of Hong Kong Hotel Owners, which he chairs, submitted a report to the government and educational institutions on the demand for human resources. He warned that Hong Kong's tourism industry would soon face an acute under supply of labour. In recent years, tourism in the Pearl River Delta region has developed rapidly. The hotel sector has already complained about difficulties in recruitment, especially in the case of staff with skills in housekeeping and frontline operations. If Macau and the Pearl River Delta seek outside help, they will certainly turn to Hong Kong. A 'brain drain' will eventually tarnish Hong Kong's reputation for quality service. The report points to a shortfall of 3,000 training places for those who are already working at various levels in the hotel industry. The figure for those who want to join the trade is 1,882. This may be good news for workers, but it will turn into a loss for the hotel industry, if the government continues to ignore the problem.*

global industry. Unfortunately, the government had failed to assist the industry by cultivating a talent base and this has frustrated local hoteliers. It is a pity that a golden opportunity has been missed.

- Westerners are appreciative of Chinese culinary culture. However, they have reservations about public hygiene at Chinese-style restaurants. To attract visitors to try Chinese delicacies, we have to reassure them that the restaurants are safe and hygienic.
- Picturesque scenes, historical relics, arts and culture, climate, living environment, and friendly smiles are all tourism assets for any given location. They cannot be traded; their values cannot be measured by money. As a result, they are often neglected by the government.
- The survival of the many tourism-related industries hinges upon repeat customers. The most important measurement of our service quality is whether customers are willing to come back.
- When a destination's tourism sector flourishes, all sorts of people including some black sheep will come to take a share. The government and the industry must therefore impose more stringent regulations. Shops and travel agencies engaged in fraud must be warned and monitored. Serious offenders should be black-listed and driven out of business. The tourism industry has a long-term task to instill confidence by monitoring its practitioners.

- To promote Mainland tourism, a lot of improvements will be needed in terms of service quality, management standards, public hygiene, security, communications, maintenance, publicity, professional ethics, training, facilities and technology, as well as interior design. It will have to catch up with international standards in all these respects.
- Independent travel is becoming popular all around the world as it is more convenient and less expensive. Young people in particular like to pick up a map in a given locality and wander around. It is thus important for internationally recognized signage to be put up in the tourist spots. A red cross, for instance, signifies a hospital. Other internationally accepted signposts should be put up for telephone booths, highways, rail stations, restaurants and police stations. This can help tourists to feel more at home and secure in an alien place. The Chinese names of roads and places in Mainland China are currently transcribed phonetically. Foreigners have a hard time getting around. The literal meaning of the street names should be used instead.
- Tourism promotion depends on both regional and overall publicity plans. No single institution alone can manage to promote a place. The hotel, civil aviation, catering and retail sectors must also be mobilized. Departmental co-operation within the government is also vital in marketing Hong Kong to the world.

- Hong Kong should build a world-class stadium for hosting international tournaments. The Hong Kong Stadium, which can accommodate only 28,000 spectators, is located in the crowded Happy Valley and Causeway Bay district. Traffic in the So Kon Po area is doomed to be congested when there is a major event. The proposed new stadium should be built in a newly developed district with an elaborate transportation network. The Tolo Harbour reclamation area fits the bill.
- The government should build state-of-the-art stage facilities that are comparable with those in the theatres and cultural centres of New York and London. Such facilities will do a better job of presenting the best of the Cantonese and Beijing operas, acrobatics and cultural dances by providing modern lighting, music, scripts and other stage techniques. Top performers from Mainland China can be invited in groups that can be based here for at least six months to help transform Hong Kong into an international Chinese cultural performance centre. Lovers of Chinese culture will be attracted to come here from different corners of the world. Top international performers can also be invited to perform here and so help promote Hong Kong as a regional performance centre in Asia.
- China is blessed with 5,000 years of history and culture. The number of relics, cultural artifacts and paintings from the various dynasties is countless. Only a dimly small number of them have been on display in local museums. Many invaluable collections are now in the hands of private collectors in Hong Kong. These cultural items

can be categorized and put on display in a grand museum like the Metropolitan Museum of Art in New York and The British Museum in London. Private collectors should be approached with a view to persuading them to showcase their collections. This will certainly attract a large number of history lovers to come to Hong Kong.

- Since 1998, I have repeatedly urged the Chief Executive and senior government officials to invest more resources on infrastructural facilities for tourism and related trades. One of my proposals is the construction of an intermediate-level convention and exhibition venue for mainland products, such as furniture, handicrafts, electrical appliances, machinery, construction materials, food, china, metal accessories and garments from remote provinces and the ethnic minorities. I came up with the idea because the Chinese manufacturing industry has achieved marked progress in both quality and quantity. Step by step, China has secured the status as the “World’s Factory” and Hong Kong is best positioned to become its showcase.
- The capacity of the high-class venues of the Hong Kong Convention and Exhibition Centre in Wan Chai has become fully utilized in recent years. The government can take the lead in converting the flea market at the old Kai Tak Airport site into an outdoor market to fill the gap. Air-conditioned marquees with bold and simple designs can be set up. Advanced management software can be used to complement the rich experience of Hong Kong’s marketing and business networks. A

thematic exhibition can be organized every month. This will certainly attract traders from both within and outside China to congregate here soon. Foreign buyers can also take advantage of Hong Kong as a metropolis for sightseeing, trading and other business activities. This can create a large number of middle- and basic-ranking jobs for Hong Kong. Business will become brisk again for foreign exchange earners, such as hotels, transportation providers, passenger and cargo airlines, retail shops and restaurants.

- Hong Kong is in dire need of exhibition venues for middle-priced rather than high-priced products. This is because Mainland China's export products are primarily targeted at the huge middle-priced overseas markets. They need well-managed, spacious venues supported by good logistics rather than exhibition venues at expensive locations. This can attract international buyers, thus bolstering Hong Kong's leading position in trade.
- In recent years, manufacturing, trade, business and tourism have boomed in the cities of the Pearl River Delta. They have injected massive resources for international exhibition venues, five-star hotels, theme parks and resort areas etc to prepare for the business opportunities arising from China's entry into the World Trade Organization. Our government and politicians must wake up to the problems. We must make good use of our harbour and international aviation hub. More large-scale tourism and exhibition facilities

need to be built without delay so that we can make the best of our rich marketing experience and our elaborate business networks. We can position Hong Kong as a quality city that provides high calibre professionals and value-added services for the Pearl River Delta. Hong Kong can become the locomotive for business development in southern China. If we procrastinate, in a decade we will no longer have a competitive edge. It will be too late by that time.

- The government should use part of its HK\$300 billion reserves to kick off infrastructural projects and facilities to boost trade, business and tourism. These should include highways and railway networks that are already in the blueprint. They should also cover the infrastructural facilities I proposed to the Chief Executive and other senior officials in 1998 - a middle-market exhibition venue, a world-class opera house, a large-scale museum and an 80,000-seat stadium. These ideas have already been endorsed. The design competition for the West Kowloon Cultural District, which includes such a first-rate opera house, has already been completed. The government should no longer be dragging its feet. Reserves should be siphoned off to fund these projects. This will not only create a large number of jobs at the grassroots level, but also lay a solid foundation for the sustained development of Hong Kong as a world city. These development projects will yield high returns for the local economy in the long run. The investments will not be a waste as they are bound to generate substantial profits for Hong Kong.

- About five or six years ago, I proposed to the top echelon of government that a San Francisco-style fisherman's wharf be built in Hong Kong as a new tourist spot. I also suggested that resort hotels be developed in Sai Kung and on the scenic outlying islands, so as to lure visitors to stay in – and spend money in – Hong Kong for a few more days.
- To facilitate the overall development of the tourism industry, the government should set up an official Tourism Bureau or upgrade the Hong Kong Tourist Board. The future set-up should work closely with other government departments and be empowered to devise, implement and monitor inter-departmental policies.
- The proposed Tourism Bureau's purview should cover coordination of overseas tourism promotion. It should also liaise with the airlines and relevant departments on fees and charges for airport facilities. It should also liaise with the Chinese authorities to facilitate visa arrangements for foreigners to visit Mainland China. The proposed bureau can also take on the tasks of planning for new tourist spots; liaising with cultural departments to coordinate events and activities; working with the tertiary educational institutions for professional training; monitoring the registration of travel agencies and the professional ethics of practitioners; and coordinating with the Planning Department and other official units for hotel development projects. Note 5

- China has a wide range of traditional folk arts on offer. They have been well received by Westerners. Many Americans and Europeans have come to Hong Kong specifically to look for such classical furniture and artifacts for home decoration. Some of them use such items to decorate restaurants and hotels. We should systematically introduce Western

Note 5 *On New Year's eve in 1997, Dr Che-woo Lui pointed out in a letter to the then Chief Executive, Mr Tung Chee-hwa that the Economic Services Bureau at that time had already got too much on its plate and was not a specialized department for promoting tourism. The then Hong Kong Tourist Association (HKTA), which was tasked with assisting in the implementation of the bureau's policies, was only a quasi-governmental agency. It did not have the powers to ensure that relevant government policies are implemented. "The HKTA was not necessarily getting the whole-hearted backing of the government," said Dr Lui. The new Tourism Board, chaired by Executive and Legislative Councillor Selina Chow Liang Shuk-yee, came into being on 1 April 2001. The revamp of the HKTA was the spur for the appointment of the first Commissioner for Tourism in May 1999. The arrangements have turned out to be effective. There was a new sense of direction in developing the industry. The series of measures and developments that followed were well received. These included corresponding arrangements, such as building more tourist spots, and the Individual Visit Scheme for Mainlanders.*

In 1995, the authorities created a new Hotel and Catering constituency, in which the electors from the latter sector significantly outnumbered those from the former. The two made strange bedfellows as fundamental differences between them were ignored. The arrangement is far from satisfactory as it is like mixing beer with coffee just because both of them contain water. The functional representatives now make up half of the 60-seat assembly. Despite its many contributions, the hotel industry still lacks an independent voice to articulate and tackle its many problems in the legislature.

tourists to the historical backgrounds of specific artifacts. This can help give visitors a deeper understanding of Chinese history, thus boosting their interest in things Chinese. The sales of such artifacts can also produce more jobs for Hong Kong's manufacturing industries.

- Tourist spots and historical artifacts in some of places in China have not been adequately maintained and protected. As a result, they have either been neglected or damaged. Some of the cities and towns lack a concerted and aesthetic planning concept. Some of them are over-developed and have failed to preserve the scenic and historical sites. Many old scenic sites have thus lost their original appeal.
- A foreigner visiting the charming West Lake was confronted by the American-style fast food outlets on the waterfront. Taxis are allowed right onto the roads by the waterfront. The new premises, and the exhaust fumes and noise of the cars are hardly in keeping with the otherwise antiquated and picturesque natural scene there. This has become a major disappointment for tourists who love the ancient views and the lake's historical culture. In Europe, many countries have segregated modern developments from conservation areas. Take the case of Venice. Automobiles are banned from the alleys. Gondolas rather than fast boats are used to carry passengers along the canals. The measures are all meant to preserve the unique cultural character of the city. In restoring and preserving ancient sites, the Chinese authorities must pay attention to the need to maintain harmony with the surrounding environment.

Contemporary management techniques should be employed to clean up and preserve these historical resources.

- Some Chinese folk arts have been immensely popular in the West after being repackaged by Western performers. Troupes such as the Canadian Cirque du Soleil and O performing in Las Vegas are good examples. Part of their shows feature Chinese acrobatics. They have become a hit since their debut about three years ago. The Cirque du Soleil attracted a large audience during their tour to Hong Kong, despite their relatively expensive tickets. It will certainly be a major attraction for the international audience, if we can assemble a company of first-rate performers from China to appear in major Chinese cities, such as Beijing, Shanghai and Hong Kong. We need to ensure that the shows are well directed and complemented by world-class stage design, lighting and musical arrangements. Note 6

Note 6 *The incumbent government has been strongly promoting the West Kowloon Cultural District Scheme. The Secretary for Home Affairs, Dr Patrick Ho Chi-ping, said in a public statement in December 2004 that the project could result in a clustering effect, an integration effect and a combined management effect. This will mark a new concept in cultural planning and management.*

Clustering Effect

The West Kowloon Cultural District brings together a constellation of arts and cultural facilities, including a cluster of museums, opera houses, theatres and plazas. These will generate a clustering effect so that the audience can saunter through the various

art forms under a single canopy and enjoy their interaction and tension. This in turn will stimulate thought and heighten the sense of aesthetic inspiration.

Integration Effect

The West Kowloon Cultural District will be a combination of arts and culture, trendy consumption, as well as mass entertainment. Interaction will be possible between diverging tastes and flavours, while people from different walks of life can meet and mingle there, thus creating an integration effect.

Combined Management Effect

The promotion of private sector participation in the development of new cultural facilities is a major theme in a research report by the Planning Department. The idea is to create a combined management effect. The flexibility and suppleness unique to civic bodies and business corporations can facilitate the introduction of a creative operation strategy, so that various management experts can be engaged to ensure that the cultural district is filled with the atmosphere of a metropolis. These international management experts can cooperate with locals to produce unique local art features. Arts and culture can thrive with business and entertainment in a symbiotic relationship. The business sector can establish a partnership with the arts circles to contribute hand in hand to a multidimensional development of arts and culture. The West Kowloon Cultural District can complement other cultural facilities elsewhere in Hong Kong. This can in turn facilitate exchanges between regional audiences, creative individuals and arts groups, thus advancing cultural collaboration and development between Hong Kong and the Pearl River Delta.

Appendix I

Fudan K.Wah Day, Fudan University

Talking to Dr Che-woo Lui

*“Dr Che-woo Lui on Entrepreneurship:
Courage, Vision, Integrity and
Innovation”*

23 September 2008

K. Wah Group and Fudan University co-organized “Fudan K. Wah Day” on 23 September 2008, during which a forum Talking to Dr Che-woo Lui, hosted by Professor Lu Xiongwen, Dean of School of Management of Fudan University and Professor Andrew Chan, Associate Dean of Faculty of Business Administration of The Chinese University of Hong Kong was held. The forum captured the attention of the teachers and students of Fudan, where Dr Lui shared his insights on various areas including cross-regional development, glocalization, leadership, talent nurturing, competitiveness, and his philosophy of life.

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Lui: Dr Che-woo Lui

Lu: Professor Lu Xiongwen (host)

Chan: Professor Andrew Chan (guest host)

“To tackle difficulties, you need to be innovative. Also, you need to have integrity”

Lu: Dr Lui, K. Wah has evolved from a small company to a multinational corporation as it is today. Is there any experience to share with us?

Lui: First of all, let me thank Fudan University for this opportunity to share about our company. K. Wah was established in 1955 as a construction materials supplier and encountered many difficulties over the

decades. To tackle difficulties, you need to be innovative. Also, you need to have integrity, so that you may get help from others when in need. Most important of all, you have to be diligent in order to be successful.

Lu: Integrity is one of the keys to your success. Do you think integrity should be attached with more importance in today's economic development of Mainland China?

Lui: Your desire to achieve something is only the beginning. Your integrity is then revealed in the process when you devote yourself in working hard to make things happen, earning the trust of others on your capability. China's open door policy has been in place for nearly three decades, with businesses developing from mainly state-owned to individually owned. There are now many successful individually owned enterprises, which demonstrated a high level of integrity, innovation and audacity to changes.

Chan: This reminds me of an episode of the young Dr Lui who was selling auto parts at the time. He once helped a client to make a big profit. In return, the client wanted to reward him with 200 dollars. Why didn't you take it?

Lui: 200 dollars was almost equivalent to a three-month salary, but I turned it down. The client was surprised but he let me have my way. Several years later, I encountered a problem in business, and he helped me out when he knew it's me. This is not what I would plan for. Now if you

ask me why not taking it, it may be something about “dignity”.

“When an opportunity arises, it is important to have a fair evaluation of one’s ability.”

Chan: Dr Lui is an interesting person. In 1997, when everyone in Hong Kong was buying assets, he was selling. During the Asian financial crisis, when everybody else was selling, he was buying. Why would you do so?

Lui: We should be aware of the circumstances and changes around us. The time when people are panic to sell is an opportunity for me to grasp. At the peak time, you should decide how much profit is acceptable. Over-aggressive targets may incur high risks. In the low tide of Hong Kong property market, we were the developer which bought most land and made most applications for land to the government. Why do I have such courage? When an opportunity arises, it is important to have a fair evaluation of one’s ability. If financial capability is assured, it then only takes a bit of courage to make the move.

“Whether it be 5, 10 or 20 years, we aim for localization.”

Lu: Dr Lui, you have many investments in Mainland China and employed a large local workforce. How do you compare the talents in China and in Hong Kong?

Lui: When I first invested in Mainland China, I was determined to achieve localization. It is not easy since there are huge differences in working styles and cultures between Hong Kong and the Mainland. But no matter how long it takes, whether it be 5, 10 or 20 years, we aim for localization. We will attract more talents from local universities, introduce to them our systems and philosophies and also learn from them the cultures and practices of China, for better integration.

“For enterprises to develop, a sound management system must be in place.”

Lu: How do you attract top talents? How do you nurture next-generation leaders? These are the common headaches for most Chinese enterprises nowadays.

Lui: For enterprises to develop, a sound management system must be in place. Fudan’s offering of accounting and management science disciplines is timely as these are the most needed knowledge in China. In a brief talk with Professor Wang just now, we discussed about installing a building for Fudan’s School of Management. With a strong pool of management and legal professionals, China will have a stable and healthy development.

“Businessmen aim at making money, where entrepreneurs aim at making contribution to the society.”

Student: Dr Lui, I’m a research student of the School of Management. What are the differences between a businessman and an entrepreneur?

Lui: Businessmen aim at making money and business expansion, where entrepreneurs have a vision and aim at making contribution to the society. For a businessman to become an entrepreneur, it requires sound policies and systems, and legal and government support. I hope that China’s businesses will develop from good to great, with focus not only on money-making, but also on contributing to the society.

Conclusion: Entrepreneurs have a mission to achieve

Lu: Thank you Dr Lui for your inspiring sharing. The 200-dollar story Professor Chan told us has already explained the differences between a businessman and an entrepreneur. A businessman would take the money right away because that is all he wants. For an entrepreneur, he is courageous and visionary, seeing what others don’t, withdrawing from the crazy crowd and grasping opportunities at the worst of times. Secondly, entrepreneurs put integrity first in doing business. With integrity and diligence, there will be a chance of success. Thirdly, entrepreneurs have the capability to create better conditions for business development. Lastly, entrepreneurs integrate the Western and Chinese management styles and get the best from both worlds.

Appendix II

The Chinese University of Hong Kong

EMBA Programme

Talking to CEOs

*“Dr Che-woo Lui’s Leadership
Odyssey: Progression, Perseverance
and Innovation”*

24 June 2008

Dr Che-woo Lui, Chairman of K. Wah Group, spoke at the Talking to CEOs programme jointly organized by the Chinese University of Hong Kong (“CUHK”), RTHK and Cable TV to share his insights and philosophies of life, business and management with the EMBA scholars and students; and to unveil his legend of success in transforming K. Wah from a small construction materials supplier to a multinational corporation.

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Lui: Dr Che-woo Lui

Chan: Professor Andrew Chan (host)

Wai: Echo Wai (host)
.....

“I simply believed Hong Kong, in its evolution into an international metropolis, needed to bring in international management practices.”

Chan: You are a pioneer in building office tower at North Point. Did anyone doubt your decision at that time?

Lui: The site was a former pier on Java Road. First, the harbour front is an appealing attribute for any development. Second, I set the aim at making the office tower the headquarters of K. Wah. I was confident that North Point would become a commercial district, and now there are more than 20 commercial buildings nearby, proving that my boldness was a rational decision.

Wai: Dr Lui, your career seems to be adventurous, this reminds me of the situation when you first built your hotel in Tsim Sha Tsui.

Lui: People did call me a silly man. At that time, people regarded building a hotel as ostentation rather than running a profitable business, but for me, I simply believed Hong Kong, in its evolution into an international metropolis, needed to bring in international management practices.

Chan: But why hospitality? Property development should be more profitable.

Lui: My belief was, first, the waterfront scenery was exceptional. Second, professionals were required to operate and manage a hotel that could meet international standards. Discussions with the management of numerous hotel groups resulted in the collaboration with Holiday Inn to build the then four-star (now five-star) hotel. Since then I have paved the way for hospitality, and now I own about 20 hotels in the US.

“It is perseverance, prudence and courage that take to defeat mega opponents.”

Wai: In the 1950s, you switched your career from apprenticing in automobile components trading to quarrying. Why?

Lui: I was a stock keeper in my uncle’s firm. Two years later, I launched my own car parts business. Later, the government auctioned some power shovels while coincidentally a Japanese friend of mine took me to Okinawa – a place where there were plenty military surplus left behind by the

American force. I found that the military surplus could facilitate Hong Kong's construction development, so I imported the machinery to Hong Kong for auction. Then I thought I could use these machines for quarrying in Hong Kong. That's how I started my quarrying and construction materials business.

Wai: There were many quarries in the 60s and 70s. Why did your business outweigh others and was even licensed to reclaim Kwun Tong?

Lui: While there were about 70 quarries in Hong Kong, the heavy machinery enabled my quarry to reduce cost and increase productivity, hence the price. Other companies suffered from high production cost and inferior quality and this gave me room to survive.

Wai: You had technical advantages over the local companies. How about international competitors? How did you defeat them?

Lui: I fought a fierce price war with a leading concrete supplier. It is perseverance, prudence and courage that take to defeat mega opponents. The strategy was formed with this calculation: if I lost one dollar, the opponent should lose four dollars in its scale. If I saved that one dollar, then he would in turn lose five to six dollars. Timing is the key in price war. There were even pre-signed contracts given to my sales staff so that they could sign on-site when the price and quantity were right. In some cases, we lowered our price in order to win the contract. This is how I defeated the mega opponent and made the chairman and CEO come and ask for a truce.

“Discerning personal strength and preference, or you will lose”

Chan: Sources shown that you disposed of some properties in 1997. Did the climbing estate price alarm you?

Lui: We should grasp the opportunity to make sound investment. In the time of 1997, to “hold” or “release” a property depended on the external circumstances, financial position and outlook analysis. I would not sell if I am optimistic about the outlook, but, if the disposal could bring substantial profit, why not?

Chan: It is always about grasping the opportunity. How do you master the art?

Lui: You must have your own judgment in doing business. Sell it when you observe good opportunity, or keep it if it is something you treasure. Take an example, the hotel you have mentioned before was established by me solely as difficult as nurturing a child. In the 1980s, I rejected a bank offer of taking over the hotel at HK\$2.5 billion because my affection for it outweighed the potential profit. There were also times that I made immediate return by selling residences. So, it depends on your strength and preference. One must fail if one is unaware of those things.

“It is simply patriotism, not profit, that drives me to invest in the Mainland.”

Chan: In 1990, you started to develop property projects in Shanghai

and Guangzhou when most people were vigilant about the business environment in Mainland China. What was the thing that convinced you it was the proper time to invest in China?

Lui: It is a different kind of business. As a Chinese, it is simply patriotism, not profit, that drives me to invest in the Mainland.

Wai: Then what made you invest in Macau?

Lui: I did not intend to do so at the very beginning. My son who is running 20 hotels in the US felt interested in venturing into hospitality industry in Macau. He had talked and planned with his partner. Then, it was done.

Chan: It seems to violate the Chinese wisdom of “never engage in something unfamiliar”. Why did you dare do so?

Lui: I did not solely count on my own, but entrusting my professional team whose expertise in finance, gaming, machinery, development, construction and marketing were all integrated into the business very well.

Wai: While facing the challenges of local and international competitors, what makes you stand out in the crowd?

Lui: Our first principle is prudence. We invest carefully and invest at the lowest cost to maximize returns. Secondly, we adopt a friendly approach towards staff and incorporate Asian traditions in our management.

Chan: What is the niche that makes you stand out in a market with Eastern

and Western players?

Lui: It is the concept of our plan. We will add elements like surfing facilities and churches to fulfill the expectations and customs of Asians who take family gathering serious. We hope to bring in more entertainment features to Macau tourism by introducing these “non-gaming” facilities.

“You have to give people a freehand to progress, though it sometimes risks efficiency.”

Wai: You have mentioned the role of professionals in your various businesses. You would also delegate your staff. Do you trust your co-workers?

Lui: Professionals are always hired to specialize in their fields. That is a global practice and my own belief. Finance and direction are the only things that can be held in the hands of chairmen or CEOs. For operations, you have to rely on professionals.

Chan: Many chairmen and CEOs fail to strike a balance between delegation and intervention. What is your view?

Lui: You have to give people a freehand to progress, though it sometimes risks efficiency. There is still a chance for them to pick up the job. Only offer help when they fail to meet the goal.

Chan: It has to be precise – if you pull too tight on the supervision, he will

learn nothing; if you are too loose on the rope, issues might emerge. It is tough to make it just right.

Lui: It does take time for one to acquire experience and management skills. The time required for coaching will be shortened if he can fulfill the objective by his own, vice versa.

“Passing through ups and downs, I wish to enjoy one tranquil moment.”

Chan: May I switch the topic to another aspect. I wonder why a businessman would be so interested in education and dedicate himself to it.

Lui: I dropped out of school in secondary one due to warfare and studied in an evening school afterwards. I heard someone humiliated the Chinese by suggesting them as illiterates during a fund raising activity for the Sino-Japanese War. It was a great shock to me. So, I think I should reward the community by taking education, especially fundamental one, as the prime objective. Over the past years, I built nearly 200 primary schools and sponsored universities to establish schools of business. Elites are crucial for a country's development and schools are the breeding ground for them. I see this as a mission of myself to help realize the vision.

Wai: After achieving all men's desire, what is your wish now?

Lui: Passing through all the ups and downs, I only wish to enjoy one

tranquil moment: free from worries from work by passing on the mission to my successors, and have more personal space.

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Q & A session

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“I think it is important to have a thorough scanning of the environment with a forward-looking mindset that could save you from lethal failure.”

Q: Dr Lui, you are the pioneer in many fields. You must have many experiences with risks, especially financial risks. I would like to learn about the rationale behind the group’s financial management such as debt ratio in the past and at present?

A: As you mentioned, success always comes along with risk which we have to manage prudently. There is no such thing as luck or immediate return, but only your command of opportunities. One’s foresight and analysis as well as timing determine his success or failure.

Q: Dr Lui, your children and professionals are all working in K. Wah Group. How do you balance the role of the two and promote sense of belonging for the team?

A: It is the most challenging question among all. Obstacles do exist as communication problems are inevitable. Interpersonal relationship is always the most complicated lesson in life. To face ups and downs with a peace of mind, strive for the best and embrace disappointments is one way. Nurture talents when expanding business is another feasible method. All in all, serenity is the key to alleviate problems stemming from communication and teamwork.

Q: Dr Lui, you have just shared with us many tremendous moments in your life. Can you also share some examples of failure?

A: Frankly, there is no real “failure” in my life though I did experience setbacks. I think it is important to have a thorough scanning of the environment with a forward-looking mindset that could save you from lethal failure. Besides, support from others is indispensable to overcoming hardships. Once, there was a consortium that was convinced of my credibility and conduct, offering timely assistance to help me go through the adversity. Hence, I was able to clear the debt within a year. People judge by your ongoing practices, behaviour and integrity, so it is better to be prudent.

Appendix III

Fudan University EMBA Programme

Contemporary Masters of
Business Administration Forum

*“Che-woo Lui Sharing 60 Years’
Management Insights”*

18 April 2004

The following is the full text of the lecture delivered by Dr Che-woo Lui on 18 April 2004 to the Fudan University School of Management. In this lecture, Dr Lui shared his management philosophy with the university's EMBA students. The speech and Q&A session were wide-ranging and drew an impassioned response.

President, Professors, students and colleagues:

Fudan University is one of the top universities in China. It has been the cradle for many contemporary academics acclaimed at home and abroad. I am honoured to be invited by your School of Management to speak to the students of the Master of Business Administration Program. I was delighted to receive the invitation yet had a mixed feeling as to what I should say. After all, Fudan is where all the best scholars are gathered and I am not even a member of academia.

When I was planning what topic I should speak about, I asked my colleagues to see what you might be interested in. It was suggested to me that I share with you the story of my career and my management insights.

Once I was asked, given such a sizable enterprise, whether I always aspired to become an entrepreneur when I was young. My answer may come as a surprise to you. Although I have always been progressive and enjoyed working, I never had it in mind to achieve any specific excessive returns, or ever dreamed of becoming a millionaire someday. In fact, I never even

had an ultimate goal. Instead, I have always grasped every opportunity that came my way and delivered my best to achieve a good result. This has ensured I had no regrets whatever the result is. I enjoy living an ordinary and relaxed life. To me, earthly wealth is no more than a floating cloud. Looking back, the happiest time of my life was when I was still a small business owner. Though busy at work, life was simple then. Back then, I would spend weekends with my family hiking and having barbeques during holidays. Life was delightful and free from major worries.

I did not have any formal training in western management theories. I have learnt how to manage my business little by little from experience. Academic training alone is not sufficient for cultivating top leaders. Besides the breadth and depth of knowledge, one must be able to keep abreast of the times and seize every opportunity to become a top-notch leader. He must also be persevering, possess good communication skills and have a good fighting spirit to succeed. I have likened the training of talented people to putting them through the mill before their qualities can be refined. That's what I always tell my children and staff. But, of course, whether one can ultimately become a true leader will also depend on his diligence and intelligence, and whether he understands the art of staff deployment.

Though I learnt my management skills from practical experience, I have great respect for modern management theories. In the 1960s and 1970s, management concepts were unheard of among most local companies in

Hong Kong. I had just started my business then and had no idea what “business management” and “accounts control” were. I sought advice from my brother-in-law who had just finished his studies in accounting in Australia. He explained to me briefly about certain accounting criteria. I then categorized the books of my quarry operation into four to five major cost items, including wages, raw materials, transportation, contracting work and sundries. By adding these simple items together, I knew the cost per tonnage of my output, and at the end of each month, I knew whether I had made any profit. This kind of primary accounting system is still practical even in today’s business operation.

From an early stage, I realized that the development of a systematic management system is a must for any enterprise to develop. In the 1970s, I looked around for a good management school when I planned for my daughter’s education abroad. Very few universities offered such a discipline at that time. I finally found McGill University in Canada with a business administration school funded by donations from the Jewish community, who are well known for their business genius.

Many gigantic enterprises in the US and Canada, such as Ford, Coca-Cola and Goldman Sachs, were founded by Jews. These organizations have production and operation units around the world and workforces numbered in the tens of thousands. They must have comprehensive management systems to help them make sure everything works properly. Typical western management systems are adept in designing procedures

and organizational structures. Given such a theoretical foundation, we can carry out our managerial duties more systematically and achieve greater competitiveness.

As for top-level management, it has more to do with interpersonal relationships. However, it is difficult to measure interpersonal skills by any objective criteria. Rather, it very much depends on one's natural personality, intelligence and willingness to accept suggestions from others. The term is deceptively simple.

Management is indeed a complicated discipline and is an art in itself. Motivating employees entails profound interpersonal communication skills. An avuncular figure in the construction industry once told me that even the Governor of Hong Kong was not well versed in all topics. Yet things in Hong Kong would work out in an orderly manner if he knows how to manage. Business management on the one hand is scientific as results can usually be quantified. However, many human and interpersonal factors are also involved in fostering staff loyalty and cohesion. Scientific calculations alone will not work. Business management is thus an art in interpersonal relationships founded on scientific principles.

On the rest of the session, I would like to summarize for you the principal qualities which I believe a top-notch leader should possess:

1) Keep your promise and hold firm with honesty.

Believe in mutual benefit.

My philosophy of life and doing business is that we should be true to ourselves and fair to others. In doing so, others will trust you and be willing to work with you. Some people may say the business world is like a battlefield, where people cheat to survive. Well, this might have some truth in it. In the many years of my career, I have been taken advantage of a couple of times. But because of the nature of my character, my ideal is to always work with people for mutual benefit and in harmony. The world has both its bright and dark sides, one must persistently practice high moral standards - honesty, fairness and working for mutual benefit - if one wants to be respected and survive in society in the long run.

In the 1960s, when my construction materials business was developing, the company was still quite small. Yet, I managed to convince the bank to let us repay by installments the money we borrowed from them to pay for the HK\$160 million bid for the Anderson Road quarry and heavy quarrying machines. It was an astronomical figure at that time, yet the bank trusted me because of my down-to-earth business approach and the company's good reputation. My quarrying business plummeted after the 1967 riots in Hong Kong and I did not have the money to pay for a bulk purchase from Gilman. Gilman did not force me to pay up. Instead I convinced them to let me pay by installments. My prudent business style, creditability and the personal connection I had built up through the years helped me avoid being swept away by the economic wave.

Another time, I bought a piece of land with a friend and completed a building on it. When we were deciding what price to charge, my partner was positive that we could set the asking price at HK\$1,500 per square foot. I was confident that we could ask for more. My partner said, “I will be happy if you buy my part at HK\$1,500 per square foot.” I said, “I am positive about the price I set. However, I don’t want to buy yours at a lower price and so make others think I have taken advantage of you. It won’t do us any harm to try selling the flats at HK\$1,700 per square foot in the market.” More than 80% of the flats were sold at over HK\$1,700 a square foot the following day. My friend was of course very satisfied at getting more profit. At that time I thought it would not make a big difference to me whether I could earn a few million dollars more. Nevertheless, I thought, one must be honest and fair in a partnership, and I could not risk leaving a bad reputation in the minds of others simply because I wanted to make a few million dollars more. By insisting on this long-term “win-win strategy” and cooperation, I have gained a long-term friend who will be willing to invest with me in the future.

2) Embrace differences and be open minded

In any organization, there are people from different backgrounds, with different skills and interests, and different needs and values. For them to work together under the same roof, they must be able to accommodate their differences and march in step towards the same goal. By putting up fences and forming coteries, you are not only shutting others out, but are actually isolating yourself from the outside world. A frog in a well

can never achieve anything big. That's why in the Confucian Analects, Confucius said, "The righteous man is sociable, but not a partisan."

As a senior executive, one must cherish competent staff and know how to assign them the right responsibilities. In the Chinese literary classic *Three Kingdoms*, one can find many golden rules on personnel management. At the end of the Eastern Han Dynasty, a turbulent period in Chinese history, the three kingdoms emerged - Wei, Shu and Wu - led by Cao Cao, Liu Bei and Sun Quan. It was a battle for talented people as much as a battle for power. And Cao Cao, an unscrupulous scheming general, was actually the most effective in employing the right people for the right job.

He treated those who surrendered the same as his own subordinates and assigned duties based on individual merit. His philosophy was to use the benevolence of the benevolent, the wisdom of the wise, the potency of knights, thereby bringing together all the talented people and gaining the most support. This was why he managed to take the lion's share of the land, while Liu Bei and Sun Quan could only share what was left.

3) Respect for the law and abide by the contract

The School of Laws of Fudan University is a famed legal research centre. It has been actively cooperating with its world-renowned counterparts such as Harvard and Yale, making significant contributions to the development and planning of government policies, national and regional, and the legislative structure of the country. I am in awe talking to you

about legal issues here today for it is, for me, like a novice speaking to masters. However, reference to respect for law and the purposes of rules and regulations are inevitable when we talk about corporate management in our increasingly globalized modern society.

Feudalism, dominant for centuries in China, bred the tradition of “using law as their tool” among those governing. The belief “it is who rules that counts” runs deep in the mind of the Chinese people, and the concept of “the rule of law” is often misunderstood, leading to confusion between the two. The essence of rule of the people is best captured in Li Ji-Doctrine of the Mean. It says: “the rise and fall of a ruler decides the rise and fall of his policies”. That, however, is not conducive to helping a society keep pace with the development of the modern and civilized world. The rule of law and spirit of contract are primary focuses of the Central Government today and related enforcement has been strict. There is no doubt that the Chinese Government enjoys high credibility globally. However, when matters are tackled at local level by the authorities and enterprises, affected by innate factors and situations, there is a tendency to stray from rules and regulations. In some cases, contracts are violated or even annulled when there is a change in management. As a result, legitimate investment and assets do not get the legal protection due. The loss of time and money scares investors away and reputation is tarnished. That’s why I cannot emphasize enough the importance of educating the next generation of Chinese to respect law and honour the spirit of contract.

Accession to the WTO provides a platform for mainland enterprises to align with their counterparts in the rest of the world. Cooperation and mergers are taking place at different levels and intensities between nations and enterprises, and anybody from anywhere in the world may come to invest and do business in China. It is, therefore, important for enterprises to adhere strictly to legal principles and international business practices when doing business. Enterprises should centre their operations around the principle of “respect for the law and abide by the contract”, adopt highly transparent administrative and management systems, and bring in capital, as well as management and technological expertise from overseas. That would help to strengthen the foundation of trust between Chinese enterprises and the international market and realize the true alignment of Chinese enterprises with the global market.

4) Be bold and creative, and careful in execution

In this ever-changing society, we must be flexible and cannot adhere blindly to rules, or we will not be able to survive the competition. We should keep in mind in work and life that thinking accomplishes deeds while arbitrary decisions are doomed to fail.

Speed and efficiency count in this modern society. Products, business ideas and market trends change all the time, and business opportunities come and go in a split second. Thus, being sensitive and creative are very important for a businessman. In this age of information, we have access to a plethora of information every day. It takes skill to know how to find

what is useful, and to simplify and apply data creatively and efficiently. A mistake my subordinates often make is to bring to meetings large amounts of data without the support of accurate analysis. This only causes confusion.

Here, I would like to stress that data and formulas are essential in technical applications, but numerical analysis is not sufficient in situations affected by behavioural factors. In such cases, we need to apply imagination as well as referring to figures. For instance, decisions to buy or sell stocks or futures, and decision on trade are often based on data, plus political and social analyses. Likewise, for developers like us, it is not practical for us to make decisions only after we have gathered all market data. We have to rely on our experience in observing the market when making decisions to ensure we will not miss out on the best business opportunities. We Chinese say, “Ducks are the first to know the warmth of Spring-time waters.” When we have advanced in life and accumulated solid experience, we would be like the ducks, able to sense spring right around the corner!

5) Ride with the tides, and all ups and downs, with an ordinary heart

There are different schools of management thought today, and many of them believe that EQ is more important than IQ for a management executive. I personally think that IQ is more what one is born with, while EQ – though also innate in humans – can be fostered and strengthened by learning from day-to-day experience. It is very similar to what we Chinese call “self-cultivation”.

There is an unwritten rule in big Japanese enterprises that for a senior executive to ascend the career ladder, he has to have good calligraphic skill, for to acquire the ability to write beautiful Hanji (Chinese characters), he has to be patient, hard-working and placid. To the Japanese, good handwriting speaks also for one's knowledge and personal virtues.

A senior executive must possess exceptional IQ and EQ. For example, Sima Yi in the Three Kingdoms, though he was short and looked unremarkable, had superb EQ. One day, Zhuge Liang devised a ploy hoping to irritate Sima Yi into war with him at Qi Mountain. He sent some women's clothes to Sima Yi, mocking him, implying that he was not a true man. Sima Yi showed no anger in front of the messenger, and actually smilingly asked the messenger to send his greetings to Zhuge Liang. Failing to entice Sima Yi to battle and too embarrassed to retreat, Zhuge Liang was so angry that he fell ill. After Zhuge Liang died, there was nobody else to compete with Sima Yi in leading the Three Kingdoms.

Life is full of ups and downs. When things go in our favour, we must keep our heads clear and guard against becoming conceited. In adverse circumstances, we must have patience, unshakeable determination and the will power to overcome hurdles, to think far ahead and not to despair, and to keep calm. That is the best prescription for dealing with challenges.

6) Moderation is the way, lead a simple life and refrain from fame and wealth

Different people have different experience and understanding of the “Doctrine of Modesty” by Confucius. As the leader of a number of companies, I believe the ultimate state of mind of a true leader is to have a mind free from any quest for fame or wealth. We should rule without selfish desires and follow the course of life as it unfolds. We would be free from the agitation that comes from rivalry and should have no desire to “antagonize”. Perhaps what I have just said sounds rather unreal to young people like you who are preparing to build successful careers. However, for a person such as me who has survived three-quarters of a century, this is the genuine principle of living. We should give our best in life and work regardless of the outcome, for one’s achievement is not solely measured by material wealth but also in terms of how contented the heart is, and whether a person can use his experience and what he has achieved to help others. That’s what true accomplishment is! As the saying goes, “Those who are content are happy though materially poor, and those with endless cravings suffer abundantly.” Being content and magnanimous is the ultimate goal of living, and is also what the doctrine of modesty advocates.

Here is a simple example. Traveling in a limousine every day, a millionaire makes others go green with envy. What those other people do not know is he worries about his business every minute of the day and can hardly sleep at night! Quite the opposite, a worker, though having to attend to tiring

physical chores every day, has simple thoughts and has no worries. He leads a happier life than the rich man and has sweet dreams in his sleep. So who do you think is more fortunate? Material cravings are the common pitfall of our modern society.

7) Striking the balance between human nature, reason and principle

Management theories, at their early stage of development, primarily emphasized the need to increase productivity and establish systems. Modern management however accentuates communication and cooperation between a company and its staff, the integration of “human nature” and “compassion” into management.

Mainstream Chinese philosophies have their origins in Confucianism, Taoism, Legalism and Military Strategies. Confucianists emphasize moral discipline, and earnest efforts to improve and harmonize familial relationships. The Taoist believes in nature and banishment of desires, while the Legalist upholds politics and power, and the Military Strategist values tactics and strategies. These Chinese cultural values have been around for centuries and are laden with wisdom that has infused into different Chinese communities. Understanding these values intuitively will certainly help management executives in making different decisions, and in finding the balance between “human nature” and “principle”. These values should be regarded as the basis for important strategic decisions.

In fact, after some slight adjustment, the above Chinese philosophies can

be applied very well in the Western world. For example, I started my real estate and hotel business in the US in the 1980s. To run a company there, the most beneficial approach would be for me to use their management concepts in compliance with the American commercial and labour laws to meet local requirements. That, however, is only the hardware. In actual day-to-day management, we have applied Chinese cultural values. Compared with other American enterprises, we can justly claim to have a stronger human touch, and to give greater attention to human relationship and fraternity among staff.

By integrating the principle of “Riding on Chinese values at the core and using western knowledge as a tool” with Chinese philosophical concepts, a cold system has taken on a warm human touch. Many of our staff feel good working in a harmonious environment and have been with us for close to two decades, progressing with the company and developing a strong sense of belonging and solidarity. Even though the company is Chinese-owned, it is an established brand in the US market, producing over a thousand houses each year and receiving industry awards. These awards include “Interior Design Award”, “Best Construction Design Award”, “Best Product Design Award”, “Best American Life Award”, “Outstanding Construction Design Award” and the “Pacific Coast Builders Conference - Golden Nugget Award”, and others. As for our hotel business, it is now a hotel chain with 20 properties, and two more are being built. It was elected as one of the top 12 hotel owners and developers in the US, an accolade that is indicative of the quality of our management

and the merits of synergizing Chinese and Western management concepts. We have distinct competitive strengths and we hold a firm position in the western market.

8) Sincere and unobstructed communication

Many people believe they communicate well and have no problem working with others, something that in fact is easier said than done. Communication, in particular, is complicated by the complexity of human personality, and there is no absolute right or wrong approach. Using skills to elicit endorsement for one's views is not an easy task. As far back as 40 years ago, I invited professionals with MBA qualifications from the US to promote communication within the company, and facilitate smooth workflow and consensus among staff and different departments. We never stopped doing this in the 30 years that followed. Our hope was to introduce the spirit of the 3Cs - communication, cooperation and consideration - in western management into our working environment. Again, it seemed easy to do, but actual implementation brought different challenges. We have been promoting the 3C concept for years and still find room for improvement.

Without the support of your colleagues, a constructive proposal or a great idea will be in vain. Thus, we must be modest and keep our minds open even in the face of opposition, and try to reach a sincere agreement with our opponents. That is the only way to see a decision carried out by all involved. Other than speaking with substance, effective communication

has three other important elements: modesty, honesty and tolerance. An opinion conveyed in arrogance offends and will fall on deaf ears.

All of you here are senior executives. I am sure you have come across very competitive subordinates trying hard to beat each other, and found that is difficult to resolve rows between them. As bosses, we should never run away from these problems, but try our best to understand the situation and the feelings of those involved, and provide appropriate counsel. We should talk to them frankly and nip the grievances in the bud before the problem gets too nasty to resolve.

As a leader, one must skillfully balance and control the interest and authority of all sides, reducing the severity of conflict and quelling the problem to ensure more productive cooperation. Communication is a two way street. Subordinates should be encouraged to express their ideas to a boss who is receptive to different views, and a boss will be willing to coach a subordinate who is ready to learn. Putting one's pride to one side at the right moments can lead to effective communication.

9) Be knowledgeable and objective

Those who open their eyes to the world will be erudite, and those who open their ears to listen will gain intelligence, while those who refuse advice and are complacent will be isolated and can never improve. To be the leader of a company, one must have complementary skills, shrewd observation and an analytical mind to assess issues from all

different angles in order to make the most practical decision in guiding the company in the right direction. However, how to make a decision that is just right is a delicate matter. The line that separates success and failure is often very fine.

Instead of counting entirely on professional knowledge in leading an enterprise, top executives have to possess knowledge of different fields including law, political development, international events, economic development, social change and macro-economic trends. To attain extensive knowledge, we should open our eyes and ears to the world instead of staying within the four walls of the office. When I used to be very busy, I still tried to find time to travel. New ideas often find their way more easily into a well-rested brain.

I am delighted today at this opportunity to share with you my experiences from the past few decades. Let us continue the seminar in a more relaxed way. You are welcome to put forward questions.

Last but not least, I wish you all a brilliant future and, as encapsulated by the Chinese name of your university, the untiring strength to improve and become the new hope of China in the 21st century.

Q & A Session

Q: Can you tell us what we as young people should pay attention to in our lives and what attitudes we should have towards life and work?

A: I started my business when I was still in my teens, and integrity has been my guiding principle ever since. It is difficult for me to come up with the best answer to help you decide how to conduct yourself in the ever-changing world. As for myself, I fixed my mind on being fair to others. Put your own humanity first. Relate to people truthfully, and let them get to know you. After that, your chances will come.

Q: You stressed the importance of honesty in the first point. But the legal system in China still has flaws. One pays a high price for running an honest business and the very insistence on honesty sometimes even makes running a business impossible. What's your opinion on this?

A: Whether you are running a business or making investment, I believe if you are dishonest the price you are going to pay will be even higher, because if you don't have people's trust you won't have their support and

will have to pay your way on your own.

Q: Everybody knows that K. Wah Group has been in the Shanghai market for over 10 years. What has been the biggest gain and loss for the Group in Shanghai so far?

A: This is a rather difficult question but I will try my best to answer it. When I first came to Shanghai, I knew it was going to be difficult. I spoke lousy Putonghua then and the people I brought with me were no better in that respect. I went back to Hong Kong empty handed. Then I thought to myself: why can't Hong Kong people build their business or career in China, our country, where our roots lie. At the time, I was introduced to Mr Wang Dao-han through the Xinhua News Agency in Hong Kong. I told him I knew nothing and I did not speak good Putonghua and was wondering whether I would have a place in Shanghai. He said I was wrong and that Shanghai, as a city of the elite, consisted of a pool of talent from around the country. He pointed out that large enterprises, such as Wing On and Sincere, which used to cluster in the Hongkou District were all run by Cantonese. He said Shanghai started as a small farming village and it was the arrival of competent outsiders who had helped it achieve its prominence today. He told me not to worry, and to continue going to Shanghai. It was difficult at the beginning, but that soon passed. Now when I meet with people I got to know back then, they always say, "Mr Lui, I have known you for over a decade, I know the kind of person you are." This speaks well to the relationships I have built and these

relationships have been very helpful to the development of my business here in Shanghai, removing many obstacles for me. I insisted on investing in Shanghai then for two reasons. Firstly, I am Chinese and I have to do something for my country. Secondly, while there were not that many investment opportunities at the beginning, things gradually got easier as we were able to learn from setbacks and experience, and gain from our steadily strengthening relationships.

Q: I have a good understanding of how Hong Kong companies run as I have worked for one previously. From your speech, I got the impression that you have trodden a rugged path, as a “hero who emerged in testing times”. The company I worked for was a family business headed by a senior boss. What is your view of family businesses? I would like to hear your opinion, and also your future plans for managing K. Wah Group.

A: A good friend of mine in Hong Kong asked me the same question seven to eight years ago. He has a global mindset. His view is that today’s “family business” should find ways to transform itself into a “corporate enterprise”. Traditionally, companies like Mitsubishi in Japan, and Ford and Goldman Sachs in the US are family businesses initially led by the founding family.

As for turning my “family business” into a “corporate enterprise”, it has required major effort with a reliance on specialist expertise over many years. Our Board of Directors and management team have incorporated expertise from all walks of life. Among our directors are a former Chief

Secretary and deputy governor, a former head of the Civil Engineering Department, and former senior officials of the Transport Department and the ICAC, a former Commissioner of Police, and two renowned lawyers, one of whom is helping to formulate tax strategies in Hong Kong. I would say I have accomplished about 60% to 70% of the task of turning my family business into a corporate enterprise, and I hope to get it 100% done within five years.

Q: You used the example of the Three Kingdoms to illustrate the value of people to an enterprise. So what is your particular skill when it comes to deploying human resources or employing the right people for the right job? To be more specific, what attributes do you look for among leaders in the middle or senior management of your Group?

A: Sometimes this depends on whether the right person comes along. No matter how many professionals you hire, you can only find out whether they have what it takes to lead from observing their day-to-day performance. There are many high calibre professionals in Hong Kong. Employing someone at a remuneration measured in millions of dollars is a critical investment. We need to make sure they have the experience and track record we require before we hire them. To find the right people, we rely on head hunters and referrals, and also our assessment of a candidate's ability to lead and perform. The right candidate does not come to us every day. When I was young, I used to hear my uncle say: to find the best person for a job is partly opportunity and partly your ability to spot

that person and realize his abilities. In my company, some of the senior managers and directors were fresh out of university when they started with us. This shows the importance of nurturing talent, which is not easy to do. That is why we have started recruiting graduates from your university, whom we hope to train to become future managers of the Group. I very much hope that we can find talent here for we need many skilled people to develop our business in Mainland China.

Q: When you talked about the prevailing legal system in China, you said you were a little worried about the lack of protection for private ownership. As an investor, what worries and expectations do you have for Chinese laws?

A: Regarding the question of law, I think the Chinese government should respect private ownership because as a business operator, one has the right to the fruits of his hard work or investment. Your President Professor Wang just told me that few Chinese enterprises have been around for more than a century, and that most of them indeed have existed on average for no more than 12 years. In Japan, the US and the UK, large enterprises often have a history of more than 100 years. The topic came up in my chat with Professor Wang because next year will be K. Wah Group's 50th anniversary. We are still around and growing strong after 50 years. The primary reason for this is that we are one of the Hong Kong companies that was set up by people who survived the war. These people are aggressive, hard working and persistent. That factor, along

with Hong Kong's geographical advantages, has presented us with plenty of growth opportunities over the past few decades. Secondly, we have a very sophisticated legal system that originated in the west and emphasizes protection of private ownership. Thus, not only locals but many foreign enterprises too are happy to invest in Hong Kong. This shows that having a good legal system is essential to the development of a territory.

Q: From your speech, I detected traces of Confucianism in your management style. This may be related to your over 60 years of management experience. Does this mean that if we maintain a calm and balanced mind, we will be able to fit in well with this business style?

A: Indeed, I think Confucian beliefs have guided me in running my business. I strongly believe that Confucianism's emphasis on attributes such as honest and moral conduct and the need to strive for mankind's unity should underpin the way we live and work. Just imagine what our society would be like if people were always antagonistic towards each other. If we could keep our minds calm and balanced, and if we could stop making comparisons and simply do one's best at work, we would be more efficient and happier.

Q: You mentioned your concern about presentation of data, and that the Group's middle management would often submit complicated data at meetings. I have two questions. As the head of the company, what kind of data do you see as most important? And, when your staff come up with

confusing data, how do you bring them back on the right course?

A: Dealing with data is an everyday thing for a company. Computers have made things easier, but professional review and analysis are crucial to make sense of these figures. I have drawn a line - my staff have to report to me if the budgeted figures deviate by more than 5% upwards or downwards, for I need to know clearly what caused the deviations and what should be done. I already gained a good understanding of the need for cost control and profitability data 40 years ago. Today, we have 30 professional accountants to oversee important data and figures for the Group. This is something you cannot ignore.

To me, it is meaningless for a staff member to submit piles of data. I tell them to read them again carefully and summarize the data for clear presentation. We cannot afford the time to go through all that detailed data, as senior executive time is costly in Hong Kong. Having to spend time digging into loads of raw data at meetings is therefore very expensive. I understand that employees want to show us that they have worked hard by preparing plenty of business data. But what is more important is for them to know how to present precise data to the boss.

Q: K. Wah Group is now a multinational business corporation. Do you see any difference between entrepreneurship and the concept and role of modern management?

A: I don't think there is that much difference. I remember that when I was selected as the Chairman of the Tung Wah Group of Hospitals about 20 years ago, I thought to myself that I would have to spend a lot of time on this job if I accepted the offer. I declined the appointment. I told the then responsible top-level government officer that I could not spare the time for the position as I needed to attend to many issues within my own company. He said many people dreamt of getting a socially prominent appointment. He suggested that I delegate my job responsibilities. I think if we know how to delegate, we will be able to find time to serve society and at the same time give our subordinates the chance to test their strengths and ability at making decisions. I finally cut down on attending personally to the company's day-to-day matters, and have been involved only in major strategic decisions and vetting final numbers. If a member of staff performs poorly, I take the time to understand the problem he faces and give him instructions on how to make amendments. That's the background to how I personally started to delegate more.

Q: Do you think some people are gifted in management? Does this gift have any relationship with culture? And how significant is subsequent learning in the process of mastering management and leadership? Were you also inspired by advice from management consultancy or external management experiences?

A: Yes, I believe some people are gifted with a talent for management. However, they may be gifted to various degrees, some more, some less.

I believe subsequent learning helps, but delivers no more than a 20% improvement. For example, the talent of the musical genius Mozart is still unmatched today. It makes all the difference if you are born with the talent. You can be helped by a good teacher, but still you can expect only 10%, at most 20%, improvement.

Q: From what you said, we know that your experience has built up incrementally and this is very similar to the experience of other management gurus we have heard from at other seminars. All of us here today have also learnt different theories including many western ones from our working experience. You said you never studied any western management theories, but you are very successful today. What is your comment on that? Secondly, you said one should build a strong personal foundation and seize opportunities when they come. Do you mind sharing with us the major opportunities you encountered that were critical to the development of your business success?

A: You are fortunate to be receiving tertiary education and to be on the EMBA program. Many of my generation were deprived of tertiary education. We learnt slowly from experience and only a few of us have “made it big”, so to speak. While we competed then with people who were not so well educated, now most people have a good education and all sorts of information at their fingertips. You should realize that your competitors are also well educated, that if you want to stand out, you will have to strive hard in all respects. Winners are few now.

Regarding how to identify opportunities, I found quite a few in the course of my career. But to find one, one has to be intuitive. I suggest that you spend more time every day exploring and understanding your subject matter, and good interpersonal relationship also helps. Then, when the opportunity comes, you have to seize it. You are too slow if you wait a couple of days to make a decision.

Q: I notice that more and more Hong Kong people are coming to the Mainland, especially to cities like Shanghai, for business or work opportunities. What kind of mentality should Hong Kong people adopt if they wish to develop their business or career here? Are there any particular points they should be aware of? As you have been here for over a decade, please give us some ideas.

A: This is simple. I guess “local culture and practice” is the best answer to your question. Since you are from Hong Kong, I don’t presume you speak good Putonghua or know the Shanghainese dialect or local culture. Try to learn the culture and practice here. It may sound simple, but in reality it will take time.

Q: Your Group has been doing business on the Mainland for two decades. What is your view on the relationship between enterprises and the government?

A: It is not a simple question to answer. In Hong Kong, with well

established legal parametres, we only have to play by the rules. In Mainland China, however, I think it is time for the Chinese government to adjust its governing style, and place a bigger emphasis on the rule of law. Against a rapidly growing economy and with China's accession to the WTO fueling strong interest among foreign companies in doing business with or investing in China, there could not be a better timing for China to improve and revamp its commercial laws. Government and enterprises can certainly develop a better relationship. In Hong Kong, retired government officials have little influence on policies, the same cannot be said for retired Chinese government officials. They still retain substantial political influence. You may ask then, why do I recruit retired government officials to join the Group? The answer is they are not hired for their relationship with the government, but their extensive executive and administrative experience in prominent Hong Kong organizations – with that experience in turn helping us to perfect our management system. Back in China, where retired Chinese government officials still have strong influence, this has to be changed gradually. It is not uncommon for businessmen in other countries to lean on retired government officials for their connections to help business development. Such relationships, however, should be subjected to the checks and balances of a strong legal system that is designed to ensure a fair environment for investment.

Q: Please provide a forecast on the property market in Shanghai.

A: The per capita income of Chinese people has been rising quickly. The

number of individuals going into business ventures has increased notably over the past 15 years and their earning power has also grown. Property prices in Mainland China, especially Shanghai, increased by 30% to 40% this year, but actual prices are only one-third or one-fourth of those in Hong Kong, and one-sixth of the price in Tokyo. The property prices in New York and London are eight to ten times the prices in Shanghai. The gaps are still rather wide. If you are going to buy a property now, I would suggest you pick from those in prime districts. It will cost you more, but the prospects will be more promising.

Q: Every family business has to hand over to future generations, and the point at which the founder needs to find a successor is a critical one. I would like to ask you, Dr Lui, what strategies do you have to turn K. Wah Group into an enterprise that is going to keep growing and reach its 100th anniversary?

A: I was deprived of higher education when I was young. That is why I made sure my children had a good education and developed the right attitudes towards life. Because no matter how brilliantly one has done, one needs to hand over to the next generation when the time comes. That's why, when my children were studying abroad, I told them not to forget their Chinese roots and made them promise to return to Hong Kong after they graduated and then work for China if the country needed them. My elder son, who studied civil engineering, joined the family business immediately after graduation. He started from the ground up and never

received any privilege. I told him to do his best and not to rely on me, to work hard and show me his ability. He has come a long way and is now the Vice Chairman of the Group. My second son, who has three kids, is living in the US. He runs 20 hotels and a real estate business that builds a thousand units a year there. I used to travel to the US four to five times a year to assist him. Subsequently, I hired an assistant – a well-respected English lawyer – for him from here in Hong Kong. He has been a great help to my second son in developing our business in the US. Now that everything is on track, I only go there once or twice a year. My youngest son is in Hong Kong helping me with our property development business and I give my advice and am also personally involved in related operations. He has matured and is performing well. My hope is for all my children to excel in their respective areas of work. On the Board, I have the support of many experienced and respected experts helping with mapping out the company's long-term development direction to ensure its continuous balanced growth. This is what I have done to smooth the handover of my business.

Appendix IV

Profile of Dr Che-woo Lui

GBS, MBE, JP, LLD, DSSc

Doctor of Social Science, honoris causa, the Chinese University of Hong Kong

Doctor of Business Administration, honoris causa, the Hong Kong Polytechnic University

Honorary University Fellowship, the University of Hong Kong

Doctor of Laws, honoris causa, the University of Victoria, B.C. Canada

Doctor of Laws, honoris causa, the University of Concordia, Canada

- Committee Member of the 9th Chinese People's Political Consultative Conference
- Member of the First and Second Election Committee of HKSAR
- Member of the Steering Committee on MICE, HKSAR
- Chairman of Tung Wah Group of Hospitals 1981-1982, Hong Kong
- Founding Chairman of The Federation of Hong Kong Hotel Owners
- Chairman of China Association (HK) for Science and Society
- Honorary President of Hong Kong-Shanghai Economic Development Association
- Member of the Standing Committee of the People's Political Consultative Conference, Jiangmen
- Member of the Board of Directors of Fudan University, Shanghai
- Honorary Principal and Chairman of Board of Directors of Wuyi University, Jiangmen
- Honorary Member of the Court of Hong Kong University of Science and Technology
- Asteroid No. 5538 (discovered by Purple Mountain Observatory in Nanjing) named as Lui Che Woo Star
- Guangzhou Honorary Citizen
- Jiangmen Honorary Citizen
- Nanjing Honorary Citizen
- DHL/SCMP Business Person of the Year
- American Academy of Hospitality Sciences Lifetime Achievement Award

Appendix V



Profile of K. Wah Group

K. Wah Group, founded by Dr Che-woo Lui in 1955, is a multinational conglomerate principally engaged in properties, entertainment and leisure, hospitality and construction materials with market presence spanning Hong Kong, Macau, Mainland China, Southeast Asia and major cities in the US with more than 200 subsidiaries and 20,000 employees worldwide.

Properties

K. Wah Group, as a dynamic property developer and investor, owns a shining portfolio in Hong Kong, Shanghai, Guangzhou, Southeast Asia and the US. K. Wah International Holdings Limited (“KWIH”, stock code: 0173), listed in Hong Kong in 1987, is the Group's flagship in property development. KWIH aims at establishing a position of large-scale integrated property developer and investor encompassing residential developments, grade-A office towers, arcades, hotels and serviced apartments in the Greater China region. With an approach that blends architectural design, quality and functionalities, KWIH earns its reputation for supreme quality and value creation in all its properties. It has received several international accolades for its outstanding quality and service. Awarded "Business Superbrands" in the property development sector in 2006, KWIH also won the Hong Kong Property Developer category of the "High-Flyer Outstanding Enterprises" consecutively in 2006 and 2007.

The Group is also active in the property market in North America with Cresleigh Homes and Cresleigh Properties as its investment arms, which introduce over 1,000 standalone houses to the market each year.

Leisure & Hospitality

The Hong Kong-listed Galaxy Entertainment Group (GEG, stock code: 0027) under K. Wah Group carefully designed its own strategy to meet the current and future developments of MICE industry in Macau. Operating

since 2006, GEG's flagship StarWorld Hotel is the only hotel in Macau to receive the Five-star Diamond Award in 2007 from American Academy of Hospitality Sciences that is known for its stringent standards. GEG's large-scale integrated development in Cotai, Galaxy Macau, partners with Banyan Tree and Hotel Okura in becoming one of the largest resorts in the world and in Asia.

K. Wah Group ventured into the hospitality industry in the 1970s, which now owns and operates about 20 hotels with over 10,000 rooms around the globe through its two arms, Stanford Hotels International in Hong Kong and Stanford Hotels Corporation in the US. Leveraging the strengths of franchised hotels, the Group manages hotels of top global hotel brands including InterContinental, Marriott, Hilton, Doubletree and Sheraton.

Construction materials

K. Wah Construction Materials Limited (KWCM), the Group's subsidiary, is one of the largest one-stop construction materials suppliers in Hong Kong that adopts a vertical integration approach to produce and supply a diverse spectrum of products from aggregates, ready mixed concrete, cement and slag, to concrete piles, cribs, concrete blocks and paving bricks using advanced technology and facilities. KWCM expanded its business in more than a dozen major cities and industrial towns in Mainland China and has also forged strategic partnership with six leading state-owned steel enterprises to develop environmental-friendly products.

Official website: www.kwah.com



香港嘉薈軒
J Residence, Hong Kong



廣州花都區超大型國際社區項目
Huadu Mega Integrated Project, Guangzhou



上海慧芝湖花園
Shanghai Westwood



上海嘉華中心
K. Wah Centre, Shanghai



廣州花都區迎賓路機場CBD項目
Guangzhou Huadu Airport CBD Project

地產 Properties

嘉華集團近年積極在大中華區採取綜合發展策略，旗下的嘉華國際集團以「品精質優」的發展理念在市場上成功建立優質品牌和商譽。所開發的項目涵蓋超級豪宅、優質住宅小區、六星級寫字樓、特色商舖、酒店及服務式公寓。

K. Wah Group continues to enhance its focus on the Greater China region, with a versatile business strategy aimed at establishing itself as an integrated property developer and investor. Its property arm, K. Wah International Holdings, boasts a brand with a proud reputation of quality and value creation through its strong track record in investment and developing a prime portfolio encompassing premium residential developments, Grade-A office towers, arcades, hotels and serviced apartments.

香港 • 上海 • 廣州 • 東南亞 • 美國 (加利福尼亞州、亞利桑那州)

Hong Kong • Shanghai • Guangzhou • Southeast Asia • US (California, Arizona)



上海徐匯區高級住宅及服務式公寓項目
Xuhui District Residential Project with
Serviced Apartments, Shanghai



上海靜安區高級住宅項目
Jingan District Residential Project, Shanghai



香港嘉御山
The Great Hill, Hong Kong



香港嘉御山
The Great Hill, Hong Kong



廣州花都皇冠假日酒店 Crowne Plaza Guangzhou Huadu Hotel



香港海景嘉福酒店
InterContinental Grand
Stanford Hong Kong



澳門星際酒店 StarWorld Hotel, Macau



休閒度假及酒店 Leisure & Hospitality

配合澳門的長遠規劃，集團旗下的銀河娛樂集團積極於當地投資開發集娛樂、休閒、會展、購物、美食於一身的綜合旅遊度假設施，並以「星際酒店」品牌，奠定其在當地之超五星級服務水平地位。除了澳門，集團在北美洲及香港擁有及管理約二十家酒店，與知名酒店品牌如洲際、萬豪、希爾頓、喜萊登、悅榕 (Banyan Tree) 及日本 Hotel Okura 合作，發揮專營酒店的優勢。

K. Wah Group contributes to Macau's long term development through Galaxy Entertainment Group, by offering new levels of service at world-class entertainment, leisure, shopping and dining facilities, and establishing StarWorld as the 5-star prestigious hotel brand. With years of experience in owning and operating more than 20 hotels around the world, the Group joins hands with famous hotel brands including InterContinental, Marriott, Hilton, Sheraton, Banyan Tree and Hotel Okura in leveraging the strengths of franchised hotels.

香港 • 澳門 • 廣州 • 美國 (加利福尼亞州、亞利桑那州、佛羅里達州、夏威夷、新墨西哥州、北卡羅萊納州、維珍尼亞州)
Hong Kong • Macau • Guangzhou • US (California, Arizona, Florida, Hawaii, New Mexico, North Carolina, Virginia)



澳門銀河 Galaxy Macau





上海浦東機場 Pudong Airport, Shanghai



香港安達臣道石礦場 Anderson Road Quarry, Hong Kong



香港嘉華國際中心 K. Wah Centre, Hong Kong



香港西區海底隧道 Western Harbour Tunnel, Hong Kong



香港嘉華混凝土有限公司安達臣道攪拌站
K. Wah Concrete's batching plant on Anderson Road, Hong Kong



上海浦東立交橋 Pudong Mid-ring Road, Shanghai

建築材料 Construction Materials

集團旗下建築材料業務擁有逾50年的經驗，除參與香港無數的基礎建設，亦在中國內地十多個主要城市及工業重鎮設有現代化生產設施，並與多家大型國企結成策略性夥伴。嘉華提供的綜合環保建材產品，如循環再用地台磚、環保瀝青、礦渣微粉混凝土等，廣泛應用於內地一線城市的主要基建項目，如機場、磁懸浮、地鐵、高架及立交橋等。

The Group offers more than a half-century of multifaceted experience in the construction materials industry. Apart from spearheading numerous showcase infrastructure projects in Hong Kong, the Group also operates a strong network of modernized production bases in more than 10 major cities and industrial towns in Mainland China. Forging strategic partnerships with several leading state-owned steel enterprises, it provides a wide range of quality and environmentally friendly construction materials products, such as recycled bricks, eco-friendly asphalt and slag concrete, for several infrastructure projects in the Mainland's first-tier cities, including airports, the maglev train, metro lines and mid-ring roads.

香港 • 澳門 • 中國內地 (北京、遷安、秦皇島、上海、昆明、廣州、南京、馬鞍山、深圳、韶關、惠東等)

Hong Kong • Macau • Mainland China (Beijing, Qianan, Qinhuangdao, Shanghai, Kunming, Guangzhou, Nanjing, Maanshan, Shenzhen, Shaoguan, Huidong and more)



香港國際機場 Hong Kong International Airport



香港青馬大橋 Tsing Ma Bridge, Hong Kong



惠東大亞灣中海殼牌石化有限公司工業城 CNOOC & Shell Petrochemicals Complex project in Daya Bay, Huidong