

LI

KA

SHING



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“When times are tough, you need to ask yourself if you’re able to overcome the challenges. During tough times, I always thought I was up to it! Because I am hardworking, thrifty and tenacious, I am willing to learn and to build a credible name.”

– Li Ka-shing

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“As my strength grew in the 1970s, I began to pay attention to foreign-controlled institutions and discovered that with very little shares, they (foreign investors) have gained control over huge assets. If I could acquire those companies, I would be able to acquire their assets and the talents that would be very useful to building a multinational company in Hong Kong.”

– Li Ka-shing

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“I still read before I go to bed at night in order to learn about the new technology and information related to my business. Regardless of the nature of

your business, you must be in love with it in order to bring in progress.”

– Li Ka-shing

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“The start of an enterprise also marks the beginning of its reputation. When the reputation is good, there will be revenue. It is a vital business ethic in conducting business. It is similar to our attitude towards life.”

– Li Ka-shing

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– Li Ka-shing

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“I always tell people that I have a third son. Friends who heard this (for the first time) would awkwardly congratulate me. In fact, I’m very happy. I love my third son, and my two sons will love him, my grandchildren will love him too. My third son is my foundation.”

– Li Ka-shing

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“Although I’m a businessman and I don’t participate in politics, I love my country and I will always be concerned about the political situation in our country. This is because politics and economic are just like hands and feet; they must be coordinated in order to grow.”

– Li Ka-shing

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“The reason I choose to maintain the same living standard as before is that a simple lifestyle is the best state of life. Making money is never a goal, but a way to realise the value of life and challenge ourselves. No matter how much wealth I possess, I still enjoy life as I did 30 years ago.”

– Li Ka-shing

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“When Victor and Richard were still students, I brought them to one of our meetings. They just sat there. My purpose was not to teach them how to do business, but to let them know that doing business was not that simple, and that it took a lot work, meetings and the help of many people to get a job done.”

– Li Ka-shing

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CHAPTER 1

Dirt Poor to Mega Rich

“When times are tough, you need to ask yourself if you’re able to overcome the challenges. During tough times, I always thought I was up to it! Because I am hardworking, thrifty and tenacious, I am willing to learn and to build a credible name.”

– Li Ka-shing

Asia's most powerful man

Born in 1928, 88-year-old Li Ka-shing is still as active in his business as he was when he started out. Whenever he is asked about his retirement plan, he would casually reply, "I've prepared for my retirement, but I don't plan to retire anytime soon. I'm happily serving my shareholders and foundation (Li Ka Shing Foundation), readily giving them my time and effort. I am probably the record holder of the least number of sick days in our company!"

Li is often referred to as "Superman" in Hong Kong because of his business prowess. Someone calculated his earnings and estimated conservatively that he makes USD2,500 per minute, and up to USD9 billion per annum through his diverse business investments. Imagine, one may have to work a month to make what he earns in a minute!

He is the first (and perhaps the only) non-artist/non-politician to have his wax statue among over 100 wax figures in Madame Tussauds Wax Museum Hong Kong.

He has topped Hong Kong's richest people list for decades. Forbes ranked him first in the Top 10 Richest People in Asia 2015.

If you watch Hong Kong dramas and movies, you might be familiar with the saying, “My father is not Li Ka-shing”, when the plot revolves around money or when the story focuses on single mothers raising kids, especially with a scene of the single mother assembling plastic flowers at home while taking care of her kids. All these are inspired by Li’s success story.

Li is definitely not nouveau riche. One of the reasons he is respected and loved by the people, especially the Chinese, is his inspirational self-made success despite the turbulent times he was born in, and his humility and generosity despite his massive wealth.

Growing up in turbulent times

On July 7, 1937, the Second Sino-Japanese War broke out. In 1938, the Japanese bombed Chaozhou, Guangdong, the birthplace of Li. The following June, the then 12-year-old Li and his parents and two siblings fled their homeland. They arrived in Hong Kong and sought refuge with their relatives (Li’s uncle).

At that time, Hong Kong was under the Japanese occupation. The Li family faced a hard life in Hong Kong as the economy had collapsed under the Japanese occupation. In 1942, Li's mother returned to Chaozhou with his younger brother and sister, while Li and his father stayed in Hong Kong to make a living.

Like a sad and tragic tale, Li's overworked father soon developed tuberculosis, considered as devastating as cancer today.

"Watching movies was very cheap at that time, but I needed to save every penny. My father had tuberculosis and was hospitalised at the beginning of the Japanese occupation. The hospital fee was not much, but you had to pay for the medicine.

"Because of my father's tuberculosis, I got some old books on treating tuberculosis and taking care of tuberculosis patients. It would have been better if I hadn't bought those books. I was only 13 and the books scared me to death as I had all the symptoms," Li recalled.

The young Li suffered a milder bout but overcame it, thanks to the knowledge gleaned from the books, which suggested ways to overcome tuberculosis

through a change in dietary and lifestyle habits. Unfortunately, Li's father was already at the severe stage and with scant medical treatment, he passed away in 1943. Li was only 14.

"The day before my father died, instead of saying something to me, he asked me if I had anything to say to him. It was truly very sad. But I comforted him and confidently told him, 'Our family will have a good life'."

General Manager at 19

During the Japanese occupation in Hong Kong, which lasted three years and eight months, Li sent 90% of his salary to his mother. He saved every penny he could and even shaved his head bald like a monk so he would only need a haircut every three months.

Li tried many different jobs – from working in a dim sum restaurant as a waiter to being a promoter, salesman and eventually manager before setting up his plastic factory, which marked the turning point in his entrepreneurial journey.

"I promised myself that after saying those confident words to my father (that their family will have a good

life), I must work doubly hard for a future. While other people sought knowledge, I had to reach out and grabbed it. Without the money for new books, I bought old ones, textbooks used by teachers for high school. I only had a dictionary and the books and I studied on my own.

“When I was done with books, I exchanged them for more old books. Under those circumstances, I was working for a future. I took jobs, no matter how lowly paid they were. At any rate, what could a 14-15-year-old boy do? But I did my best at work and at increasing my knowledge.”

There is an old saying, “Diligence overcomes all difficulties”. Li once said, “Diligence is the key to success. No pain no gain. You reap what you sow. Luck only has a very small effect. Your own effort is the most basic condition in building your career.”

Li’s habit of setting his watch 10 minutes earlier is well-known. To him, this signifies seizing the opportunity. The successful in the business world are those who are diligent and have grabbed the opportunities. When you set your time 10 minutes earlier, it means that you are 10 minutes ahead of the rest to make that opportunity yours.

In order to seize the opportunity before another does, one will need to act fast, do and complete things before others do. This goes back to diligence.

When the 15-year-old Li was working at the dim sum restaurant, he already had the habit of setting his alarm clock 10 minutes faster so that he would be the first to arrive at the restaurant by 5.00 a.m. and get the tea and refreshments ready to serve the customers on time.

Later, when he worked at his uncle's watch company, he was the first to arrive at work and the last to leave. At 17, when he was working as a salesman at a plastic manufacturing company, he would work 16 hours a day while the others worked the normal eight hours.

"On New Year's Day, the boss announced that the bonus that year would be based on sales. At the end of the year, my sales figure was seven times higher than the second best. If they paid my bonus based on my sales, my bonus would have been higher than the general manager's. The other salesmen were already jealous," Li shared.

"So I said to my boss, 'Just pay me the same as the second best salesman; it will make everyone happy.'

As a result, I became a manager when I was 17 going on 18. I was second only to the boss. At 19, I became the general manager of the factory.”

Although Li was the general manager, he would still help out in the production. It’s been said that one day, Li accidentally cut his hand while cutting the rubber in the factory. The wound was so deep that he bled badly, but he kept quiet. He put a bandage on his wound and continued working. Li only went to the doctor when the wound became infected.

When a reporter brought up this incident long after it had happened and cheekily remarked that Li’s rich experience indeed came with the price of blood, Li smiled and said, “Let’s not put it that way. Those were the things I was willing to do. As long as you are willing to do something, you will not bother with other things.”

His own boss

Li soon mastered all aspects of production. With his diligence and persistence in self-improvement, his confidence in starting his own business slowly grew.

In an interview with *Forbes* in December 2006, Li shared, “I was already keeping an eye on the political developments in China, and I also had a firm grasp on economics, industry, management and the latest development in the plastics industry. I knew that plastics had a great future because so many products can be made from plastic. Not many people in Hong Kong at that time (after the Second World War) were aware of the potential. It was still quite new in Hong Kong and China.”

In 1949, Li’s company’s business dropped by 90% as the Chinese leadership changed along with the development of civil war and the unstable political situation in China. Li was brilliant enough to reduce inventory and raw material orders, which saved the company from suffering huge losses.

When the boss wanted to promote Li as General Manager of the head office, Li rejected.

“I was confident about the bright prospects of the plastics industry, and I told him that I would like to start my own business.”

In the summer of 1950, Li helped his boss to sell off the remaining stock and wind up the company

properly. With his savings and funds borrowed from family and friends, and contacts he made as a salesman, the 22-year-old Li struck out to found Cheung Kong Plastic Factory, a plastic manufacturing company specialising in the production of toys and basic daily necessities in Hong Kong.

Cheung Kong, named after Yangtze River – the longest river in China and third longest in the world – is known in Chinese as *Cháng Jiāng* (长江). In one of Li's interview in the early years, Li shared why his first firm was named after Yangtze River.

“When I was young, I might have appeared humble but inwardly, I was very arrogant. Why? When my colleagues went to play, I went to study. We all had very little education. But they stayed the same while I became increasingly knowledgeable. We were doing similar work, but I was always striving for improvement.

“So when I went into business, I reminded myself that if I allowed myself to be arrogant, I'd fail one day. And so I named my company Cheung Kong. The Yangtze River doesn't pick and choose its tributaries. Water from small streams and springs are just pulled in. Otherwise there wouldn't be any Yangtze, would there?”

Flourishing on plastic flowers

Li once said, “Honestly, during my early days, luck was not on my side and I had to rely solely on hard work and diligence for my success. It is very important to be committed to your work. You need to be interested in your career in order to perform well. Only by committing to your work will you have good results. This is the only way we can make life more meaningful.”

Li made every second count. He worked 16 hours daily, lived in the factory and only went home to visit his mother and siblings once a week, and woke up at 4 o'clock in the morning to organise sales and purchase materials. At night, he would record the daily expenses and sales, do product marketing planning, prepare designs for the new products, and plan the next day's production tasks.

Amidst his hectic schedule, Li made time to gain knowledge, learn and keep abreast with the rapidly developing plastic industry – its trends and technologies.

“I already knew a lot about the plastics business, including the technology, the market and sales. I knew everything, including the accounting. During the first year, since I didn’t have much capital, I did everything, including the first set of accounts.”

Li’s plastic manufacturing business did not make big bucks right away. For the first few years, he had to work very hard to keep the business afloat. By doing a lot of the work himself, he kept his overheads low. In 1955, the business started to prosper.

By 1957, Cheung Kong Plastic Factory was among the more than 300 plastic toy factories in Hong Kong. While its business was considered good, Li knew it lacked a distinguishing feature.

One day, Li read about an Italian company’s successful invention of plastic flowers and its plan to mass produce it. Li immediately recalled a recent article he had read in an English magazine about the Westerners’ fast-paced life. Many housewives had become career women and there was a great need to simplify household chores.

With his keen business acumen, Li saw the potential of manufacturing plastic flowers. They don’t need

much care – no gardening and water required, and it can come in different designs and colours. Plastic flowers would be the obvious and perfect choice for easy-to-maintain indoor and outdoor decorations.

He decided to grab the golden age of plastic flower production.

Li immediately set off to Italy for a study tour of plastic flowers. It has been reported that he even worked “illegally” at a plastic flower manufacturing plant to get first-hand knowledge of the technologies and production processes.

Upon returning from Italy, Li changed his production focus to plastic flowers. Plastic flowers were still new in Hong Kong and not very popular. With Li’s persistence and effort in promotion and advertising, the popularity of plastic flowers blossomed and became widely accepted by Hong Kongers.

To adapt to large-scale production, Li renamed Cheung Kong Plastic Factory as Cheung Kong Industries in 1957. Many plastic factories soon jumped into the plastic flower action, but they only managed to produce single-coloured ones. Li’s factory stood out. Through improved machines, Li

was the first factory to successfully produce two-coloured plastic flowers.

By 1958, the demand for plastic flowers in the European and American markets had increased and Li's business bloomed. Cheung Kong's business turnover hit HKD10 million with a net profit of more than HKD1 million. The then 30-year-old Li thus earned his first pot of gold and the moniker "Hong Kong's King of Plastic Flowers".

During the golden age of his plastic flower business, Li had almost 100 employees working three eight-hour shifts every day. Workers from low-income families in the neighbourhood would come to Li's factory to collect packs of plastic flower stems and petals, and assemble them at home.

An old lady interviewed by *Financial Times Chinese Web* shared, "The pay wasn't that high, only a few Hong Kong dollars per pack. But back then, our cost of living was very low, and people didn't have much to do... He (Li) wasn't that rich and famous; people regarded him as an ordinary factory owner."

The plastic flower market remained buoyant until 1964. Li had made tens of millions of Hong Kong

dollars since his production focus shifted to plastic flowers. Cheung Kong Industries has since become the biggest plastic flower producer.

Unplanned move into a new mega business

Despite his success, Li knew well that “no flower can bloom for a hundred days” and that regardless of how well the plastic flower business was doing, it would reach its saturation point and start declining.

Li decided to scale down in the face of overwhelming odds. He gradually shifted his production focus back to plastic toys that he had side-lined for a long time, and soon entered the international market. Within two years, while many plastic flower manufacturers struggled to survive the slow-moving market and poor sales, Cheung Kong Industries – once the world’s largest plastic flower producers – bounced into the international toy market with an annual export volume of USD10 million, and became the dominant player in Hong Kong’s plastic toy export industry.

Of course, Li’s business empire did not stop there.

In 1958, when Li was unable to renew the lease for the company, he decided to buy a site in the North Point and built a 12-storey industrial building. The unplanned move proved to be a blessing in disguise as it was tremendously profitable. Two years later, Li built another industrial building in Chai Wan (a new industrial area in the north-east corner of Hong Kong Island).

About a decade later, the Hong Kong real estate plummeted due to political riots. Li saw an opportunity here, convinced that the riots were only temporary and that real estate would thrive again.

He bought up masses of land at low prices. It was during the Cultural Revolution in 1967 that Li would experience his biggest growth. This was when the company grew rapidly and evolved into a property investment company.



WORDS FOR CONTEMPLATION

In the face of adversity and starting a business, Li says:

“Those hard times were the best training I had in life, especially during my years as a salesman when I learned so much and became sensible. All these are experiences that no money can ever buy.”

“When times are tough you need to ask yourself if you're able to overcome the challenges. During tough times I've always thought I'm up to it.”

“Success is relative. The entrepreneurial process is in fact a development process of persistence and perseverance. There isn't any secret to success. However, it is not easy to live up to the Chinese adage of 'diligence' (勤) and 'frugality' (俭). In any business, you will have to continue learning and seize the time, or else you will never succeed.”



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“Despite my achievements, I can still remember poverty. I told my children and grandchildren, ‘The fruit you eat will never be as tasty as the fruit I ate during the turmoil of war. You will never cherish it as much as I do.’”

“I wasn’t lucky. I worked hard to achieve the goals I set for myself.”

“I needed to save every penny... I needed to be strong, I needed to find a way to secure my future. That’s why I am always conservative. I’ve never forgotten to maintain stability while advancing, and I’ve never forgotten to advance while maintaining stability.”

“I lived and breathed plastic flowers for ten years, and all day long all I could think of was how to make them look more life-like and how to be more creative.”

“First of all, I am an optimist. When you study hard and work hard, your knowledge grows, and it gives you confidence. The more you know, the more confidence you gain. When I was 10 years old, I stopped school, but I still had plenty of hope to return to school.”

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“You can believe in fengshui if you want, but ultimately people control their own fate. The most important thing is to improve yourself and do your best. Then, the many things previously thought to be impossible will become possible.”

“If you give a little more effort in a fierce competition, you’ll stand a chance to win a little bit more. Just like the Olympics, the first-place winner always tends to be just a bit faster than the second- and third-place winners.”

“I also have some strengths. First, I have a thirst for knowledge. Second, I work hard, which can compensate for some of the weaknesses. Most importantly, I know what’s right from wrong.”

“While other people learned, I grabbed... grabbed knowledge.”

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CHAPTER 5

The Art of Li's Management

“Integrating Chinese philosophy with Western management, and maintaining the employees’ enthusiasm and devotion to their work – these are the keys to success.”

– Li Ka-shing

East meets West

After tons of experiences and achievements accumulated over tens of years in his entrepreneurial journey, Superman Li has not just built a fortune and an unshakeable reputation in the business world. More importantly, he has established a profound business management philosophy.

Li once said, “Western management promotes progress. Confucianism has its merits and shortcomings, but it does not promote progress that much. We have to integrate both, not to rely entirely on Western management or entirely on Confucianism.”

Let’s look at how Western and Chinese management differs.

Chinese management focuses on humanity and emphasises the main elements of Confucianism – benevolence, righteousness, propriety, wisdom, faith, loyalty, honesty, kindness and compassion. However, it lacks a system and thus, it is not as organised, thorough and meticulous as the Western management.

On the other hand, Western management stresses system, rules and implementation of instructions. It zeroes in on the use of technology while emphasising efficiency and performance. It is goal-oriented. However, it lacks the human touch as it tends to overemphasise machine, method and achievements of targets and goals.

When Li single-handedly founded Cheung Kong, he didn't mean it to become a family business. He did not choose family management but instead, he wanted to learn from the management experiences of foreign companies. Li discovered a lot of successful Japanese companies were family businesses with a heavy shift towards Confucianism.

But as much as Li was open to new things and was willing to learn from the experiences of others, he was also a discerning and astute businessman. He believed that although Confucianism had its merits, it cannot be applied entirely in business management.

Li said, "I've read many books from the ancient sages. In my opinion, some of Confucianism's principles can be applied (in management), but not all."

Li then integrated the principles of compassion and friendship advocated in Confucianism with

Western management philosophy to form his own brand of business management. He wasn't really bothered about his business being inherited by his descendants, preferring the Western management approach of having the company run by capable individuals elected by the board of directors and shareholders. Li stressed that if his sons were not capable enough, he would not let them take over his business.

No to nepotism

When Mainland China opened up in the 1980s, many kinsmen from Li's hometown in Chaozhou wanted to come and work in Li's company but Li politely declined them. The few who worked in Cheung Kong were hired based on their skills and capabilities. An employee once commented: "Mr Li would never hire slothful workers, even if they are family or close relatives."

Li always takes on talented and capable individuals to run his businesses; he shuns favouritism and nepotism as that will shut out many talented people. His conviction is that one can start a business on alone but if you want to progress and

expand, your business will need the right people and management.

As his business developed, Li did not rely solely on the company's veterans and seniors but constantly replenished the management team with "fresh young blood" to ensure the business continued to develop.

If we look at Li's personnel management, we will observe three main characteristics.

Firstly, Li thinks highly of foreign talents. As the late Chairman Mao Zedong said, "To make the past serve the present, and make the foreign things serve China". In essence, this means using the knowledge learned from the ancestors to serve the current circumstances, and adopting the good qualities of foreign cultures to enrich Chinese culture.

Almost all his right-hand men were (and are) foreigners. For instance, George Colin Magnus, a British who holds a Master's degree in Economics from University of Cambridge, was the Deputy Chairman from 1985 to October 2005 and currently the Non-executive Director of the Company. He joined Cheung Kong in 1979. Another top gun is Simon Murray, a British who was the Group Managing

Director of Hutchison Whampoa from 1984 to 1994. Foreign management staff have played a vital role in standardising the management of his business and take it globally.

Secondly, leverage on young blood. Li's right-hand men were generally young. For example, the present Group Co-Managing Director, Canning Fok, joined Cheung Kong when he was in his 30s; and Independent Non-executive Director Katherine Hung joined Cheung Kong when she was in her early 40s. Li believes young people have the drive, energy and creativity to chart new milestones in the company's development.

Thirdly, professionalism. Li believes that only through professionalism will the company's products and technologies be able to maintain their leading position in the industry.

Talents, not family ties

Li was able to graft traditional Chinese culture into Western culture because he had abandoned the deep-rooted bad habits in traditional Chinese culture.

From the very beginning, Li had never practised favouritism and nepotism in his business, but gathered talents from around the world. He had never made any special arrangement for his kinsmen to work in his company before his two sons became adults.

With his diverse businesses employing over 270,000 people in over 50 countries across the world, many of his employees are foreigners. Li's businesses are managed by professionals, some of whom are foreigners who introduced advanced management experience into the company and played a decisive role in the continuing success of Li's business empire.

In May 2001, when Li gave a speech at Shantou University, he talked about how to build a healthy and trusting relationship with employees.

“Before my two sons joined the company, I had never hired kinsmen to work in my company. I think they may not necessarily be loyal and trusted followers. If a person has been working with you for some time, and you found that he has a positive direction in life and attitude, and he is able to accomplish every important task assigned to him, that person is a loyal and trusted subordinate. If you need to have three

persons to closely monitor a person's work even if he is capable, the company will never be able to perform well!"

In a sharing session with EMBA (Executive Master of Business Administration) undergraduates from The Chinese University of Hong Kong in 2001, Li shared, "The administrative staff in my company have been serving the company for many years, as many as over 30 years, and they comprised many different nationalities.

"Regardless of their nationality, as long as their performance is good, they are loyal and have a sense of belonging to the company. By giving their efforts and after going through some challenges, they can become the company's core members."

Li stressed that a good enterprise will need a good organisation. "A large enterprise will have to rely on organisational structure. An enterprise with 20-30 people is considered successful if it has a capable leader. When it expands to hundreds of people, the leader will still need to be involved in the work but he does not necessarily be the one to lead. When you are big, you will need to rely on an organisational structure, or you will fail or fall one day."

With the integration of both Chinese and Western culture, Li has managed to carve out a scientific model but with feelings.

“The scientific American way of management has its advantages. It can cope with rapid economic changes, but it is impersonal. When it is underperforming, it will resort to large-scale layoffs. But we can't do that as it will cause the employees to feel insecure and leave many jobless.

“Combining the advantages of both management styles, adopting the Western management approach and the Chinese management philosophies to maintain the employees' enthusiasm and devotion to their work, is the key to success,” Li advised.

The right man for the right job

According to Li, the secret to being a good leader and retaining good employees is understanding what your subordinates want most.

Li once said, "For a small family-run business, you have to do things single-handedly. As the company grows and expands, it's very important to make sure your employees have a sense of belonging and feel at ease. Simply put, management is about putting the right man in the right job. Nevertheless, the principle is to make them feel belonged and enjoy working with you."

Li believes that a good and qualified employee will have to fulfil three basic requirements: believe and agree with the company's core values; have faith and trust because an enterprise is a team organisation and without trust, there will be no team; and finally, be credible as your work performance must be worth your pay.

"We have to give qualified talents good remuneration and prospects, and make them feel appreciated. Of course, we also need a system of checks and balances. This is a must. We need a system or even a good employee will turn bad."

As for company management, it is important to uphold these few principles: firstly, keep your promise and build a good reputation so that your subordinate have faith in you; secondly, understand what your

subordinate needs by putting yourself in his place; thirdly, trust your subordinate and don't always doubt his capability or character. As the Chinese saying goes, "Never doubt the person you hire, never hire the person you doubt." In short, trust the person in position.

Li has said: "Cheung Kong is named after the Yangtze River as it doesn't pick and choose its tributaries. Without water from the small tributaries, there wouldn't be any Yangtze, would there? We need to be broad-minded so that we are not arrogant or think that we are good at everything; we need to recognise other people's talents and leverage on them.

"Like the old saying goes, tolerance fosters greatness. If I don't have these many people working for me today, the company wouldn't have accomplished so many things, even if I have superhuman powers. The key to a successful business is to have people who can help you, who are willing to work with you. This is my philosophy."

Creating the King of Employees

Li's philosophy in management and retaining talented employee has created a new term in the working class in Hong Kong – King of Employees, a moniker for high-earning employees.

One of the most noticeable examples is Canning Fok Kin-ning, the present Group Co-Managing Director who has been with the Group since 1979. Fok has been one of Hong Kong's top five taxpayers in the past few years.

In fact, once at a press conference after the Group's Annual General Meeting, when a reporter asked a tricky question, Li quipped, "Let Canning answer you since his pay is so high!"

Born in 1952, Fok joined Cheung Kong in 1979 as chief accountant upon returning to Hong Kong from the United States after finishing his studies. In 1985, the then 33-year-old Fok was appointed Director of Cheung Kong. At 35 years, Fok became the chief executive of Hutchison Whampoa – the youngest

corporate executive among the listed companies then. At the end of 1999, the “Orange deal” earned Hutchison Whampoa its first pot of gold in the telecommunication industry.

In the late 1980s, Hutchison Whampoa’s share price slumped due to its sluggish overseas business. Fok’s first move was acquiring 96% shares and a controlling stake in Canadian oil company Husky Oil, earning a very substantial profit to Hutchison Whampoa. Later, when Husky was performing well, Fok listed the company in Canada through a backdoor listing, earning the Group a profit of HKD6.5 billion.

In 1999, Hutchison Whampoa sold off UK’s third largest mobile phone company, Orange PLC (acquired in 1991), to German conglomerate Mannesmann for approximately HKD118 billion, earning a profit of more than HKD110 billion and making the Group the world’s most profitable company in 1999. The deal gave a 12-fold attributable profit to the shareholders.

Fok was the key person of that Orange PLC deal. That year alone, his annual salary was an astronomical HKD200 million!

In the coming years, Fok seized the opportunities for large-scale investments. Hutchison Whampoa has

since set its footprints all over the world; its business portfolio ranges from ports, infrastructure, energy, telecommunication to public utilities.

It is safe to say that Fok has played the key role in planning and making decisions in all major investment arrangements, including stock issuance and bond conversion. All the projects involved billions of funds; Li's trust in Fok has indeed brought him sweet returns time and time again.

"I am not a smart person," Li said. "I can only provide my employees with two simple conditions: give them a very satisfying salary and bonus, and make sure they have the means and capability to raise their children. That's why as long as they are still working for the company, they will put themselves in the company's place, because we (the company) put ourselves in their place."

Caring for employees

In an interview, Li shared: "A company is just like a family. Employees are the contributors to a successful business; of course they should be taken good care of. As they age, we – the younger generation – have

the responsibility to take care of them. It is a typical and old thinking that it is the boss that feeds the employees. Nowadays, it is the employees that feed the boss and the company.”

Li has deep gratitude towards life, which he also extends to his employees. In the mid-70s, Cheung Kong Industries made real estate its main business and focus. The glory period of plastic flowers had come to an end and become unprofitable. However, there was still a workshop in the Cheung Kong building, producing small quantities of plastic flowers.

When a reporter discovered this, Li explained: “It is for the sake of our senior workers, to provide them with a livelihood.”

Later, when the Cheung Kong building was rented out and the plastic flower factory had to close down, Li arranged for the few senior workers to do administrative work in the building.

Manage well to excel

When an enterprise has expanded to a certain scale, it will need sound management to progress. Without that, the enterprise's development would turn into a mess. A sound management will determine the healthy development of an enterprise. Knowing this well, Li has invested painstaking efforts in management.

Li's ways of business are a blend of Eastern and Western cultures, creating an effective management model that is uniquely and exclusively his.

Li has summarised his management philosophy as follows: "Simply speaking, you are the commander in chief, the head of a group of armies. You can never be better with a machine gun than a machine gunner or better than a gunner operating the cannon. As commander, you don't do these things. Your job is mapping out the strategy. So a good organisation is very important."



WORDS FOR CONTEMPLATION

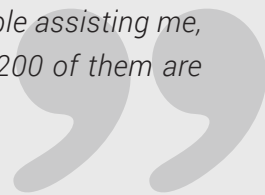
In managing his business and employees, Li says:

“Loyalty is the basic quality in choosing a team of workers. But more importantly, you must remember that people who are loyal but have low capability or low ethical standard will soon cause the team and the enterprise to break down. They are the least reliable people.”

“Very naturally, anybody in the world can become one of the members in your nucleus group.”

“If I don't have these many people to work for me today, the company wouldn't have been able to accomplish so many things even if I had superhuman powers. The key to a successful business is to have people who can help you and are willing to work with you. This is my philosophy.”

“Stop focusing on me. I'm no superman. This is the result of concerted efforts. I have 300 talented people assisting me, of whom 100 of them are foreigners and 200 of them are Hong Kong people in their prime.”



“

“A company is built on the efforts of many individuals, and not just on one person.”

“You can’t succeed on charisma alone.”

“Treat people with sincerity and build a good organisation. Otherwise, it won’t matter how famous or how capable you are. A company needs a good infrastructure, good organisation and good people. If everyone works in concert, then you can succeed.”

“In a small business – a family business – you’ve got to do everything personally. But when the company is big, you need to give your staff a sense of belonging and make them feel at ease. That’s vital.”

“All my senior staff get along very well with me. That’s gratifying.”

“The secret of management is simply identifying and making use of talents. But you must make them feel they belong and like you first.”

“A good system is of great importance.”

”

CHAPTER 6

The Third Son

“I set up a foundation that I refer to as my third son. This idea dawned on me like light dawning on darkness; it didn’t from any book. Since 1980, I have dedicated to this son not only my assets but all my heart, and I believe that my colleagues in the foundation and my family are – and will remain – as committed as I am to serve his causes, reshaping destiny through education and seeking efficient initiatives that can forever help those in need.”

– Li Ka-shing

Making profits, spending money

Li has been said to have two careers – one that makes profits while the other spends money.

“My money comes from society, and I should give it back to society. I don’t need more money; I’m not making money just for myself,” he once said.

Those were not just words. He heads the Hurun 2015 Global Chinese Philanthropy list, with Jack Ma of Alibaba and Priscilla Chan (wife of Facebook founder Mark Zuckerberg) trailing close behind, each having contributed more than 10 billion yuan (HKD12.15 billion) to charitable causes.

While Li and Ma had taken turns to top Asia’s richest individual (a title which now belongs to Wang Jianlin), Li has proven to be the most charitable with his massive fortune, currently worth USD32.8 billion.

According to Hurun’s statistics, Li Ka Shing Foundation has so far contributed HKD15 billion (approximately USD1.94 billion) to education and healthcare initiatives, with 87 percent of them in China.

An article published in *Wall Street Journal* in 2007 highly commended Li's philanthropy and led to a growing group of wealthy Chinese who are challenging tradition and embracing a more open approach to giving. In 2006, at his Group's interim results conference, Li pledged to give a third of his fortune to his foundations that fund philanthropic projects around the world.

"In the U.S. philanthropic support – whether it's healthcare, medical research or education – from entrepreneurs is tightly integrated into the fabric of society," the then 79-year-old Li said during a rare interview about his philanthropic work. "Now, slowly, China will know this."

Soon, Li started to put his pledge into practice. According to statistics revealed by Hong Kong Stock Exchange then, on August 30, 2006, Li donated all his private shares in CK Life Sciences (about 2.835 billion shares) to the Li Ka Shing Foundation.

Niu Gensheng, founder of the Chinese dairy giant Mengniu Dairy, commented: "We really admire Mr Li's dedication to philanthropy. Not only does he know how to make money, most importantly, he knows how to spend it well."

POST-SCRIPT

Tainted Reputation

RESPECT TURNS TO HATRED

Hong Kong people regard Hong Kong as Li's city – a homophonic to Li's Chinese name, but depending on the tone of the expression, this may be a compliment or sarcasm.

Li's legendary "self-made man" story has always been an inspiration to the Chinese. He's proven that nothing is impossible as long as you are hardworking, diligent and have integrity. But over the years, as his business grew and expanded worldwide, some netizens and commentators have lambasted him for monopolising the real estate, building luxury houses for the rich and neglecting the man-on-the-street.

Today, Li's rags-to-riches story no longer resonates affectionately with the Hong Kong people. Many young people blame their difficult lives, unemployment and low income on Li, who represents the rich and famous.

A taxi driver in Hong Kong lamented that while Li was highly regarded as “Superman” for his achievements 10 years ago, the story is different today. In the eyes of the commoners, the Li family has “monopolised” the daily lives of the Hong Kong people, from Hongkong Electric (power supply), PARKnSHOP (supermarket), Fortress (electrical appliance store) to real estate.

He added, “I have no choice but to patronise Li’s PARKnSHOP and Fortress. But, even if my purchase costs a dollar, I would opt to swipe my card to make him pay the commission.”

From being hailed the “king of employee”, Li has been condemned for badly treating dock workers who have had minimal pay rise for the past 10 years.

He was also accused of being unpatriotic for re-locating his business to Cayman Islands and selling off the properties in Mainland China amidst the bad economy there.

While it is not for us to judge whether Li is responsible for the controversies in his entrepreneurial journey, let’s take a look at several major bumps that have hit his reputation.

SHATTERING THE MYTH OF THE INVINCIBLE LI

1. Failed Merger Plan

The 88-year-old Li is said to be consolidating his business empire before handing it to elder son Victor. Following the merger of his two flagship companies, Cheung Kong Holdings and Hutchison Whampoa, to form CK Hutchison Holdings in June 2015, Li's latest merger plan for his group's infrastructure arm, Cheong Kong Infrastructure Holdings (CKI) and cash-rich affiliate power company Power Assets Holdings, was thwarted when it was rejected by the shareholders.

On November 24, 2015, the minority shareholders blocked a proposal for CKI to buy out Power Assets, dealing a rare blow for a business tycoon who is so revered in Hong Kong that he is called "Superman".

The proposed merger would have given CKI full control of Power Assets' more than USD8.7 billion in cash and equivalents, which could have been used to fund future acquisitions. With the deal, the Li family's CK Hutchison Holdings Ltd. would have controlled the combined company with a 49 percent stake.

However, the shareholders rejected the USD12.4 billion deal from Li.

Some analysts and two influential proxy shareholder firms had opposed the deal, suggesting that Power Assets was worth more than CKI was offering. Some investors had also voiced frustration over the offer.

“No one from the management could persuade some of us to vote in favour of the offer because it wasn’t justifiable,” said Hui Ming-tak, who’s held 4,000 shares of Power Assets for more than 10 years. “The deal leaned towards CKI than Power Assets.”

“People had valuation concerns and they were not happy with the proposal,” said Ronald Wan, chief executive at Partners Capital International in Hong Kong. “It’s a short-term setback to Li’s plan to streamline his businesses. But they will pursue it again, though not likely in the short term.”

Because of the vote, CKI won’t be able to make another attempt to buy Power Assets for another year. It looks like 88-year-old Li has to postpone his retirement plan.

2. Anti-trust review by EC

On January 23, 2015, Li, as the owner of Hutchison Whampoa and the Three network (which operates in the UK), entered into talks to buy O2 – the second-largest mobile telecommunications provider in the UK – for up to £10.25 billion (about USD15.4 billion) to merge with Three UK (a telecommunications and internet service provider operating in the UK as a subsidiary of Hutchison Whampoa) to create the UK's biggest mobile network.

The move faced tough scrutiny from competition regulators.

Following the acquisition proposal, in October 2015, Ofcom (a communications regulator in the UK) submitted a request to the European Union Competition Commission (EC) to refer all or part of the deal for assessment to it. In the same month, the EC opened an in-depth investigation into the proposed merger.

On April 11, 2016, UK's Competition and Markets Authority (CMA) expressed serious concern about the proposed merger and urged the EC to stop it as it is likely to raise the price of wireless services in the nation while reducing the quality of services offered

by carriers. The deal is currently under review by the EC.

The fact is, the success of the acquisition and merger will cement Li's position as one of Britain's biggest investors. From chemist chain Superdrug to the UK's busiest Felixstowe Port, Li's investments touch almost every area of British life.

One quarter of UK homes receive gas through pipes owned by one of Li's two gas companies – Northern Gas Networks (acquired in 2004) and Wales & West Utilities (acquired in 2012) – and almost 30 percent of British residents get electricity delivered through UK Power Networks (acquired in 2010), the power grid that covers London and the South East. Not to mention Eversholt Rail that owns one third of UK trains, in addition to mobile company Three, which boasts eight million UK customers.

Soon after the news was reported in *Daily Mail* on January 23, 2015, readers wrote in to lament that they were “losing” their country.

Ann, a reader, bemoaned: *“Farewell my once great country as it is being gradually taken over by the world. We have already lost most of our identity and culture*

now we are losing our infrastructure. What other nation on earth is allowing itself to be 'taken over' like we are?"

Another reader named Chris added: "I wonder how much of the UK is actually owned and run by the British, it would seem that we won the second world war but after all of the losses, death and destruction, we have lost our country anyway."

Many made sarcastic comments like, "Do we the British own anything now?", "RIP UK..." and "It's the UK closing down sale, everything must go."

That's why CMA is making great effort to stop the O2 acquisition of and merger with Three as the deal will, if it succeeds, surpass British mobile network operator EE (formerly Everything Everywhere) to become the largest mobile network operator in the UK.

FROM "KING OF EMPLOYEES" TO "EVIL EMPLOYER"

On March 28, 2013, the Union of Hong Kong Dockers (UHKD), an affiliate of the Hong Kong Confederation of Trade Unions (HKCTU), called for a 40-day labour strike at the Kwai Tsing Container Terminal

against contracting companies to whom workforce management had been out-sourced by the Hongkong International Terminals Ltd. (HIT), a subsidiary of Hutchison Port Holdings Trust owned by Li's flagship company, Hutchison Whampoa Ltd. Earlier in January 2013, the dock workers had failed in their demand for a 12 percent pay hike, plus overtime pay at 1.5 times the basic wage .

The dock workers complained that they had had a minimal rise in income in the last 10 years.

Mr Lee, a dock worker for more than 20 years, said there had been two very low adjustments. "Basically, there are no fringe benefits. We only started having paid leave in recent years. My monthly income isn't steady. I earn HKD15,000-HKD16,000 (USD2,000) during the peak season, and less than HKD10,000 (USD1,300) in the low season."

Chan Chiu-wai, an organiser of the Confederation of Trade Unions, said that dock workers earned USD167 a day for 24 consecutive hours' work, less than what they received in 1997. According to Chan, staff often work shifts of up to 72 consecutive hours during the peak season. "For this work, the salary is very low, the working conditions are very poor and the hours

are very long, so we are often understaffed and the workers have to work many hours of overtime,” Chan said.

A crane operator shared the rage: “We are overworked, not given enough rest time, and we don’t have proper toilet breaks. We have to shit on the newspapers in our cranes.”

HIT dismissed claims that workers were being paid less than they were in 1997 and several long-serving dock workers working for Lem Wing Transportation and Everbest dismissed the strikers’ claims as exaggeration.

A seven-year crane driver said, “It’s not that we can’t go to the toilet or don’t have time for a meal. In fact, we have short breaks of two to three minutes between vessels berthing at the terminals.

Very rarely can I get 15 to 30 minutes. We also take turns to have meals so that we have around 15 to 20 minutes break.” He added he had a pay increase in 2011.

Two Everbest employees said that by working as a pair and managing their time during a 24-hour shift,

they could alternate and work six or 12 hours. They revealed they took home HKD1,315 and HKD1,441, (between USD170 and USD185) per shift, averaging HKD20,000 (USD2,560) per month. They also said that some of their colleagues wanted to return to work, but were worried they would be criticised for being spineless.

During the strike, workers waved banners at one of the berths operated by HIT, denouncing Li, who controls 70 percent of Hong Kong's container port traffic, and depicting him as an octopus grabbing money from people. Workers also took out advertising space in *Ming Pao* Daily with a headline suggesting that Li did not really understand their situation.

The dispute, a rarity in Hong Kong's free market economy, caused delays of up to 60 hours at the port and cost HIT about USD640,000 a day, according to local media.

"It's his fault that the strike has dragged on for so long," said a container dock worker. "As the richest man, with all those businesses, I hold him accountable for not stepping in and for the impact of this strike on the Hong Kong economy."

The union called ended the 40-day strike on May 7, 2013, after securing promises of a pay increase of 9.8 percent for all workers, including the non-strikers, and improved working conditions.