

SWIRE NEWS

AUTUMN ISSUE 2008 VOL35



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The Swire group is a multi-national, multi-disciplined commercial group, with its principal areas of operations in the Asia Pacific region, and centred on the Greater China area. Hong Kong is home to publicly quoted Swire Pacific, whose core businesses are grouped under five operating divisions: property, aviation, beverages, marine services, and trading & industrial. John Swire & Sons Ltd., headquartered in the UK, is the parent company and corporate co-ordinator of the group. In addition to its controlling shareholding in Swire Pacific, John Swire & Sons Ltd. operates a range of wholly-owned businesses, including deep-sea shipping, cold storage, off-shore and road transport logistics services and agricultural activities with main areas of operation in Australia, Papua New Guinea, East Africa, Sri Lanka, the USA and the UK.

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Swire News is published in Hong Kong on a quarterly basis, by the Group Public Affairs Department.

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Interim Results

Swire Pacific has declared an interim profit attributable to shareholders for the first half of 2008 of HK\$12,380 million, comparable with HK\$12,493 million for the first half of 2007. Underlying profit attributable, excluding net property valuation gains, was HK\$3,265 million, a decrease of HK\$1,990 million on the corresponding period; this result in part reflects a substantial reduction in disposal gains. The Directors have declared interim dividends of HK¢90 per 'A' share and HK¢18 per 'B' share. Cathay Pacific Airways has announced a loss of HK\$663 million in its 2008 interim results. This compares with a profit of HK\$2,581 million in the first half of 2007. The big change in the company's financial performance was entirely due to the relentless rise in the cost of jet fuel in recent months. An interim dividend of HK¢3 has been declared. Hong Kong Aircraft Engineering Company (HAECO) has meanwhile reported an interim profit attributable to shareholders of HK\$591 million, an eight percent increase over the same period in 2007, in line with expectations. An interim dividend of HK¢93 per share has been declared.

For full results of these companies, please visit our websites:
www.swirepacific.com
www.cathaypacific.com
www.haeco.com

New liner service links Australia with North Asia

Swire Shipping Limited (SSL) has launched a new direct service from North Asia to Australia, renewing links first established by parent company, The China Navigation Company, in 1883. The new multipurpose liner service has been established by extending SSL's Australia-South Pacific Islands operation on to Guam, Shanghai and Busan. Two 940 TEU multipurpose vessels, *Aotearoa Chief* and *Coral Chief*, have been employed and will be renamed *Pacific Horizon* and *Pacific Harmony* respectively. They will operate on a 60-day round voyage from Melbourne to Prony Bay (New Caledonia), Lautoka, Suva, Port Vila, Tarawa, Majuro, Guam, Shanghai, Busan, Brisbane, Newcastle and back to Melbourne.

New tonnage

The China Navigation Company has signed an agreement with Nantong Mingde Heavy Industry for six multipurpose (MPP) vessels to be delivered from mid-2011 onwards, with an option for up to six more ships for delivery from mid-2012. Representing an investment of approximately US\$360 million for CNC Co, the ships will be amongst the largest MPPs in operation at 40,000 deadweight tonnes and a nominal container capacity of 2,321 TEUs (standard container units) and, will be employed by Swire Shipping. Developed in close partnership with

Shanghai Merchant Ship Design and Research Institute (SDARI), the design includes a number of important environmental features designed to increase efficiency and reduce the amount of fuel burnt across the ships' range of operating speeds.

Californian cold store

United States Cold Storage has broken ground for a major new facility at Turlock in central California. Located at the heart of the highly productive San Joaquin Valley and within one mile of Highway 99, a major north-south transportation route, completion of Phase One of the ultra-modern temperature-controlled warehouse and distribution centre is planned for July 2009. Initial plans for Turlock include three convertible storage rooms with over five million cubic feet of frozen and refrigerated storage space serviced by fully enclosed, temperature controlled shipping and receiving docks. A state-of-the-art Cascade CO₂/NH₃ refrigeration system will maintain +35° to -5° F temperatures. Over time, USCS will expand Turlock to fully utilize the 43-acre site, creating a facility of some 24 million cubic feet, which will be among the largest public refrigerated warehouses in the western United States.

Sweet success

Swire Cold Storage (SCS) has been awarded Ferrero Australia's inaugural Preferred Supplier award, recognising the high levels of service support

provided by the SCS team in New South Wales, where the company has been providing temperature-controlled warehousing services to Ferrero since the start of their Australian operation in the 1980s. Ferrero, which is best known for high quality chocolates, such as the popular Ferrero Rocher, Kinder and Bueno ranges, manufactures a variety of other well-known products including Nutella and Tic-Tac. In addition to the management of import containers, storage and despatch to customers, Swire Cold Storage provides re-packing services and retail display assembly for Ferrero products, as well as managing the raw materials for the Australian manufacture of Nutella.

A new frame of mind

Swire Properties is to revamp Pacific Place with a major upgrade expected to cost around HK\$1.5 billion. The Pacific Place Design Improvement Project, entitled "A New Frame of Mind", involves interior, exterior and architectural refinement aimed to elevate the positioning of this premier shopping and mixed-use development and anticipate the ever-changing needs and expectations of Hong Kong's shoppers. The mall will remain open for business throughout the project period. Award-winning international designer, Thomas Heatherwick, will spearhead the project, using fluid, streamlined shapes in soft,

warm tones and highly tactile natural materials such as wood and stone to create an organic new look; improved accessibility and connectivity and increased provision of natural light are also key design elements.

Airbus maintenance facility at Chengdu

Hong Kong Aircraft Engineering Company Limited (HAECO), Taikoo (Xiamen) Aircraft Engineering Company Limited (TAECO), Sichuan Airlines Group and Sichuan Haite High-Tech Co. Limited are to form a new joint venture aircraft engineering company at Chengdu, in Sichuan Province. The four partners will take 40%, 9%, 42% and 9% respectively in Taikoo Sichuan Aircraft Engineering Services Company Limited, which will provide heavy maintenance, aircraft conversion, line maintenance, fleet technical management, inventory technical management and other engineering services for Airbus aircraft. It is the first Sino-foreign joint venture on the Mainland to specialise in Airbus maintenance and will meet the growing demand for quality aircraft maintenance services. At a total investment of between RMB1 billion and RMB1.2 billion, the project will be developed in phases, with the first hangar scheduled to commence operation in the first half of 2010. The facility will be located at the northern end of the runway at Chengdu Shuangliu International Airport and will eventually cover an area of

approximately 450 acres, with capacity to accommodate four A340 and four A320 aircraft simultaneously, providing over 3,000 technical positions.

New routes

The Cathay Pacific Airways Group has significantly expanded services to and from India following the conclusion of an air services agreement between the Hong Kong and Indian governments in December last year. At the beginning of 2008, Cathay Pacific operated just four flights a week to both Delhi and Mumbai; the airline now operates 14 flights a week to Delhi, 10 flights a week to Mumbai and four to Chennai, while sister airline, Dragonair, recently launched a non-stop daily service to the information technology hub Bengaluru (Bangalore) – its first service to India. Dragonair has also announced that it will launch a new daily flight to Hanoi, the capital of Vietnam, in October.

SPO commissions new barges...

Swire Pacific Offshore (SPO) has signed a contract with Boustead Penang Shipyard for the construction of two 111-metre accommodation work barges. Delivery is scheduled for the first and second quarters of 2010 respectively. Each barge will be fitted with a 200-tonne capacity sub-sea crane and with a moon pool for diving and ROV operations. The mooring systems and main cranes have been designed for operation in water up to



Brand Builder of the Year. Swire Resources's marketing strengths and its commitment to building the brand in Hong Kong and Mainland China have been recognised with Columbia Sportswear's Brand Builder of the Year Award. Flanking Columbia's Chairman Gert Boyle (fourth from right) and VP International Sales Bill Tung (second from right) at the presentation in Oregon in May are Swire Resources senior staff (left to right) : Rico Wong, Matthew Zhang, Xing Yin, Alice Lai, Samson Wong, Ren Lei, Laiman Tam and Spencer Lee.

operators in Angola involved in deep-water exploration through anchor handling, towing of rigs and supply duties, and offer offshore production support such as export tanker static towage.

Double Happiness

It was a double celebration for Swire Travel which celebrates its 60th birthday this year. The company has been voted Best Travel Agency in Hong Kong by TravelWeekly for the second year running while Managing Director, Andrew Leung, is the first person from the Hong Kong tourism industry to be voted Agency Chief of the Year for the Asia Pacific region. TravelWeekly is published worldwide with a readership of over 160,000. Its annual awards pay tribute to the success and contribution of companies and personnel in the travel industry. Mr. Leung (left) received his award from Mr. Andrew Chan, Managing Director – Asia of TMS Asia Pacific in Singapore.

1,000 metres deep and will be able to provide shutdown maintenance services as well as servicing the hook-up and commissioning needs of offshore energy companies in deep-water areas such as West Africa and Southeast Asia. The accommodation is spacious with offices for client use and meeting rooms together with a recreation room, two cinemas and a gymnasium, as well as accommodation for 239 personnel in roomy, single-berth cabins with ensuite facilities. The units have helidecks for a Sikorsky 92 helicopter for personnel transfer.

... and forms a new joint venture

SPO has meanwhile formed a joint venture with Integral Oil Services S.A.

to provide high-end marine services to the oilfield industry in Angola commencing in the fourth quarter of 2008. Integral has a 51% stake and SPO has the remaining 49% in Swire Serviços Marítimos Lda (SSML), which will be headquartered in the Angolan capital, Luanda. SSML will assist



Taking the Steamships

The story of Steamships Trading Company begins, as every yarn should, with an adventurer setting out to seek his fortune in a foreign land. The year was 1918, the land was the Australian Territory of Papua, then one of the most remote and least-known parts of the British Empire, and the adventurer was one Algernon Sydney Fitch, Tasmanian orchardist and Master Mariner. The company Fitch founded would go on to become a major conglomerate, quoted on the Sydney and Port Moresby stock exchanges and this year celebrating its 90th anniversary. Today, Steamships Trading Company (STC) is one of Papua New Guinea's largest non-mining companies and its largest private sector employer, its diverse business portfolio includes trading, marine, property, hotel, manufacturing, logistics and freight haulage interests. Swire holds a 72% interest in STC through John Swire & Sons (PNG) Limited, after first acquiring a shareholding in the company in 1977 - though its relationship with Steamships dates back much earlier to 1952. To celebrate this anniversary, Steamships has commissioned a new history written by James Sinclair and published this year. Charting the ups and downs of the company, it is a remarkable tale and one in which luck, daring, sound business acumen and the ability to take the long-term view come into play in almost equal measures.

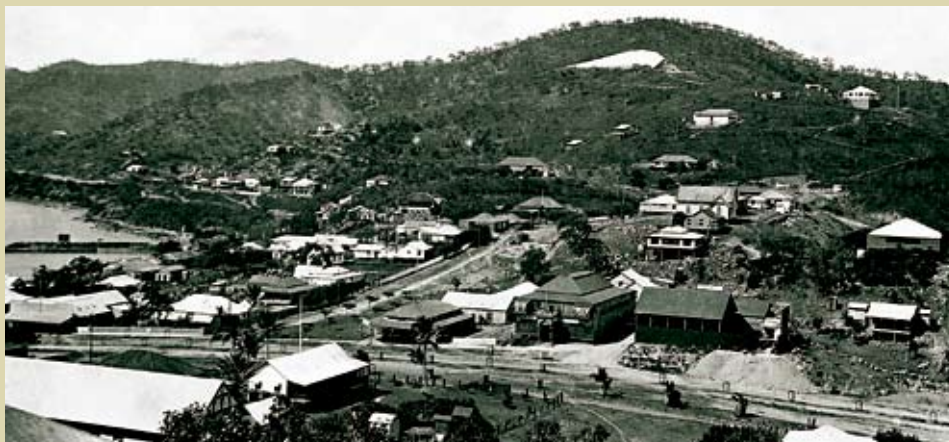
Captain Fitch's arrival in the Papuan capital Port Moresby was, almost literally, decided on the toss of a coin. In 1918, he persuaded a number

of Melbourne businessmen to back him in an attempt to salvage a barque stranded in the Bass Strait; together they formed Steamships Pty Limited, which acquired a small iron coaster, *Queenscliffe*, to undertake this task. But before she could set out, the barque was swept from the reef on which she had grounded, bringing the enterprise to an abrupt halt. Fitch, who had heard stories of opportunities to be found in Papua and the Mandated Territory of New Guinea, suggested he sail *Queenscliffe* north instead; remarkably, his partners agreed. Reaching Port Moresby almost broke, he canvassed cargo for a coastal voyage, but secured only 25 empty copra bags, some trade tobacco and a carton of tinned milk; he did slightly better with his own trade goods, which he bartered at local villages for sago and betel-nut. Despite this shaky start, Papua was in great need of coastal shipping, and Fitch decided to stay on in Port Moresby – where his first “retail outlet” was the bathroom window of his own house.

From these precarious beginnings, the company began to prosper, and in 1922, *Queenscliffe* was awarded a lucrative Government contract to carry mail on the coastal run. The faithful steamer was growing old, however, and when the contract was renewed a year later, it was on the understanding that a new steamer would be built. To finance this, it was decided to form a new public company to take over the assets of the original one, and issue new shares; accordingly, Steamships Trading Company



Captain A.S. Fitch



Port Moresby,
circa 1923

Long-term View

Trading 1918-2008

Limited was formed on 30th September 1923 and registered in Port Moresby. The following year, STC took delivery of a new 250-ton coaster, *Papuan Chief*. As James Sinclair describes her, she was “an entirely practical but ugly little ship, flush-decked, with the bridge well forward for navigation in hazardous waters”. Nevertheless, she maintained a steady 10 knots, handled well and kept steadfastly to schedule – you could set your watch by the *Papuan Chief*. Her arrival was a turning point for STC and over the next 15 years, she became the best-loved ship on the Papuan coast. During the 1920s, the company began to flex its muscles in other ways too: Steamships Trading became agent for a number of overseas shipping lines and constructed its first dedicated store-office building; new inshore vessels were added to the fleet, and the first branch was opened at Samarai in 1927.

The effect of the 1930s depression on Papua, whose economic survival depended on primary products such as copra, was catastrophic. By contrast, the Mandated Territory was able to ride out the depression on the back of its gold reserves and this was reflected in the comparative health of Steamship’s principal competitor, Burns Philp, which had extensive interests there. STC, based entirely in Papua, sank or swam with the fortunes of the territory. Staff salaries were cut by 20% and dividends suspended from 1929 to 1936, with every penny directed back into the company’s operations; STC continued to realise a profit – though in 1933 this fell to the risible sum of £4. But survive the company did, and by the mid-30s, business began to pick up as STC started to feel the benefits of the demise of its less canny trading competitors and diversified into timber milling and plantation ownership with the purchase (at knockdown prices) of several rubber and coconut properties whose owners had gone to the wall. The company once again added to its fleet of small coastal craft, began to dabble in automotive trading and moved into hotels, with the purchase of Samarai’s Cosmopolitan Hotel in 1938.

Papua New Guinea was to play a decisive role in World War II; it was here, on the Kokoda Track in August 1942, that Australian forces turned back the Japanese advance for the first time in the war. Expatriate civilians were evacuated from Papua, but three Directors were allowed to return in 1943 to manage STC’s rubber plantations – vital to the war effort, but beyond the capabilities of the military; all other assets were requisitioned by the forces or destroyed as part of a scorched earth policy (the company was eventually compensated for its losses). For two years, Steamships’ Head Office would consist of a folding table between two camp beds in an army mess-room.

After the war, the commercial landscape in Papua changed substantially: the new Australian Labour Government abolished indentured labour, which impacted on the plantations and many other businesses, and coastal shipping was nationalised, now coming under the control of the Commonwealth Shipping Board, which chartered a number of vessels from Steamships. The Board proved unable to maintain schedules or keep freight rates and fares at a competitive level and there were constant complaints before STC was able to resume the service in its own right in 1952. The year was to prove a seminal one for Steamships Trading. Swire’s China Navigation Company (CNCo) was preparing to launch a PNG shipping service and approached Steamships to act as its agent there; in return, it was agreed STC cargoes would travel in CNCo ships serving the newly formed New Guinea Australia Line (NGAL). The New Guinea trading company Colyer Watson became NGAL’s agent in the Mandated Territory and when, 10 years later, Colyer’s assets were acquired by STC, the bond with Swire was further strengthened. The takeover enabled STC to expand its activities outside the Papua region for the first time; Goroka Coffee Producers also became a subsidiary, encouraging the company to diversify into coffee plantations. Other important changes included the creation of a hotel division, which acquired properties at Popondetta, Mt Hagen, Lae and Port Moresby, the expansion of STC’s automotive trading interests, and the acquisition of

a Coca-Cola bottling franchise. Meanwhile, Swire's NGAL rapidly modernised its operations from side-port loading vessels (which it pioneered with a ship named *Papuan Chief* in Steamships' honour) to containerised tonnage. In 1970, Swire opened its own nautical training school, and national seamen gradually replaced Chinese crews on its ships; many STC crews also trained at the school and gained sea-time aboard Swire ships.

Papua New Guinea became an independent nation in 1975 and a new currency, the Kina, replaced the Australian Dollar; STC returned record results, with a consolidated pre-tax profit of K2.793 million, exceeding the previous year by 29%. The years immediately following independence were difficult and uncertain however – not least because of a deteriorating law and order problem; politicians and nationalists wishing to score easy points were keen to label STC “foreign”, though its assets were, and always had been, entirely PNG based. Even so, the company sustained one of the most consistent earnings growth patterns of any PNG company through the 1970s.

In mid-1977, the financial press reported that a mysterious “corporate raider” was buying up large amounts of Steamships' Trading Company stock; in June, the buyer was revealed to be none other than John Swire & Sons, which announced it held half a million shares in STC and intended to substantially increase its holding. In October, a further two million shares were acquired. In 1979, Swire increased its stake to 22.9% and John Swire & Sons Pty Chairman Edward Scott took a seat on the Board.

This “new era” began on something of a high note. STC expanded its hotel division (soon to be known as Coral Sea Hotels) with new properties in Port Moresby, Lae and Madang, and in 1980 negotiated the takeover of New Guinea Industries, a long-established Lae company with steel fabrication, drum-making, and Coca-Cola bottling interests that complimented Steamships' own. More significantly, in 1982 STC won a logistics contract for the Ok Tedi copper mine, involving the transport of supplies, equipment, foodstuffs and fuel by sea from Port Moresby to Kiunga, 460 miles inland on the Fly River. Other new investments included majority

shareholdings in Melanesian Soap Products at Lae and in Monier PNG Limited – manufacturers of a wide variety of concrete products.

In 1986, there was another surprise “raid” on STC shares. This time the buyer was Highlands trading group Collins & Leahy (CXL), which was looking to expand its interests to the coast. CXL acquired 32.9% in the company and Swire immediately countered by increasing its own shareholding. Under a joint venture arrangement, Collins & Leahy took over the management of STC's trade stores in northern New Guinea. Political pressures were meanwhile persuading STC of the wisdom of scaling down its rural activities, and in 1986, the company sold the last of its plantation interests. The prospects for its shipping division were considerably brighter: in 1986, STC won a second contract from Ok Tedi Mining Limited, to ship copper concentrate from Kiunga to a floating terminal off the mouth of the Fly River. This contract continues to this day and since 1999, Swire's China Navigation Company has supplied the “mother ship” bulk carrier that receives and discharges copper ore to the export vessels. Other new developments included the acquisition of a controlling stake in the PNG Shipping Corporation, giving STC an interest in overseas shipping. Also in 1986, Colgate-Palmolive bought a 50% shareholding in Melanesian Soap Products, enabling expansion of its production facilities to allow for the local manufacture of many hitherto imported products. During the 1980s, Steamships made strenuous efforts to “localise”, increasing the ratio of local to expatriate staff in senior positions and appointing its first local Director in 1981, investing considerable resources in staff training, and introducing new incentives to attract and retain quality staff, such as a home ownership scheme.

The 1990s were a roller coaster ride for Steamships, as the PNG economy went into free-fall, following a collapse in international prices for primary products such as coffee, copra, cocoa and palm oil, and as a result of over-expenditure and fiscal mismanagement on the part of successive governments. One of the casualties of this difficult period was rival Burns Philp, which decided to dispose of its remaining PNG assets, including its

merchandising and hardware businesses, which it sold in 1991 to Steamships and Collins & Leahy.

In May 1996, the Steamships Board became aware that the National Provident Fund, one of the principal institutions investing national workers' savings and chaired by a former Steamships MD, had been quietly buying shares in STC and had opened negotiations to acquire a major block of CXL shares; had the bid succeeded, it would have amounted to an NPF takeover of Steamships Trading. Swire stepped in, increasing its shareholdings to 50.045% and 50.14% respectively in Steamships and Collins & Leahy. By September, the JS&S shareholding in CXL stood at 54.96%, giving it a 51% beneficial shareholding in STC. The investment was well received locally, at a time when many big companies were pulling out of PNG; in 1999, JS&S increased its shareholdings in CXL and STC to 100% and 72.12% respectively and in the same year, Steamships Trading Company became the first company to be listed on the new Port Moresby Stock Exchange.

The new millennium opened poorly for PNG. Despite a change in government and responsible fiscal planning, the economy remained depressed, with a weak Kina and high inflation and interest rates prevailing. From 2001 to 2003, STC weathered its worst trading period since the 1930s. The process of retraction, which had already seen the company exit many traditional areas of operation, including plantations, timber and small trade stores, continued with the drastic downsizing of its core merchandising and automotive divisions, which the company ultimately sold out of in 2004 and 2005, and the sale of its interests in Nebiri Quarries, Monier and NGI Steel. It was a time of battenning down the hatches, though STC consolidated its shipping and transport interests with increased investment in shipping, stevedoring and trucking businesses.

The past four years have seen a dramatic recovery in Steamships' fortunes. The government of Sir Michael Somare has witnessed a degree of political and economic stability not seen for many years. Buoyed by a relatively strong Kina and falling interest rates, Steamships' net profits have

increased year on year from K14.7 million in 2004 to K74 million in 2007. In 2005, as a logical postscript to Swire's purchase of the remaining shares in Collins & Leahy in 1999, the bulk of the CXL group's operating companies were sold to Steamships Trading Company. The immediate consequences of this move were to increase STC's national road haulage interests and its industrial businesses – principally through a majority shareholding in Laga Industries, which is best known for PNG's only ice-cream brand, Gala.

As Sinclair's tale draws to a close, one wonders what Captain Fitch would have thought of his company today. No doubt he would be disappointed that his plantations and general stores have gone, but he would have been delighted to see his shipping company servicing every major coastal town in conjunction with associate Consort Shipping, and to see the success achieved by Coral Seas Hotels and the newer industrial and transportation ventures. Ultimately, he would have been justifiably proud that "Steamies" has not only survived and prospered but has come to be a part of the very fabric of PNG. As one former MD put it: "It's not always about the money and the bottom line. Steamships is about building up a long-term business that employs people and is a part of the community. We've been around for a long time, we don't think about next week, we take the long view: it's about the next 20 years." ■



(left to right) At the company's anniversary celebrations, Mr. Sam Swire representing the Swire family, PNG's Prime Minister the Rt. Hon. Grand Chief Sir Michael T. Somare, GCL, GCMG, CH, CF, KSt.J., and Mr. Bill Rothery, Chairman of John Swire & Sons Pty. Ltd.

Young Dragons

Since Mainland China started to open its doors to the world in 1978, the country has witnessed phenomenal economic growth. With an average annual GDP growth rate of nine percent, the PRC has seen unprecedented urbanisation, huge growth in external trade and investment, as well as the transformation of its special economic zones into the world's manufacturing powerhouses. In particular, the Pearl River Delta area (PRD), hailed as the "Factory of the World", has emerged as one of its most dynamic economic regions.

In August, 100 young people of Chinese origin from 15 countries celebrated these achievements with visits to the PRD as part of the Dragon 100 Young Chinese Leaders Forum. Organised by the Dragon Foundation in Hong Kong, this annual programme brings together a network of young Chinese from around the world to discuss topical issues and explore Chinese culture and heritage. Among the participants in this year's Forum were Swire management trainees, Eugenia Lee and Karen Kwan – both in the third year of Swire's Management Trainee Programme. The two were nominated by the group's Staff Department, and selected to take part in the programme based on strong leadership skills and a proven track-record in the area of community service.

This year, the Forum had an economic focus, highlighting the completion of three decades of economic reform on the Mainland, and Eugenia and Karen had the opportunity to visit leading enterprises and infrastructure projects, meet with government officials and businessmen, and take part in numerous panel discussions during a nine-day study tour of the PRD that included three days in Hong Kong. The experience proved to be a real eye-opener for them both:

"I was amazed at the pace of economic growth and at the modernity and sophistication of the enterprises and infrastructure projects we visited," says Karen. "It was also fascinating to talk to the managers of Hong Kong enterprises that pioneered moving their operations to the Mainland in the early

days of reform, as well as to the owners of listed companies that used to be state-owned enterprises. The transformation has been overwhelming."

For Eugenia, who is currently working as a Property Officer with Swire Properties, the trip underscored her limited understanding of Mainland China: "I don't need to travel to the Mainland for work, nor do I have many Mainland contacts outside work," she says. But while the visits and forums opened her eyes to the country's vast potential for growth, it was the informal discussions with other delegates on the trip that she found most thought provoking: "Some of my team-mates were originally from the Mainland but had gone overseas to study. They had witnessed the economic boom, but while they were excited about China's prospects, they thought economic growth should go hand-in-hand with political liberalisation so the PRC can continue its development along sustainable lines. I had honestly never given this much thought."

The Forum also offered delegates a chance to come to a new appreciation of their identity as Chinese. Many had been born overseas and had never been to China before; they didn't speak the language, let alone have any real appreciation for their ancestral roots. Some found they had ancestral ties to places visited during the trip, and for those who had never been to the Mainland before it was an opportunity to retrace their roots. Says Eugenia: "One of my team-mates was an American-born Chinese who is currently studying for his Bachelors degree at the Massachusetts Institute of Technology. Since the trip, he has decided to drop a course in Economics to study Putonghua, as a first step to strengthening his ties with his ancestral roots."

The tour also took delegates to cultural and historical sites to enhance their awareness of China's cultural heritage. One of the sites visited was the Diaolou in Kaiping; these fortress-like buildings were constructed in the early Qing dynasty with the dual purpose of providing accommodation and a defence against bandits. The Diaolou have just been listed as a UNESCO cultural heritage site. Karen, whose



Karen (back row, right) participates in a tree-planting activity with other delegates in Jiangmen.

ancestors were from Kaiping, found herself setting foot in her ancestral village for the first time in her life: "I felt like I was coming home," she says.

Karen says the tour has helped her to "rediscover" her own identity: "In the past, I have always considered myself a Hong Konger and somehow detached from Mainland Chinese people. During the trip, I witnessed at first-hand the many facets of life in modern China, and have come to realise the enormous advances in science, technology and education that have gone alongside economic progress. I now feel passionately proud of the motherland's achievements within the span of just three decades."

Not all the places that Karen and Eugenia visited during the trip matched up to the general level of sophistication they found in most PRD enterprises: "But you can't be too critical. After all, China's modernisation has been underway for just three decades, and it's not fair to measure its development with the yardstick of a developed economy," says Karen. "The pace of transformation is a testament to the Mainland's determination to climb onto the international stage. I also saw this determination in the young people I met on the trip: they all



Eugenia (front row, left) has formed close friendships with her team-mates.

demonstrated a passionate desire to contribute to their country's future."

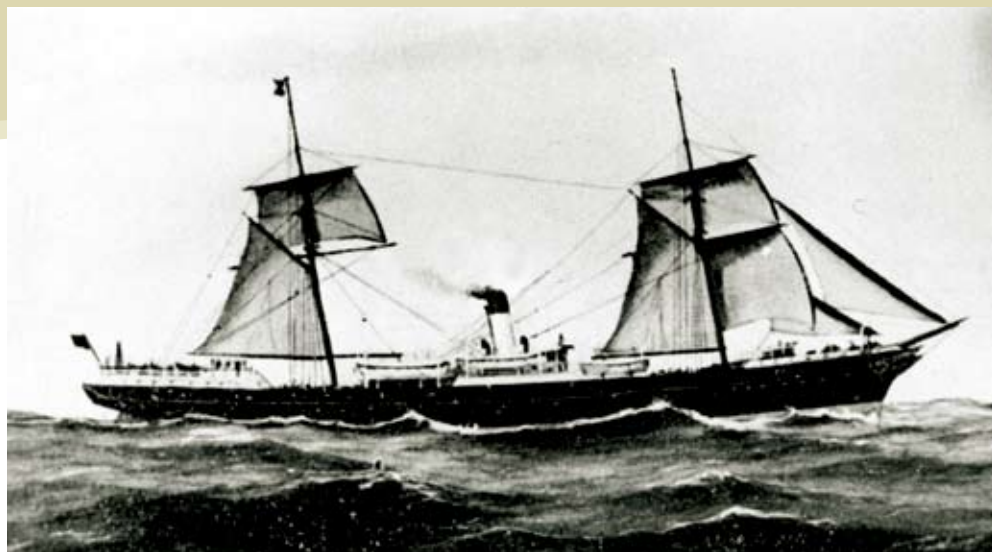
Karen, who has just been posted to Cathay Pacific's London office as Assistant to the General Manager Europe, hopes she will be able to bring a more in-depth understanding and balanced view of Mainland China's development to her friends and colleagues in London, many of whom have expressed concern about Hong Kong's ongoing status since 1997. Eugenia has meanwhile taken home the resolve to heighten her understanding of all aspects of her cultural heritage – especially as the economic ties between Hong Kong and Mainland China grow stronger: "I am determined to learn more about my own country, as a first step to ensuring I can make a real contribution to both the Mainland and Hong Kong," she says. ■

A Narrow Escape

In May 1878, Swire's Senior Partner, John Samuel Swire, was on board the Australasian Steam Navigation Company's s.s. *Gunga*, bound for Sydney, when the vessel went aground on a reef in the Cagayan Islands group, Northwest of Mindanao in the Philippines. Captain Brown's official report was later reprinted in the *Sydney Morning Herald*:

"After lying in port 24 days, taking in cargo and 800 Chinese passengers, left Hong Kong on 20th May and proceeded on homeward voyage, everything going well and pleasantly until the night of the 24th May, it being calm and hazy – one of those nights when the sky and sea blend into one like a sheet of glass. I was on the bridge, and had been from 8:30pm, and at 10 o'clock swept the horizon with my glasses, but could see nothing, although about 11 o'clock I expected to see the island of Calusa. I had sent the officer of the watch to heave the log and read the patent log to be perfectly correct as to my distance, but according to my chart there was no land near my track within 10 miles, and as I had been steering through the Cuyo Islands all day, taking sights and azimuths to adjust chronometers and compasses, I had perfect confidence that all was safe. But at 10:10 pm the vessel with several tremendous thumps, shaking everything fore and aft, came to a dead stop, and heeled over to starboard, being hard and fast upon a coral reef, with five feet

of water at her bows and no bottom at 20 fathoms under her stern. The pumps were sounded and she was found to be tight; engines were turned astern, but to no effect, so the boats were lowered into the water with provisions ready. At daylight, the spot on which the vessel had struck proved to be the reef extending to the N.W. of Cagayan Island, and a very ugly spot: should the wind come from S.W., nothing could save the ship, so prompt action was required. I decided at once to jettison the cargo and all hands were told off for that, but to select the roughest and heaviest kind first. One boat was sent away to the island about 11 miles distant and a passenger [John Swire] volunteered with them to reconnoitre the island and see what could be done in case she broke up. In the evening the boat returned from shore, leaving Mr Swire and the steward and two seamen with the natives. They appeared harmless and in a very miserable state of existence, only living on roots and no water within 10 miles of the landing. During all this time, night and day, the jettison continued, and on Sunday morning, 26th May, a heavy swell set in and she being relieved by this time of about 200 tons weight of cargo and coal, began to bump and surge heavily, so with a good head of steam and hard heaving on the bow hawser, she broke her ground, bumping, surging and grinding off her coral bed, slowly but effectually astern, amid the shouts and yells of joy of crew and



passengers. The pumps were sounded and the ship being found to be staunch, sent a boat for the people on shore. While they were away, hove to and – alas – took an observation and found the edge of the reef nine miles farther westward than on the chart.

After the boat returned to the ship and everything ready, I consulted the engineer who said he had not sufficient coal to take us to any port in Australia, and Manila being the nearest, deemed it prudent to put back to that port, where I arrived on 28th May...”

John Swire, writing to his business partner Jim Scott (then Swire's *taipan* in Hong Kong) recounts the adventures of the shore party:

Manila 29 May 1878

My Dear Scott,

Here we are after a very narrow escape – Stevens will show you the Captain's report, which I wrote out. I pioneered the three men on shore and interviewed the Chief in *that* sunhat, with an umbrella and two pistols. What a night we had! Snakes, monkeys, bugs, mosquitoes and every other trouble. Two of the men were half out of their minds with fear, swearing that the natives were surrounding us. One was going to let fly at what proved to be a very large firefly, but which looked exactly like a lantern – there were any quantity of these. A small Frenchman was the only fellow who had pluck and I gave him three pounds. So far as we could make out only one man of the tribe had seen whites – I never saw such savages. We had several earthquakes during the night – small only.

All our cargo save tea being jettisoned, and as nearly all our coal will be consumed before we get to Sydney, we shall roll like the devil – if he does roll. He is sure to do it thoroughly. This company may be very good at coasting voyages but has no idea of a long one – Captain is a steady and decent old cuss but I shall be very glad when I land.

Two of our men wanted to return to the boat from the island directly they saw the situation; the little Frenchman said he would stick with me and I remained simply because unless the example was set every soul would have remained on board the steamer and had she broken up – and there was ten to one in favour of it – we should all have been lost in the scramble (which is the old skipper's opinion). One of the men said “The devils will eat us” – so I told him he had better swallow a box of pills and then he would certainly be evacuated quickly! When we got encamped I tried the Chief and one or two of his men on tinned mutton. They didn't like meat – perhaps never tasted it – so being over 50 I felt safe as I would only have caused the tribe a bit of indigestion and a little excitement goes a long way.

I was glad when from the shore we ascertained that the ship was off – for I had arranged to keep the Third Officer, Robinson, company in the boat to Manila. We would have had to amuse ourselves in the gig for a week. We should not have had a lively time of it for we couldn't have taken clothes. Fancy us all alone with a hot sun for at least seven days: my complexion would have been ruined!

Old Brown says I should be made Commodore of the fleet for keeping the peoples' spirits up by chaffing them.

For two nights we have had the most fearful thunder, lightning and rain I have ever experienced. This mishap will bother my Australian visit, but I shall leave Sydney 18th July. Pass this on to Lang [Shanghai *taipan*] and then to London.

Bless you,

J.S.S.

Demolition Man

Ray Maiden, Demolition Supervisor with Swire group associate, Alex Fraser Pty, Australia's leading industrial demolition specialist, is based in Melbourne.

"I've been in demolition all up about 35 years. I started with Whelan The Wrecker as a labourer, oxy-cutting¹; then I went on to dogman, then crane work, then a leading hand. That's sort of a start-up to being a foreman: you've got blokes under your command, showing them what to do. Then you go further on down the line as a foreman running jobs. Then Fraser's poached me and I've been with them 24 years.

We specialise in shear work with tanks in refineries. We pioneered that, using hydraulic shears mounted on an excavator. The tanks are all steel, up to 20 mm thick on the bottom and as the tank goes up it tapers to probably three millimetres; as far as height goes, it could be anything up to 70 feet. We used to cut them with oxy torches from boom lifts and it used to take about four or five people three weeks to do one tank. Now we do it with an excavator and a shear in probably one day. Imagine a cocky's [cockatoo's] beak: it cuts through the steel like a pair of scissors; there's no hot work at all, it's just one person pulling levers. The way I do it, you take a hole out of each side and leave the front wall in, then you grab that piece and start walking the machine away from the tank, peeling it open like a tin can. It gets to a stage when it can't hold any more and down it comes. I've done tank projects in Townsville, Brisbane, Sydney, Adelaide; we spent eight months in Western Australia doing a job for BHP – 11,000 tonnes of steel came out of that. We're dismantling a refinery at the moment – a company over in Iran have bought it. We basically pull it apart and they put it into containers and ship it. It's a huge job: I suppose it would be round about 10 acres, mainly equipment, pipe-work and tanks. We've been at it six months and we've probably got another six. Some of the stuff you're doing, you might have 100mm distance between live pipes, carrying fuel, petrol – could be anything – and when you're all day shearing pipes its not that hard to get a bit



distracted and touch the wrong line. It's a job you can do a lot of damage with very easily.

Over the years I've seen that much happen and near misses and I think this is where you learn a lot. Back at Whelan's one time we were getting a wall ready to pull over and I had it tied back with cables and bulldog clips ready to go. This wall was probably 100 foot long and 50 foot high and I went down one end to undo the bulldog clips and the whole wall just took off – apparently someone on the ground thought we said "go". It was very close: one guy went in the air and he thought I was dead and I thought he was dead. Another time with Whelan's we were in the city demolishing a building with a crane and ball. Now these balls have a swivel to stop the cable from spinning and when the crane driver knocked the hole in the wall it was in line with the floor inside which sheered the pin off and the ball was gone. This ball probably weighed two tonnes and I couldn't find it! You wouldn't believe, it went all the way down the staircase into the basement and didn't we have some fun getting it out!

It's changed quite a bit over the years: it's all hydraulics now, compared to the old days when it was done by hand. You used to get lifted up onto a brick wall on the crane first thing in the morning. So you're standing on just a couple of bricks and you had to work your way down with a pick before you had your smoko. In those days you were allowed to ride on the hook of the crane and you'd go down on the load, undo it and come back up on the chain. Nowadays it's all booms and it's so much easier. But I can't remember too many real bad accidents; there might have been a few burns or whatever, but no one ever fell. It's been interesting over the years and I get a lot of job satisfaction: my partner and I drive round and I tell her: "I did that" or "I was part of that there" – she's getting sick of it actually!" ■

¹ Using an oxyacetylene torch