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Toh Han Shih discovers that some of the territory's biggest companies were born of opportunity

## Fate wove the textile industry into the fabric of Hong Kong

Textiles and garments constituted Hong Kong's biggest industries for about four decades. From the 1950s, the prosperity of the territory was spun, rolled and woven in hundreds of steamy cloth factories scattered across Kowloon.

The textile industry here, as it happens, took off by accident.

In 1946, shortly after the end of the second world war, a ship headed for Shanghai carrying spinning machinery from the United States for the factories of Lee Chen-che.

Mr Lee was facing enormous problems in Shanghai. China's doomed Nationalist government had refused to grant him a licence to import the machines unless he could produce foreign exchange.

"I asked the ship to land in Hong Kong. I leased an empty building in Kowloon and put the machines in there. That was how I started the first textile factory in Hong Kong," said C.C. Lee.

At 93, Mr Lee is the undisputed grandfather of Hong Kong's textile industry.

He was born in Shanghai in 1911, the year a revolution toppled the Qing dynasty. In 1931, he interrupted his studies at the city's now-closed Kwang Wah University to join his family's textile business, founded by his grandfather during the Qing dynasty.

When C.C. Lee's father, Lee Chung-bun, ran the business in the 1920s and 1930s, the company was exporting fabric to Southeast Asia via Hong Kong and Canton (present day Guangzhou). By the 1940s, C. C. Lee had assumed a senior role in the operation.

During the 1940s, Hong Kong's nascent manufacturing sector was mainly a cottage industry. C.C. Lee's diverted Shanghai shipment introduced some of the first large automated machinery into Hong Kong's textile industry, said his son Richard Lee Yun-shee.

Hong Kong's population then was only 600,000 and local workers had not yet acquired a reputation for diligence, recalls C.C. Lee.

"Workers liked to *yum cha* [take tea breaks]. I brought 60 workers from my Shanghai factory to train the Hong Kong workers, to show them how to work properly in a factory," he said. In contrast to China's doomed Nationalist government, the British colonial authorities in Hong Kong

were welcoming of investors, he said.

At a time when foreign exchange was short, the British authorities lent C.C. Lee hard currency to buy additional machinery.

"In the late 1940s, there was a big rush of Shanghaiese to Hong Kong. That was when Hong Kong's textile industry took off rapidly. All the big guys from Shanghai came – the Tangs, Yungs and Wongs," said Dr Richard Lee, chairman of TAL Apparel.

South Sea Textile Manufacturing was founded in the 1950s by Tang Ping-yuan, a Shanghaiese émigré like C.C. Lee. The Wong family moved their Shanghai textile company to Hong Kong in the late 1940s under the name of Hong Kong Spinners, before relocating to Indonesia in the 1970s. The Yungs, the clan of Citic Pacific chairman Larry Yung Chi-kin, owned the thriving Nanyang Cotton Mill.

"The Wongs and Tangs were bigger than us but started later than us," said C.C. Lee. "My Shanghaiese friends didn't want to start textile factories at first. They thought Hong Kong's climate was too humid for cotton textile production."

C.C. Lee's factory started out producing coarse cotton, which was less susceptible to Hong Kong's muggy air. In the early 1950s, he installed air-conditioning in the factory for the production of fine cotton and polyester. This was ahead of its time, as it was only in the 1960s that most Hong Kong factories producing cotton-polyester yarn had air-conditioning, he pointed out.

"My Shanghaiese friends saw I succeeded in producing textiles in Hong Kong, so they followed with their textile businesses in Hong Kong."

"It is fair to say C.C. Lee kick-started Hong Kong's textile industry, but not garments," said Chan Wing-kee, managing director of Yangtzekiang Garment Manufacturing, one of Hong Kong's oldest clothing manufacturers.

Guangdong family firms like Yangtzekiang played a leading role in Hong Kong's garment industry during the 1940s and 1950s, he said. Yangtzekiang had its roots in Dongguan in Guangdong province, where Mr Chan's grandfather, Chan Wai-lam, ran a fabric business.

Mr Chan's uncle, Chan Sui-kau, started a garment factory

in Hong Kong in the late 1940s and founded Yangtzekiang in 1950. Other pioneer garment companies owned by Cantonese families include the Lai Sun Group and Crocodile Garments.

By 1962, textiles and garments dominated Hong Kong's exports. The industry employed several hundred thousand workers in Hong Kong during the 1960s, a big jump from 1947, when the colony's entire manufacturing workforce numbered 64,000.

Even today, when most factories have relocated to the mainland, it remains Hong Kong's second largest industry.

Yet prior to 1945, Shanghai's massive spinning industry dwarfed that of Hong Kong. During the 1930s, Shanghai had two million spindles, mostly owned by Japanese interests, which were also major suppliers of textile machinery, recalled C.C. Lee.

"The textile business in Shanghai was controlled by the Japanese. Chinese textile operations at that time were small compared to the Japanese, including my family business."

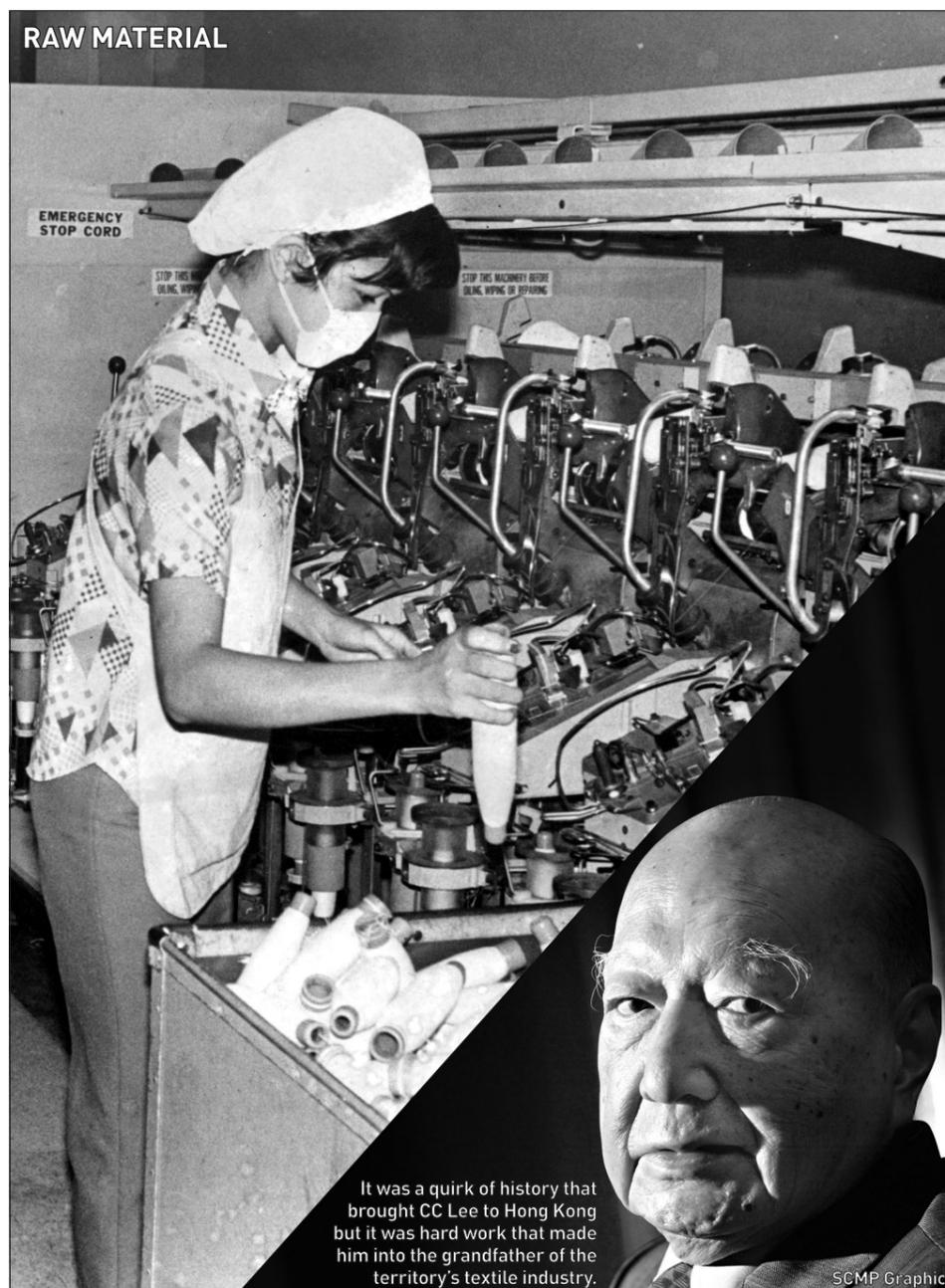
The Japanese conquered Shanghai in 1937 and then monopolised the cotton supply for their mills, forcing other textile firms, including that of the Lee family, to cease operations. C.C. Lee organised the smuggling of weaving looms and spindles to start a small operation in Shanghai's Pudong district.

"Otherwise there would be no work and no earnings. My staff knew some Japanese officials, so the Japanese turned a blind eye," he recalled.

In the 1950s, C.C. Lee expanded from textiles into garment manufacturing and built more factories in Kowloon. In 1962, all his textile and garment factories were consolidated within the textile operations of British hong Jardine Matheson. The unified entity, in which Jardine Matheson held a 17 per cent interest, was called Textile Alliance Ltd (TAL) and listed on the Hong Kong stock exchange.

In the late 1960s, several large Japanese textile firms, including Toray Industries and C Itoh & Co, invested in TAL. By the 1970s, TAL was one of the world's largest textile conglomerates.

"In the 1970s, we over-expanded and were badly hit by



the oil crisis. Financially, we had difficulties," said C.C. Lee.

During that decade, TAL expanded into spinning, weaving, dyeing and finishing of textiles and garments, in Malaysia, Thailand, Mauritius and Africa. The idea was to be a vertically integrated firm operating as many components of the supply chain as possible.

The strategy proved disastrous and the debt-ridden firm underwent a restructuring that

**"People in Hong Kong don't like to work in factories anymore"**

lasted until 1979, when it delisted and Jardine divested from TAL.

In 1983, TAL sold most of its textile business to Toray and focused entirely on garments.

Today, it is one of Hong Kong's largest garment makers, with nearly US\$600 million in annual revenue and accounting for one in eight of every dress shirt sold in the United States.

The company currently has factories in the mainland, as well as in Hong Kong, Taiwan, Southeast Asia, Mexico and the US.

TAL has difficulty keeping workers in its Hong Kong factories, even though the monthly pay is HK\$7,000, about 10 times the salary of garment workers in Guangdong. This is a far cry from the 1960s and 1970s, when textile and garments were among the top two em-

ployers in the territory.

"People in Hong Kong don't like to work in factories anymore."

C.C. Lee acknowledged China's pre-eminence in textiles: "You must have factories in China. When global textile quotas are eliminated next year, it will be even more advantageous to produce there."

Nevertheless, he considers Hong Kong his home: "Hong Kong is a vibrant place for business. It is politically stable and the economic climate is encouraging."

Although he officially retired in 1999, C.C. Lee still visits the office regularly, using a traditional abacus to keep track of accounts.

He looks years younger than his nine decades, which have given him 18 grandchildren and 18 great grandchildren.