

遠東企業集團成立六十週年紀念

鴻業鼎新
計惠邦國

馬英九



中華民國九十八年十一月

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薪傳

The Philosophy We Believe

“Sincerity, Diligence, Thrift and Prudence.” This philosophy is embraced above all else by members of the Far Eastern Group. This belief was derived from the founder Mr. Yu-Ziang Hsu and was the product of his lifelong meditation. Since then, everyone in the Far Eastern Group shares and diligently promotes this philosophy.

The British novelist Thomas Hardy once wrote: “Good business leaders create a vision, articulate the vision, passionately own the vision, and relentlessly drive it to completion.”

While the Founder of Far Eastern Group created this vision, Chairman Douglas Tong Hsu has embraced and cultivated this vision. Our philosophy is a valuable tradition which must be preserved. Furthermore, Chairman Douglas Tong Hsu believes that to adapt this philosophy to the quickly changing world, we must also embrace innovation. Therefore, “Innovation” has been added to Far Eastern Group’s philosophy.

To be successful, we must constantly think through the future. The values and philosophies passed down by each generation within Far Eastern Group promote an innovative attitude and continuous growth.







Sincerity, Diligence, Thrift and Prudence — The Foundation of Far Eastern Group

Yu-Ziang Hsu, the Founder of the Far Eastern Group, not only witnessed a crucial era in modern history, but he also helped to transform it. Time and again, he was able to turn crisis into an opportunity for success and make significant contributions on a larger scale to the emerging economic success story of Taiwan. But how exactly did Y. Z. Hsu build and develop the Far Eastern Group? What was his business philosophy and how did he implement his motto of “Sincerity, Diligence, Thrift and Prudence” to business, and be vital in the transformation of Taiwan into the model of success it is today? These questions are worthy of further reflection.

The libertarian economist Friedrich Von Hayek once said, “No one can become a great economist if he or she is only an economist.” One might also argue that the same can be said for a great entrepreneur.

A year after the Wuchang Uprising in 1912, when Founder Hsu was only two months old, the Republic of China was established. The era of imperial China and its dynasties had come to an end and a new and modern China was born, providing him with an ideal environment to build his future legacy.

The history of the Far Eastern Group is inextricably linked to China and Taiwan’s recent past. This includes such times of turbulence as the resistance period, the Communist and the Kuomintang (KMT) civil war, the retreat of the Nationalist government to Taiwan; student and labor movements, political and financial liberalization. Taiwan certainly experienced a range of obstacles to overcome, but eventually turned itself from a depressed economy into a revitalized economic miracle. Y. Z. Hsu is an example of how one man turned crisis into his advantage building from initially nothing to what today is a vast conglomerate spanning such major industries as textiles, polyesters, petrochemicals, cement, retail, transportation and financial services. Aside from standing at the forefront of Taiwan’s economic growth, his management philosophy and emphasis on social responsibility surpassed that of the ordinary entrepreneur. Hsu truly was an outstanding example of a model citizen. Zhao-Zhong Yu, the former president of National Taiwan University, pointed out that Hsu had a gift and ability to think ahead and was a pioneer in the leadership of the modern era.

Role models generally speaking, usually have had a role model of their own. For Hsu, this individual was Jian Zhang, a merchant scholar from the end of the Qing Dynasty (1844-1912) who, like Hsu, came from Jiangsu Province. Zhang resigned from his post in the imperial court and returned to his hometown to devote himself to local development there. He established a textile business, hospital, libraries, parks, and playgrounds for the immediate benefit of his employees and staff, but benefiting the local community at large as well.

Community First

Hsu once said, “I have been devoted to business my whole life; and I have often encouraged myself to develop in the footsteps of Jian Zhang. Hsu was inspired by Jian Zhang’s “community comes first” management philosophy, which believed in the raising of the standard of education, and assistance to those with specialized talent and skill including business to find careers. To benefit society and contribute to his country’s economy were two of Hsu’s life-long ambitions. In Hsu’s Memoir, *Through These 80 Years*, he expanded on the idea: “I hope to always benefit the community and the society that I live in through my work and efforts.” At the age of 26, he began this quest by establishing Shanghai Tung Mao Hua Food Company in Shanghai and at the age of 38, Far Eastern Textile Ltd. in Taiwan, thereby, establishing the foundation for his long-term vision and life-long goal.

Due to Hsu’s own experience and exposure to international trade from a young age, the Far Eastern Group enjoys many advantages. Group Foundation Executive Director Shaw Y. Wang notes that because of its early trade liberalization, Shanghai was quick to adopt Western business concepts. Shanghai also had the advantage of being the Yangtze River’s major port, and it quickly became one of the earliest textile production centers in China. Shanghai was also home to a number of major early trading companies, and these companies were some of the first in China to use modern business procedures, such as purchase orders and invoicing. In order to facilitate international trade, language skills became a priority. Hsu took the extraordinary initiative at the time to hire an English instructor for his employees to improve their language skills and communication in the ever expanding and internationalizing city that Shanghai was becoming.

Learning from his early business experience and the greater “macro” environment, Hsu came to develop his own unique management philosophy: “Sincerity, Diligence, Thrift and Prudence.” These four words while appearing simplistic, possess hidden meaning. In the Chinese classic Tao Te Ching, Lao Tzu once said that a man of great wisdom often seems slow-witted. In a similar way, it is often true that people of great wisdom



- Top: Former President of the R.O.C. Ching-Kuo Chiang visited the first American product exhibition at Far Eastern Department Store in 1973
- Middle: Former U.S. Ambassador Everett F. Drumright visited Far Eastern garment factory with Yu-Ziang Hsu and his brother Wei-Yuan Hsu
- Bottom: Chinese New Year Greeting Party in Far Eastern Textile’s Banqiao plant in 1961



■ Yu-Ziang Hsu's business motto: "Sincerity, Diligence, Thrift and Prudence"

tend towards humility, and not ostentation. Our founding motto of four words, expresses such sentiment and continues to remind us today of the core values the Group was built upon.

Integrity and Trustworthiness

Strict adherence in corporate practice to the first character in the founding motto "Sincerity" has helped the Far Eastern Group overcome crises and create opportunities for growth. For example, in its early years when lacking in capital and resources, Far Eastern needed to borrow money for business expansion. Since "Sincerity" was one of the company's guiding principles, Far Eastern had earned a reputation for trustworthiness domestically and abroad. As a result, the company was granted a loan and was able to obtain future loans from international financial institutions, taking the necessary steps towards expanding its business internationally. Kuan-Tao Li, chief counselor at the law firm of Lee and Li, believes that Far Eastern's trustworthiness and integrity allowed the company to expand internationally at a time when Taiwan's economy had yet to develop. Because of Far Eastern Group's core principles, international financial institutions were willing to extend loans to take advantage of growing opportunities.

Such early examples of this were in 1957, when Hsu established the Asia Cement Corporation. Hsu sought the funding for this venture from the Development Loan Fund (DLF). The original loan request had been for US\$2.75 million, but the DLF decided to grant a loan worth US\$3 million. This was the first loan that the DLF had granted to a private company, and it was given with very lenient terms and no guarantee. The term of this loan was eleven years, but through continued diligence and business success Asia Cement was able to pay off the loan well before its maturity date.

In another such case in 1958, a fire broke out at the Far Eastern Knitting Factory, and the entire factory was nearly destroyed. At that time, Far Eastern Group was heavily vested in the newly established Asia Cement Corporation, and was under extreme financial pressure brought about from the loan and many of its vendors were concerned over cash-flow. Amid the factory's burned rubble, Hsu stood at the site somberly and said: "I will rise and stand again." Obtaining cash from the bank and securing it in the office for vendor payments, he restored confidence by preventing a run on the bank, hence averting crisis.

Despite the economic stress, Hsu insisted that such hardship not result in lowering his standard of quality. Overturning many suggestions to purchase used

equipment, he instead purchased an expensive but highly durable and efficient textile machine from the German manufacturer Zinser. Hsu was Zinser's first customer in Asia, and upon learning of Far Eastern Group's circumstances at the time, Zinser granted the company a special five-year low-interest-rate loan to assist Far Eastern Group during this challenging period.

Working with domestic and overseas vendors, Hsu continued to create opportunities through his integrity and trustworthiness, continuing to pay close attention to accounting details and emphasizing transparency in financial dealings. Far Eastern Group was, in fact, the first company in Taiwan which spearheaded the practice of transparency and collaborated with an accredited accountant to certify its financial reports. This accountant, T. N. Soong, founded T. N. Soong & Co., which is now a part of the reputable firm Deloitte & Touche in Taiwan. In 1964, even before the Taiwan Securities Exchange Commission asked for public companies to provide regular financial reports, Asia Cement Corporation took the initiative and provided its stockholders with annual reports making it the first publicly listed company in Taiwan to provide such reports, a practice which today has of course become standard.

“If an entrepreneur is lacking in trustworthiness and legitimacy, then regardless of financial expertise, all profit will eventually end in debt,” Hsu once said. Hsu took all promises seriously, even in personal matters unrelated to business. For instance, during a social meal, Hsu’s generous promise to donate NT\$40 million to the Yu Kuo-Hua Culture and Education Foundation, took Hsu three years to complete, but the donation was fully realized.

Diligence and Focus

Hsu loved his work, and was proud to spend time with his team of managers and staff. He often visited his factories and construction sites, believing that these visits and keeping an open line of communication with employees is essential in determining areas for improvement. These extensive visits became a form of physical exercise for him; which he likened to playing eighteen holes of golf.

Whenever a new plant was under construction, Hsu would always visit the site to personally oversee the progress, supervise quality and resolve issues that emerged. In 1993, when Far Eastern was constructing its first major high-rise building, weak from medical complications and already at an advanced age in his 80s, he still made it a point to visit the Taipei construction site every week. At that time, the only means of getting around the site was on foot or by a rudimentary construction elevator. Hsu was always the first person to visit each level and he did so floor by floor: “You need to be at the forefront, if you want it done well,” he once exclaimed.

Hsu was diagnosed with cancer in 1985, and came close to death several times. He had three operations at the University of Utah Medical Center in the United States. Even under these extreme circumstances in the hospital, Hsu’s mind was still consumed with work. Once while, Johnny Shih, the vice-president of Far Eastern Textile Ltd. at the time, visited Hsu in the hospital, he took Hsu, still recovering from surgery in his wheelchair, for a walk to enjoy some sun and fresh air, somewhat surprisingly to Shih, Hsu proceeded to take out a carefully prepared work sheet listing fifteen items for him to take care of when he returned to Taipei. Mr.

■ Left: Oil painting of Yu-Ziang Hsu

■ Above: A meeting of Yu-Ziang Hsu and Robert McNamara, former CEO of the World Bank

■ Bottom: Yu-Ziang Hsu and Douglas Tong Hsu accompanied the former President of the R.O.C. Chia-Kan Yen during a visit to Far Eastern’s textile factory in Neili



Hsu once said, “The things (family and friends) thought were bothersome were quite enjoyable to me. I suffer more when people want me to endure rest and relaxation. Working is a pleasure and diligence is the basis of one’s success.”

The CEO of Asia Cement (China) Holdings Corporation, Tsai-Hsiung Chang, who at 85 years old is still working on the front lines of the firm’s major expansions in China, leads a company executive team with many members who are over 60 years of age. They are following in Hsu’s footsteps, and embracing his concept of “Diligence.” Chang has tremendous respect for Hsu, and he has always regarded Hsu as a very reliable and diligent person. Hsu certainly understood how to delegate and lead by example. He was also an attentive listener, and always supported those who had the desire to achieve high goals. As long as his employees and staff produced the desired results, Hsu would not worry

too much about the details. This concept has become the motivating force driving Chang’s work today.

Thrift and Modesty

In contrast to the admired Western characteristics of cleverness, skillfulness, and efficiency, Hsu’s concept of “Thrift” is embodied in the traditionally admired Eastern Philosophy of humbleness, modesty, and a low-profile. While seemingly ordinary, it is, in fact, often a necessary survival skill. After experiencing the war torn turbulence of the Japanese invasion and the subsequent civil war in China, Hsu had struggled through many difficult points in his life, giving him a different perspective on what constitutes success. Hsu understood that a superficial appearance of success was just that; but rather a true measure of a company’s success, was its operational success. For example, when Oriental Chemical Fiber Corporation commenced its operations



■ Yu-Ziang Hsu

in 1971, improvements in both the quality and quantity of the production were needed to exceed expectations. Hsu, however, encouraged his employees not to be discouraged or intimidated, but resourceful. “There is an abundance of gold in the factory. Processed and scrap fiber can be recycled as ‘byproduct.’ Everyone should be encouraged to convert this into a valuable and usable product, and there should be a staff reward to those who are able to do this,” he said. When Li-Yan Pao, the factory director at that time, heard about Hsu’s inspirational words, he put in place a productivity reward policy motivating the factory employees to improve the manufacturing process, and, in turn, increased the factory’s output and productivity.

How do you create abundance? This question can be answered in part by Hsu’s early pro-environmental stance. During Taiwan’s early era of economic development, many other businesses sacrificed all concerns for profits. However, Hsu believed in protecting the environment and insisted on being environment-friendly. From his peers’ perspective, this meant extra time and cost, but exemplifying Lao Tzu’s maxim, “A man of great wisdom often seems slow-witted,” Hsu’s beliefs are now considered pioneering and based on improving the total quality of life.

The Asia Cement factory in Hualien, Taiwan, utilizes state-of-the-art equipment to tackle dust pollution issues. This investment required NT\$400 million, which was 10 percent of the total production investment cost. Hsu himself stressed the importance in undertaking forestation projects at mine sites for the protection of the environment, periodically incorporating community outreach with invitations for students and Hualien residents to visit. He once explained this by saying, “If you don’t protect the environment, your business will eventually incur hidden costs. You might have a business advantage at the time, but once the community is against you, that conflict can destroy a business.”

Prudence and Prospects

Over the past 60 years, Far Eastern has continually broadened its territory into the establishment it is today. It has not only streamlined its business vertically

in the textile market, but it has also expanded horizontally into other major markets, creating one of Taiwan’s top major private conglomerates. While horizontal expansion into other markets may have introduced risk, through Hsu’s prudent diligence and foresight, this move has turned into a successful enterprise.

Prudence according to founder Hsu, does not mean overt conservatism or backward thinking. Rather, it means a careful evaluation of the risks and opportunities with a bold step forward once an initiative is decided. Hsu once said, “From Shanghai to Taiwan, Far Eastern never stops investing, and never stops looking forward.” Hsu’s concept of “Prudence” is a thoughtful approach towards the future, seeking the right opportunities, while at the same time staying grounded. “He knew how to deal with a crisis and he considered all the risks before taking each step,” commented Johnny Shih, Vice-Chairman of Far Eastern Textile Ltd.

In 1973, during the first energy crisis, Oriental Chemical Fiber Corporation (OCFC) faced a severe price hike in raw materials and incurred a large inventory, which caused financial loss to the company. In 1975, in dire straits, the company considered reducing its workforce in order to survive. In the end, despite this crisis, however, Hsu decided not to lay off employees, instead, making plans to overcome the challenges he faced while maintaining the company’s staff. The factory director of OCFC, Li-Yan Pao, suggested reducing salaries by 5 to 25 percent for higher income employees, with no reduction for low-income employees. Hsu decided that instead of a salary reduction, the company would defer a portion of salaries. With this decision, Hsu was able to keep the morale of his employees high and their salaries intact. In 1976, when the fiber market experienced an upturn, OCFC returned to profit. The company then returned all of the deferred salary payments with interest, back to its employees. Hsu reminded Johnny Shih, “Use your eyes instead of your ears” meaning that in the end one should not solely base decisions on others’ words, but one should have adequate knowledge oneself to analyze the situation and find supporting evidence for a better solution.

Hsu often visited overseas factories and consulted

with international experts to understand the latest industry trends and state-of-the-art equipment. Through this due diligence he hoped to obtain all of the pertinent facts. When the shipping industry was facing an all-time low, for example, Hsu answered the government's call and purchased a dry bulk ship from China Shipbuilding Corporation. While advised by staff and peers against this decision, Hsu determined that the shipping industry had been experiencing an economic downturn for a while, and it had reached its bottom. Furthermore, since shipbuilding required two years, by the time this ship was ready for its maiden voyage, it was estimated that market conditions would have become favorable again. This strategic planning helped U-Ming Marine Transport Corporation to advance and prosper, and develop a reputation as one of the most reliable dry bulk shipping companies based in Taiwan. With this move, Far Eastern moved from land to ocean transportation and closer towards internationalization. Hsu once said, "See what others have yet to see; find a niche, and step forward before others, there, you have a great chance at success."

The Warm Spirit of Cotton

In addition to Hsu's management philosophy, he has had a great impact on society through his community-oriented mindset. Today, in the twenty-first century, most businesses incorporate and promote social responsibility. Forty-five years ago, however, Hsu was a pioneer of his generation, though following in the footsteps of his early hero Jian Zhang. After steady success in business, Hsu turned his focus to develop and improve the lives of citizens through the fields of athletics, academics, and medicine.

Well-known economist, Ching-Ing Hou, the Chairperson of The Far Eastern International Bank recalled Hsu as a generous person when it came to academics. Some thirty years ago, when air travel was not as common or convenient, Hou (professor at National Cheng-Chi University) and her husband, Kuo-Shu Liang (former Vice-Chairman of the Central Bank of R.O.C.), expressed their desire to invite world-renowned economists to Taiwan to speak and broaden the international

perspective of their students. However, due to budget constraints, their idea was not feasible through ordinary means. Hsu's long-term support, enabled their wish to come true.

Hou remembers another incident of generous philanthropy. On one occasion, Hsu had promised NT\$1 million in sponsorship for a good cause. The next day, Hou received a phone call from a man with a very strong Shanghainese accent wanting to speak with Kuo-Shu. It turned out that it was Hsu himself who proceeded to say, "I promised you yesterday that I would provide you with NT\$1 million for sponsorship. However, I do not think that this is adequate and will add an additional contribution of NT\$300,000." Hou, still vividly remembers this extraordinary and warm-hearted call.

Douglas Tong Hsu also remembers his father's strong sponsorship of hosting economic seminars in Taiwan and remembers his father as so devoted to education, that he would eventually establish a leading vocational school and university. Hsu did this in part to compensate for his own loss at furthering his education, but also to share his success with others, in the hope that they not experience the same regret with regard to their advanced education. With a shortage of suitable higher learning options, Hsu commented "It is regretful for an individual and for the good of one's country that people are not able to continue on to higher education." Although Hsu has passed, his words of wisdom and his good deeds will remain in what he created and has continued on today. As Albert Einstein once said, "Try not to become a man of success but rather try to become a man of value."

Far Eastern Group was built on the foundations of cotton, his first love. It was a major product of his hometown, and thereby held a special place in his heart. "Cotton is humble," Hsu once said. "It doesn't have a fragrant smell or an exotic color, and yet it provides much warmth to human beings. The origin and spirit of my business comes from cotton." The spirit and beauty of cotton symbolize the core value that Hsu has always insisted upon and wishes to pass on to future generations.



- Top: Yu-Ziang Hsu was awarded the Order of the Brilliant Star presented by Teng-Hui Lee, former President of the R.O.C.
- Middle: Yu-Ziang Hsu accompanied Zhao-Zhong Yu and Yen-si Tsiang during a visit to Yuan Ze University
- Bottom: Yu-Ziang Hsu presided over the number two kiln-lighting ceremony at Asian Cement Corporation in Hualien, Taiwan



■ Far Eastern Group Chairman and CEO Douglas Tong Hsu

Changing the Future through Innovation

The Far Eastern Group (FEG) through corporate innovation, globalization, and social responsibility has refused to take the easy road over the last sixty years. Continuing to remain engaged and creative in the face of the unexpected changes the future holds, with a vision towards a new horizon.



In a complex and rapidly changing world, FEG, throughout its history, has been like an axe carving through ice. With NT\$1.5 trillion in assets, 220 companies, 50,000 employees, and 600,000 shareholders how does FEG plan to navigate its way forward?

Over the past twenty years, Taiwan's businesses have experienced the liberalization of the finance and telecommunication sectors, the growth of the Internet, the development of environmental science and technology, the opening of cross-Strait relations, overcome financial crises, and survived natural disasters. As James Canton pointed out in *The Extreme Future*, "The future of the human world will be characterized by speed, complexity, risk, change, and surprise."

This accurately describes the current situation according to Douglas Tong Hsu, the chairman of FEG. Under the previous leadership of its founder, Mr. Yu-Ziang Hsu, FEG built a solid foundation and opportunities for great prosperity. However, as his successor, Douglas Tong Hsu faces a complex, unpredictable, and faster evolving world which requires extensive time traveling the world for opportunities to expand his global reach, enhance his knowledge, and develop new ideas for the future. Says Hsu, "The whole world is changing, and you have to adapt and engage to be part of the creation of a brighter future."

Despite difficulties, the development and progress of FEG have remained constant. From its humble beginning in the textile industry, FEG has continued to advance, branching out into new areas with the establishment of Far Eastern International Bank and Far Eastone Telecommunications, to investments in R & D, environmental protection technologies, the China market, social welfare, and in the process earning respect worldwide as a sophisticated international enterprise.

Persistence

FEG strongly believes in the pursuit of innovation, globalization, environmental protection and the preservation of the human spirit. There are several reasons for this: innovation is the engine of growth, globalization

leads to the discovery of new talent and the broadening of one's personal vision, environmental protection maintains sustainability, and the human spirit is an important cornerstone of the Group's values. Together, it is believed these elements create long-term resources for innovation.

From his father, Douglas Tong Hsu inherited the management philosophy of "Sincerity, Diligence, Thrift and Prudence." Hsu has added—"Innovation." According to Hsu, "Scientific and technological innovation creates business opportunities, as well as global competition. As world consumption patterns and competitors are changing, so, we must persist in innovation and development to sustain our existence."

Innovation originates from cross-industry cooperation or an in-depth exploration of the core business. To build the foundations of competitive advantage, FEG began in-depth research and encourages a constant reevaluation and reinvention of its core businesses. "We have not taken the easy road. We have persisted in a very comprehensive system in operations, but without innovation and the ability to overcome challenges, FEG would not have reached its current scale," Hsu emphasizes. As an example, Far Eastern Textile Ltd. (FETL), renamed Far Eastern New Century Corporation (FENC), has now evolved and transformed into a major global supplier of high-tech polyester materials. Polyester products are widely utilized today in non-textile fields such as electronics, medicine, and other high-tech industries. Textile products now account for only 20 percent of its business, and research has had to focus on specialty features to create textile fibers that are increasingly quick to dry, lighter, and warmer. This innovation occurred in part to break through the Japanese dominance of the industry. Thus, FETL expanded from a manufacturer of downstream textile products to one of upstream synthetic fiber products. Despite global competition in the upstream market it also serves as an example of inspiration for innovative solutions.

Early in 1992, Hsu remembers a crucial three-day plant visit in the U.S. with the leader in the polyester



■ Far Eastern Group Chairman and CEO Douglas Tong Hsu

industry at the time, DuPont. Initiated by DuPont curious about the fast growth of FETL, this visit proved educational for both parties. DuPont representatives reciprocated the visit and were surprised that FETL's production line changed every three to four days. The discovery of this difference had similarly surprised Hsu early on when he learned DuPont's production line remained for three to four months, a result of its stable customer demand. FETL's competitive market environment required flexibility to meet different customer demands. Thus "Being down-to-earth in business, and taking the high the road to innovation should satisfy the demand," Hsu stated.

Sixteen years later, DuPont having withdrawn from the polyester business, has witnessed FETL's rise in the industry as one of the world's top three suppliers of PET (polyethylene terephthalate). "We are a combination of tradition and innovation," says Hsu.

Innovation requires persistence and is a steady ongoing process. In Asia, FETL first introduced the PET beer bottle launching "Coolerpak™." This bottle features breakthroughs with a protective layer to prevent gas penetration and better preserve the beverage's taste while providing better consumer safety and a more environment-friendly product than glass. Since it is unbreakable and of a lighter weight it reduces gas consumption and carbon-dioxide emissions during shipping. Coolerpak™ is an example of the benefits of persistence and product innovation.

Cross-Market Innovation and Integration

A strong vision brings greater cross-integration and innovation and under Douglas Tong Hsu's careful planning, FEG's business interests have continued to expand across different markets.

With a passion for high-tech products, Hsu is watchful of new developments in the high-tech industry. Far EasTone Telecommunications, for example, has in the current high-tech climate now grown into the Group's largest platform for innovation.

In 1996, the Taiwan telecommunications market began opening up and FEG and the American company AT&T established a joint venture giving birth to Far EasTone Telecommunications. While doubts existed in FEG's expertise to operate a telecommunications firm, the skeptics overlooking significant FEG achievements

in emerging fields would be proven wrong. From the traditional textile industry, FEG's successful expansion into cement, department stores, petrochemicals, transportation, construction, and finance, had proven itself highly capable of cross-market innovation once again.

As a platform for innovation, Far EasTone Telecommunications combines existing technology and services with the creative application of new concepts. It has efficient collaboration with vendors to provide straightforward and easy navigational services for customers. For example, with the introduction of Easy Pay cards, 3G (video) mobile phones, mobile internet (integrated mobile communications and networking services), mobile e-commerce, and mobile marketing to Taiwan, these services span the finance, healthcare, entertainment, e-commerce, community services, and emergency-aid sectors. Innovations such as these integrate telecommunication services into our daily lives and continue to evolve based on device usage to influence a new generation of communication.

In 2009, Far EasTone tapping the national market for new product innovation began an alliance for digital content with the popular Eslite Bookstore, branching into digital reading, and aiming to position itself as an influential cultural distributor in the community.

An important new component to FEG is the Far Eastern Research & Development Center established in 2002. This is the Group's major R&D unit, and despite the economic downturn, had an increased budget to facilitate important new areas for development. The center boasts a 9,900 square meter area and 140 researchers with units currently in fiber, polymer, optoelectronics, and biotechnology.

Holding environmental protection technology in the upcoming decades of utmost importance, Hsu focuses much attention on technological innovation. In new efforts towards cross-market integration, the R&D Center developed for example the biodegradable material FEPOL for environment-friendly shopping bags available at city's super supermarket chains and fashionable environmentally conscious clothing fabric made from corn and recycled PET bottles manufactured by FETL and Everest. Contributing to the daily lives of the people of Taiwan, Hsu states, "We connect lives through Far EasTone Telecommunications, provide banking services at Far Eastern International Bank, and offer the best quality

and value in our convenient department stores. The most important aspect is to provide consistent top-end service throughout our businesses every day.”

In 2004, FEG launched the concept, “One Customer View.” Through complex implementation, formerly un-coordinated companies would drop their original customer membership cards in favor of a broader system of alliance. In 2005, after a comprehensive adjustment and overhaul of equipment and resources, “HAPPY GO,” a joint point collection card, was launched. This allowed members shopping at the Group’s varied venues to earn points. This newly promoted HAPPY GO card increased membership from one to six million cardholders and now includes over 800 brands and 6,000 shops in the program. This integrated platform attracts value-conscious consumers, and enhances the quality of goods available for purchase. “The results have all proven positive, and strengthened the formation of a network,” said Jinlin Liang, the director of Ding Ding Integrated Marketing Service which leads the HAPPY GO card operation. “The combined synergy of the Group is boundless with hard work and the creative use of resources,” Hsu states.

International Perspective

While promoting innovation, Hsu has earned widespread admiration for his global international perspective. Mr. Yu-Ziang Hsu, FEG founder, began business in the volatile cosmopolitan city of Shanghai, which was also the birthplace of Douglas Tong Hsu. Having been separated early on from their homeland in this highly competitive environment, the two generations have continued to maintain the importance of keeping a global perspective. After finishing his studies in the United States, Douglas Tong Hsu began his working career at the internationally respected Citibank headquarters. After several years he returned to join FEG and introduced the modern concept of information management. Setting up the Computer Center in 1967, FETL became the first computerized private enterprise in Taiwan. Mr. Hsu downplays his role stating, “All foreign advanced countries promoted computerization at that time.” In the years since, at least one third of the year is spent abroad, where he participates in high level international economic forums with world leaders following world markets and trends.

■ Taipei Metro Towers — Far Eastern Group headquarters, Taiwan



In the financial markets, FEG has proven impressive with the regular launch and quick sale of new products with strong demand from domestic and foreign institutional investors. In 1991, FETL first issued US\$50 million of Euro-convertible bonds (ECB) with a maturity of 15 years, which was the longest-tenor bond of its type issued by a domestic enterprise. In 1992, well before other private enterprises in Taiwan, FEG issued Asia Cement Global Depositary Receipts (GDRs). Such financial innovations not only raised low-cost funds, but also inspired domestic financial markets to develop alternative ways for Taiwan companies to be funded, propelling its enterprises onto the world stage to attract further international capital investment. The open-mindedness and internationalization of FEG's finance team have attracted foreign investment organizations despite legal and tax limitations with the encouraged creativity and marketability of new products.

In the 1980s, FEG's rapid internationalization began with major collaborations between the Group and DuPont (American), ICI (British), and other partners from France, Switzerland, Germany, and Japan. Nine companies were established and investments in fields such as petrochemicals, industrial gases, environmental-protection technology, and other high-tech manufacturing endeavors were made as a result. In the 1990s, a partnership with AT&T (USA) formed Far EasTone Telecommunications Co., Ltd. Mark Joseph from AT&T (India) reflected that AT&T's investment decision was based primarily on three criteria: FEG's financial capability, over forty years in manufacturing, and a history of successful collaboration with other foreign companies.

Fifteen years ago, with a wealth of in-depth professional experience and a global perspective on the importance of China, FEG entered the mainland Chinese market, with such core products as synthetic fiber, textile and cement. "The world's largest fiber and cement markets are in mainland China. You either have to pioneer the effort or say good-bye to that market," Douglas Tong Hsu exclaimed. Seizing opportunities early in cross-strait trade—is a necessary step before market saturation.

A Company without National Borders

With tremendous competition and a lack of transpar-



■ Douglas Tong Hsu presented a speech at the World Economic Forum

ency across the strait, companies from Taiwan often are at a disadvantage setting up operations or establishing plants in China. Despite this, FEG generously receives mainland Chinese government officials and business professionals allowing them access to plants and other Taiwan facilities. The hope being that an educated and shared knowledge benefits society and enables improvements in environmental concerns and operational efficiency. With in-depth experience and broad perspective Hsu believes their counterparts in China will be better convinced of the right path.

Internationalization is found in FEG's executive team where executives from all over the world are currently in such top-level management positions as vice-chairman (Far EasTone Telecommunications and Pacific Sogo Department Stores), general manager (Far Eastern Plaza Hotel), and president (U-Ming Marine Transport Corporation). As the first publicly-traded Taiwan company to employ foreign executives on its management team, Far EasTone Telecommunications has a culture much like that of a foreign company. With English as the main corporate language and a board of directors representing major international companies, such as Japan's NTT DoCoMo and Singapore Telecommunications, and Kurt Roland Hellstrom (the former CEO of Sony Ericsson), and Lawrence J. Lau (the president of the Chinese University of Hong Kong) as independent directors. "We are a company without national borders where professionals from all over the world who can adapt to the necessary local business

culture are invited," Hsu explained. "Do we need to be a Taiwanese company? No, nationality is no longer an issue." With the joint announcement of Far EasTone Telecommunications and China Mobile in 2009 in a signed strategic-cooperation agreement and a shared-subscription agreement, Far EasTone again portends a bright future in the international telecom market.

Aside from a growing international management team, FEG has a high percentage of foreign investor participation with Far EasTone's 30%, Far Eastern New Century's 32%, Asian Cement's 21% and Far Eastern Department Store's 37%, and therefore is a highly valued international conglomerate.

Focusing on Environmental Sustainability

In Gary Hamel's book, *Leading the Revolution* (2000) the current E-world is a first step and businesses are leaping into an "I-world" of innovation and imagination. Hsu believes, the efficiency of information technology is a tool. Technological development, created by people, must consider humanity in order to make a difference in the world.

Increased attention to environmental protection has long been an underlying principle of FEG. Encouraged through its early relationships with international partners, the Group gained understanding of its importance, placing in advance practices to realize this goal. "Safety, health, and environmental protection are important international trends. Our international partners helped us to focus early on environmental protection in a global context. Without them, we would most likely still be focused simply on output, quality, and cost," stated Hsu in 1988.

Hsu, who counts diving and swimming among his hobbies, is an ardent advocate of environmental protection. Having held the position as a joint chairman of The Nature Conservancy, an international organization focused on environmental protection, he is dedicated to its protection locally as well as abroad. After finding out that ancient trees in Taoyuan military village in Taiwan were to be cut down for new construction, he authorized the extra funding for their transportation and replanting at the Yuan Ze University campus providing generations of students with large, luxuriant trees for shade. Another similar example occurred after learning



of a lychee fruit orchard in Chiayi, Taiwan, purchasing and replanting the orchard on the grounds of FEG affiliate Chia-Hui Power Corporation, where employees can now enjoy this delicious seasonal fruit.

FEG has devoted a considerable amount of its resources to environmental conservation. Sixteen years ago when FEG Headquarters, the Taipei Metro Towers were built, the most advanced ice storage air-conditioning system was installed. The energy it has since conserved is equivalent to 690,000 tons of CO₂ emissions per year. With a strong continuation in these efforts, FEG has set a target of a 5% reduction in energy usage per year, and it has urged its affiliates to prioritize this goal as well. Energy conservation is the top priority in project planning. Replacing the headquarters mall holiday lights with LED to reduce more than 80 percent of electricity consumption Hsu says “I am on a mission. The goal is to save our devastated environment, not to economize. Businesses must consider how to coexist with the environment.”

While many companies lag behind in corporate social responsibility, FEG has placed environmental issues directly into its daily operational practice. Turning environmental protection into corporate social responsibility now results in a focused operating goal. In the Taipei suburb, Tianmu’s Pacific SOGO Department Store, which opened in 2009, incorporates the latest green technology and building design. Using solar panels to lower power consumption and a rainwater harvesting system for plant irrigation and washroom water supply, it also features a 8,264.5 square-meters outdoor park, for local residents and consumers to enjoy the lush natural greenery.

In another example, Everest, an FEG affiliate with a factory located in the warmer climate of southern Taiwan, has not used its air-conditioning system since 2008. Working on the principle of air ventilation, Everest has been able to successfully regulate the temperature of its factory, while at the same time ridding its work environment of dirt, humidity and heat elements. Additional efforts made to deal with waste-water disposal, electricity, and heat recycling have turned Everest, a textile manufacturer, into an eco-friendly company, resulting in new cooperation with major international outdoor sportswear manufacturers such as The North Face and Patagonia.



■ The visual design of FEG 60th anniversary celebration — representing the connection between FEG and the Taiwan economy and culture

Espousing Architectural Aesthetics

Along with corporate social responsibility, operational innovation and environmental protection, Hsu espouses the pursuit of architectural aesthetics. An enthusiast since his youth, Hsu explores architecture and studies commercial spaces abroad for ideas to stimulate creativity and innovation architecturally in Taiwan. Inspired by the Pritzker Prize, in 1999 Far Eastern Memorial Foundation set up the Far Eastern Architectural Design Award. The Foundation award has the theme “Breakthrough and Innovation” and encourages architects to pursue creative architectural solutions and move towards an international standing in this field.

Hsu also respects the intangible impact of culture as deputy chairman of the Metropolitan Museum of Art in New York City and as the chairman of the Asia Cultural Council, Taiwan, which has provided support for internationally famous artists such as Lin Hwai-Min, artistic director of the Cloud Gate Dance Theatre, and Yo-Yo Ma, the world-renowned cellist. Hsu’s appreciation for architecture and culture may well offer clues to questions like: What kind of future do we create? How can we reach our inner creativity? How can business pave the way to a brighter future? The master architect Louis Kahn once said, “A great building must begin

with the immeasurable, must go through measurable means when it is being designed, and, in the end, must be immeasurable.” The impact of culture is perhaps something that is the most ubiquitous, but nevertheless important.

FEG has survived and thrived for 60 years with its founders operating guidelines of “Sincerity, Diligence, Thrift, and Prudence.” Now with the addition of “Innovation” focused on corporate social responsibility, environmental protection and cultural aesthetics, tangible business results are making an impact today and will continue in the future.

Connecting Lives for a Better Tomorrow

The French writer Marcel Proust once said, “The real voyage of discovery consists not in seeking new landscapes, but in having new eyes.” During its 60-year journey, FEG has forged a new vision by a defined operating model, which has had a profound effect on Taiwan. The guiding vision for FEG’s next 60 years, and its impact lies not only in the hands of its leadership, but also in its dedicated 50,000 employees. FEG is connected and continues towards a bright path that grows wider with each step forward toward a better tomorrow.