

II. 企業經營 Management

For sixty years, Far Eastern Group has maintained its corporate spirit and innovative strength, while implementing vertical integration and diversified operations. Being a model business in Taiwan, we demonstrate our management abilities in both Taiwan and mainland China.



■ Far Eastern Group Annual Strategy Meeting, 2008



Shangri-La's

香格里拉

台南遠東國際大飯店

Far Eastern Plaza Hotel



The Spirit of Far Eastern People

There are collectively over 50,000 employees at Far Eastern Group, and far from being the bricks and mortar, each individual epitomizes its true spirit holding a passion and determination to make the FEG spirit soar. We are the foundation, the customers, and the community who make our Group – its firms, medical institutions, schools and service companies successful. These combined efforts to kindle success in our communities in turn benefit all.

Asia Cement Corporation President K.Y. Lee at 70 years old had never taken a single day of work leave. In 2009, he finally took his first vacation, an Antarctic adventure. With an extraordinary loyalty and dedication, it can be said that an FEG career is an adventure in itself – where those who embark on an FEG journey join a once-in-a-lifetime expedition which never ceases to enhance their livelihoods.

Tsai-Hsiung Chang passed the engineering entrance exam at Asia Cement in 1963, working his way up the corporate ladder as an engineer, general plant manager, President, and now Chief Executive Officer of Asia Cement (China). Having now worked for the company for 60 years, he is still moving ahead in his search to stay competitive. Stating, “My mission is to remain on the cutting edge. I need to understand, investigate, and research the latest equipment.” Under the leadership of Chang, six of his senior executives are over 60 years old and proactively working at the front of the organization. Bringing over 30 years of experience to the table, their passion and love of the business have remained true, embracing new and improved innovations by making them realities and in turn making Asia Cement the success story it is today.

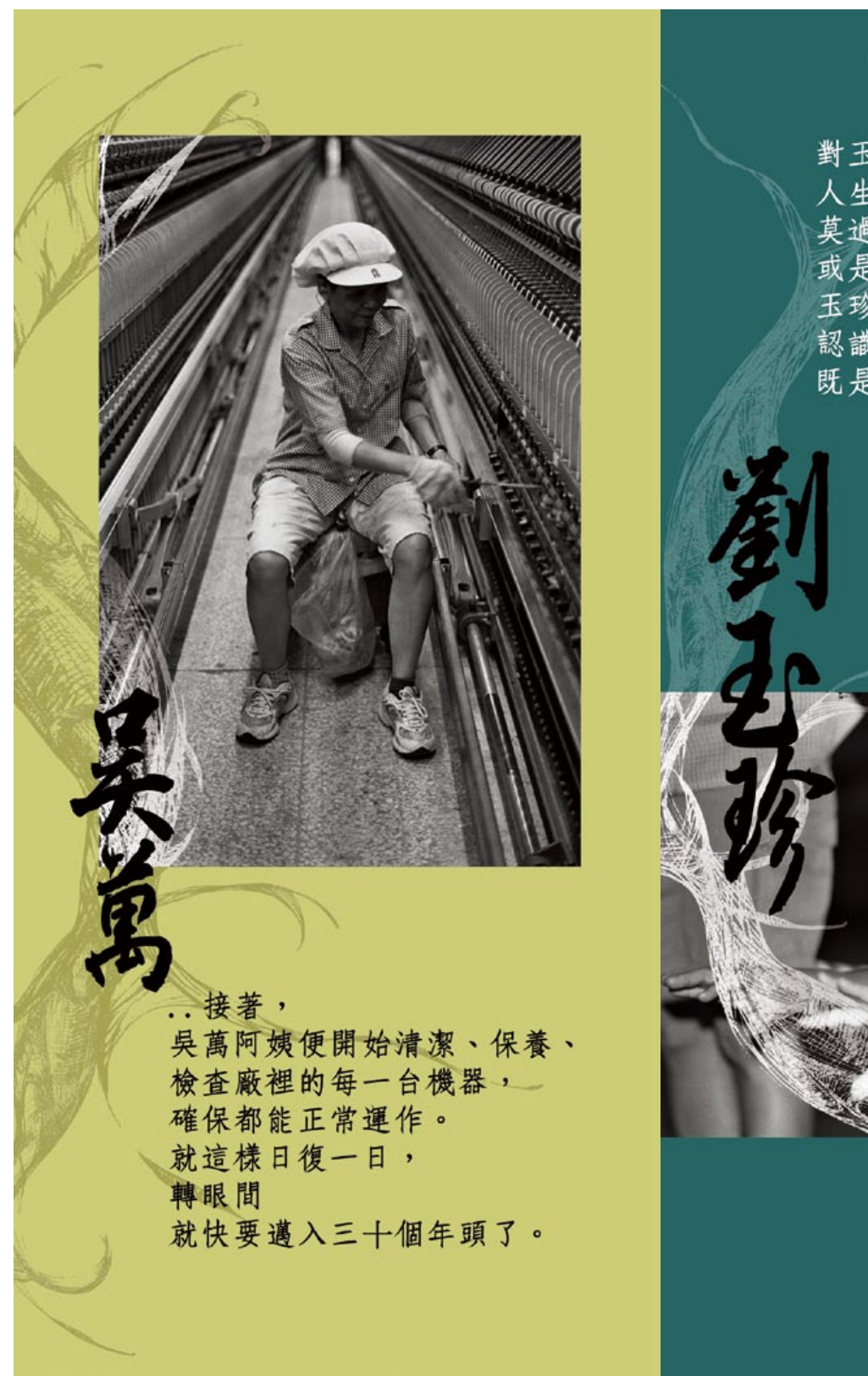
Group Foundation Executive Director, Shaw Y. Wang, was among the new young recruits in the first round of college hires in 1964 eventually holding high level positions in Far Eastern Textile Ltd. (FETL, renamed Far Eastern New Century Corp.) including knitting plant manager and various positions in the finance, auditing, accounting, administration, and secretarial departments. Upon retirement, he returned to a leadership position at Far Eastern Group Philanthropic organizations utilizing his vast company experience to benefit the community. As Wang says, “One can truly best understand a business in its entirety through experiencing different positions in a company.”

Entry-level employees can also be passionate and feel great dedication towards the positions they hold. Wan Wu, who has worked for 30 years at FETL Neili Plant, climbs the steps to the dormitory’s top floor every workday and walks down checking that lights are properly turned off. Then according to procedure begins careful cleaning and inspection of each machine in the plant to ensure its proper operation. Realizing the careful maintenance duty she performs contributes towards the success of the company as a whole, she says, “This textile plant will only be a big success for the company’s Founder if it accumulates a steady profit.”

Mr. Yu-Ziang Hsu, the revered Founder of FETL, was always on the front lines with his extended staff. He enjoyed factory inspections and was there to supervise every new plant under construction. On one occasion, he walked into Neili plant on his own, and was stopped by a security guard who did not yet recognize him. Rather than becoming upset, he praised the guard in front of the plant manager for doing his job so well.

Far Eastern Group’s culture emphasizes respectful and responsible behavior towards others while focusing on achieving one’s career ambitions.

■ Frontline employees at Far Eastern New Century Corp. (formerly Far Eastern Textile Ltd.) textile plant



秀珍阿姨來說，
最值得慶幸的，
是有好友相伴一同出遊，
一同聚餐、分享心事。
阿姨因為工作的關係，
成了好幾位
同事又是鄰居的好朋友...



陳秀珍



姐姐每天總在她起床時，
便放了一塊「炸彈麵包」及
一杯牛奶在桌上，
希望補足秀珍阿姨的營養。
姐姐從來沒有和她一起用過早餐，
每回都只是說用過了...

和一般人一樣，
起初宜姁也是抱著異樣的眼光
看待外勞，
連話都沒辦法講，
還談什麼相處啊？
不過，隨著在工作上的接觸
和住宿的往來，
宜姁發現了她們可愛、
善良、熱情的一面。

簡宜姁



Human Resources Training & Development

In this era of the knowledge-based economy, a company's employees are its most critical asset for enhancing corporate competitiveness. Far Eastern Group focuses on the over 50,000 people it employs, who must continuously train to update themselves and learn new skills. This has been an important component to the Group's successful management style. Far Eastern Group Chairman and Chief Executive Officer Douglas Tong Hsu states "No manpower, no business." With the right fit for a position, only then can the business yield its greatest potential.

Far Eastern Group stresses a life-long journey of education. Douglas Tong Hsu often shares his new ideas garnered from books and other sources with hundreds of junior and senior managers at the annual strategy meeting. Exchanging the latest management information and encouraging employees to make inter-departmental transfers or periodically move to companies within the Group to increase Group synergy and increase their hands-on experience. In addition, the Learning and Development Center of Far Eastern Textile Ltd. (FETL, renamed Far Eastern New Century Corp.), Far Eastern Enterprise University, Far Eastern seminars, and many other avenues promote this culture for life-long learning and self-improvement.

Throughout the years, FEG has developed a systematic training process for newly hired employees. At FETL in addition to basic training, new hires go to into the plants in Hukou and Hsinpu for an intensive three-day orientation. Executive vice president Benjamin Shih emphasizes that by visiting the plant personally and familiarizing themselves with the automated systems, new employees can better understand the entire production process from start to finish. The orientation includes a self-management curriculum to facilitate the learning curve on a new job. Through such training, new employees are more likely to be more committed with better understanding of

corporate policies and goals. "Developing and retaining good talent requires a systematic plan to achieve the best results," Shih points out.

Within Far Eastern Group's multi-faceted business strategy, FETL Learning and Development Center conducts periodical training curriculums in business administration, management, leadership training, team building, sales and marketing, finance and accounting, etc. These courses, open to everyone at FEG, have been popular and help to build consensus among peers and improve inter-departmental communication.

To educate junior and senior management teams, FETL first carries out competency assessments and then improve management capabilities through Far Eastern Enterprise University as well as other modes of internal training. FETL Learning and Development Center introduced the professional competency model, a system having thirteen categories of management capabilities. The company evaluates assistant and general managers for a better understanding of gaps in their capabilities and experience, which in turn helps identify the areas of improvement and hone leadership skills as a whole.

Far Eastern Enterprise University is a unique program within Far Eastern Group, where employees can take specially designed courses through Yuan Ze University to improve their professional abilities. In 1999, the university accepted its first group of students of which 54 students to date have received their degrees and of which 33 were promoted after receiving their degrees.

Far Eastern Enterprise University is an accredited program and students must turn in a thesis in order to graduate. The only difference between other school programs is the requirement that the thesis relate to the student's work, which in turn is finally reviewed by Chairman Douglas Tong Hsu. FEG will continue promoting this leadership program and eventually extend it into China to better prepare the Group for the next wave of challenges.



■ Training classes at the FENC Learning and Development Center



Far Eastern Group Annual Strategy Meeting

Far Eastern Group is involved in various areas of industry such as polyester, textiles, petrochemicals, cement, transportation, construction, retail, telecommunications, financial services, and social responsibility. Its executive management teams are spread throughout the world, so the opportunity to gather together is rare. With the goal of enhancing group synergy, in 1981, FEG following other corporate programs began holding annual strategy meetings. The meeting encourages interaction among the leaders of all the business sectors, and is broadcast real time to units in both Taiwan and China. Over 400 managers are divided in two sections and in the course of three days and two nights gather to discuss outstanding strategic issues and proposals for the upcoming year. Heightening opportunities for cooperation, knowledge sharing and interactive communication, Chairman Douglas Tong Hsu points out that the meeting is a great communication platform providing himself the opportunity to offer insights underlining the Group meeting's annual themes and goals for the year ahead. While offering opportunities for all new and emerging Group leaders a chance to express opinions and strategic thoughts regarding the challenges to formulate solutions.

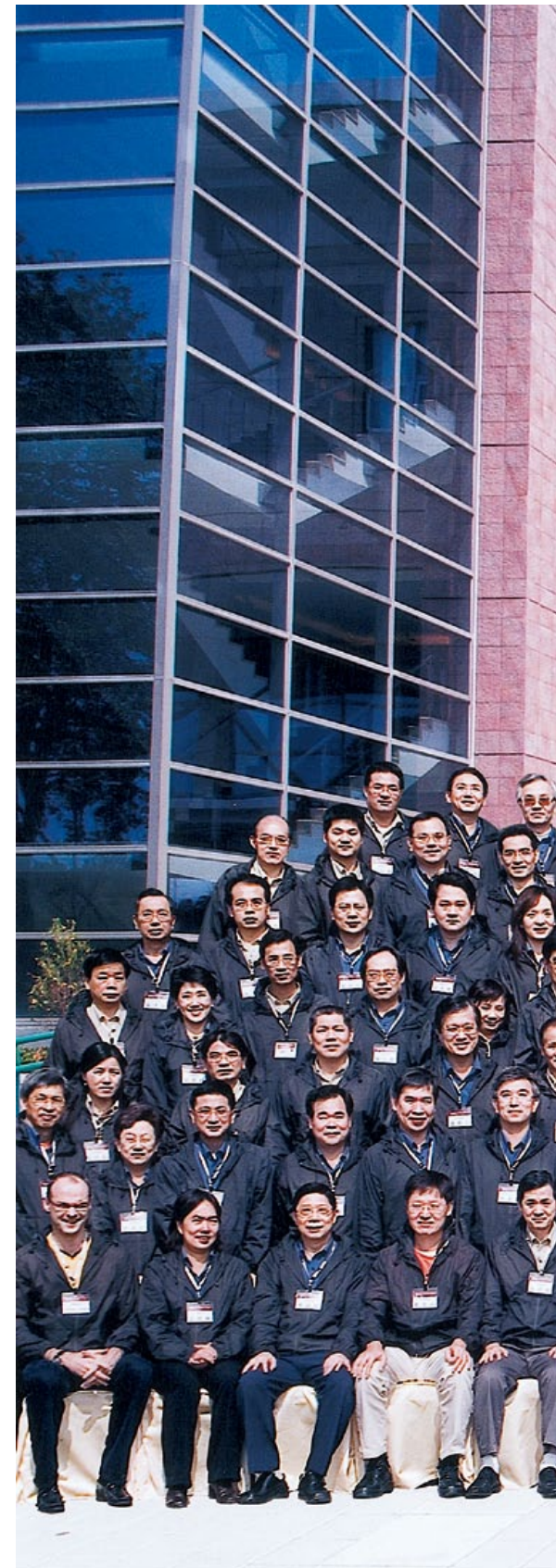
"Searching for the Blue Ocean," in 2005 was for instance the discussion theme with all attending managers presenting business enhancements based on the *Blue Ocean Strategy*. In 2008, with the world reeling from the global economic crisis, managers discussed themes on "New Power, New Challenge." Douglas Tong Hsu using the slogan "Change We Need" encouraged all management personnel to share his belief that, "There is no recession; there is only failure to live up to expectations," inspiring all of the managers to work collectively to face the difficulties and challenge them to persevere the climb to the highest peak.

Douglas Tong Hsu is generous to reward outstanding talent, personally delivering during the strategy meeting the *Far Eastern Spirit Award* and the *Energy Conservation Award* to applaud special contributions promoting a positive Far Eastern business culture and eco-friendliness.

The strategy meeting connects the business entity with individuals and introduces new products or services, weaving an interconnected web. It also provides an important opportunity for social interaction among executive management teams through team-building activities and games in a relaxed and enjoyable atmosphere.



■ Mr. Vincent C. Siew, current Vice President of the R.O.C., attended Far Eastern Annual Strategy Meeting in 1993



■ Far Eastern Groups' executive management teams in 2006



Partnership

Far Eastern Group (FEG) has long held deep ties in Taiwan but has worked hand-in-hand with its international business partners. Withstanding the ups and downs of business has been a key factor in FEG's success. For 25 years, Coca-Cola has been a Far Eastern Textile Ltd. (FETL, renamed Far Eastern New Century Corp.) partner; For over 37 years, cosmetic giant Shiseido has collaborated with Far Eastern Department Stores (FEDS). Coca-Cola and Shiseido's long lasting relationship with Far Eastern Group reflects the Group's reliability, innovation, and commitment to social responsibility. By placing great importance on understanding its customers, it has been able to develop a long-term relationship based on the essential components of value and trust.

FEDS and Shiseido have cooperated from 1972 onwards beginning at the FEDS Baoqing store. Over the years, FEDS has assisted the brand in adjusting its business model and creating added value for its customers.

While supplying Coca-Cola with PET bottles, FETL has kept its guarantee of "delivering on promises, delivering on time, keeping prices relatively stable, and acting according to contract" to win Coca-Cola's trust. "Forming a relationship built on trust, FETL has worked hard on building a long-term relationship with us," says Swire Coca-Cola Beverages Ltd. Board Director and President Douglas Klein.

FEG's innovative spirit also gives it the competitive edge in winning customer approval and maintaining long-term relationships with strategic partners. When Shiseido wants to introduce a new product, such as CPV, Ettusais, or NARS, FEDS is always Shiseido's first choice in Taiwan. Once the new brand gains customers' approval at FEDS, it usually achieves favorable sales results throughout Taiwan by word-of-mouth and other marketing and is therefore highly cooperative with new FEDS store openings.

When the market required Coca-Cola to lower costs to stay competitive, FETL and Coca-Cola worked together for five years to research and produce an ultra-thin PET bottle to effectively reduce costs. Furthermore, when Far Eastern Ai Mai (A-Mart) was first established, Coca-Cola was one of its first suppliers. A-Mart adopted Coca-Cola's international business experience to develop its category management and years later, Coca-Cola still offers helpful suggestions on retail and category management, while relying on each other for the promotion and marketing of new products.

FETL started research on PET bottle recycling 10 years ago in accordance with its strong belief in social responsibility. Investing in a recycling system, it began using recycled bottles as the raw material for industrial products. FETL's initial leadership, energy and investment in recycling, altered the industry's view, and provided the solution for Coca-Cola, which takes environmental protection and PET bottle recycling very seriously. "As an international company, we hope to build a long-term strategic partnership. We try to understand the vendor's strategic positioning, business culture, in-depth needs, and just-in-time marketing information. At the same time, we ask them to understand Coca-Cola," Klein emphasized. "The fact that FETL has been our partner for 25 years means that they have accomplished what we asked for. This is the result of their long-term hard work."

In the next 60 years, FEG will remain a most trustworthy business partner, hoping to continue to build a bright future together with long-term and newly acquired partners and customers.





■ Symbolizes FEG, its customers, and affiliated vendors working together hand in hand

IT Management

When Far Eastern Textile Ltd. (FETL, renamed Far Eastern New Century Corp.) established a Computer Center in 1967, it was the first private enterprise in Taiwan to introduce computers into business administration. Becoming one of the first companies to step into the information age, the majority of Taiwanese companies were still weighed down with labor-intensive practices.

Far Eastern Group (FEG) knowledge workers rewrote the Group's history with information systems. Leasing IBM mainframe computers, the Computer Center reduced human errors, raised efficiency, and saved time and money. The computers processed information on raw materials, products, and inventory management primarily for FETL and Asia Cement Corporation (ACC). In 1979, when FEG's purchasing department began incorporating computers, it centralized the purchasing flows via information systems for FEG companies. Johnny Shih, Vice Chairman of FETL, who was director of the purchasing department at the time, programmed these early codes designing the forms as well. Communicating with departments and factory plants to computerize the purchasing process with detailed forms, every level of management and administration had various purchasing authorizations utilizing the computers to their fullest extent. "Every system must be detailed, and improved continually," said Shih, whose background in computer information engineering was an asset in this process.

This system has proven effective for more than 30 years. When the joint purchasing system added a request for proposal (RFP) function, the RFP was posted on the Internet with detailed specifications and related information. The vendors submitted their bids online. In addition, the system offered pricing information. Every time an item was purchased, related pricing was shown for reference. Pricing information was freshly updated periodically allowing for the most effective management in pricing negotiation and cost reduction.

As the information infrastructure was still in its infancy, a mainframe with 8 megabytes of memory could cost up to NT\$900,000. Douglas Tong Hsu, then President of FETL, insisted on the expenditure to raise the information system's capability. "Developed countries in Europe and America are already doing this; we cannot fall behind," emphasized Hsu. The Computer Center has since been renamed Far Eastern Information Center and is managed by FEG's subsidiary, Ding Ding Management Consultants Co. (DDMC). Due to the complexity of information needed by many FEG companies spanning ten plus business sectors, DDMC's dedicated small 68-person information administration team offers systems building and services support, but handles multiple functions.

DDMC is also in charge of an internal network infrastructure, providing no-boundaries, and just-in-time communication between mainland China and Taiwan. The company implemented multimedia conference meetings, which were used to the fullest extent during the SARS epidemic.

The ultimate goal of Far Eastern Information Center staff is to transform cold hard data into lively information with new technology.



■ Far Eastern Group computerized management



■ Telecom control center of FEG Telecom Sector



■ U-Ming Marine Transport Corp. pays great attention to safety management



Security and Industrial Safety

Under brilliant sunshine of a hot summer day, *Cemtex Prudence* pulls steadily into Taichung harbor. Captain Kuorui Hsieh has held his post for more than 30 years, having started to sail dry bulk carriers since 1974. Pei-Da Yen was the youngest Chief Engineer in U-Ming Marine Transport Co., at age 30. He was also responsible for overseeing the shipbuilding of *Cemtex Sincerity*, *Cemtex Thrift*, and *Cemtex Diligence*. Life on a ship is simple but can get very tense. All crew prioritize safety, wearing helmets while working on the various shipping tasks such as cleaning, de-rusting, and machinery maintenance. Then report their progress. During down time, the Chief Engineer tutors on marine-related subjects to increase crew knowledge. The Captain regularly consults the International Safety Management manual and reports on the ship's journey progress to ensure timely shipping. "There is less likely to be an accident when there is a good management system. When you are at sea, you are on your own. Professional knowledge and skill are the key," Captain Hsieh says. Under a combination of ironclad discipline and humanitarian management, *Cemtex Prudence* passes

harbor inspections "PSC" mostly with zero weaknesses. "I would rather sweat more frequently than see spilt blood; maintaining the ship in the best possible condition is how we get home safely," says Chief Engineer Yen.

Along with Far Eastern Group's attention to the motto "Sincerity, Diligence, Thrift and Prudence." It also emphasizes the importance of managing details. Every process and procedure is interconnected like links in a chain so this attention to detail has been crucial at FEG for over 60 years to maintain security and safety.

During its history, the Group has unfortunately suffered through some major fires, thus it places strict attention on managing safety prevention programs and details. Every level has strict rules and policies. Alex Kuo, Oriental Union Chemical Corporation (OUCC) President, who came from the American company Union Carbide Corporation, is a prime example. Having personally experienced the significant impact of 1984 Bhopal gas leak incident in India, on the global chemical manufacturing's operating practices. This incident has not only resulted in revolutionary change in chemical operating safety policy/rules/practices, but

also in the formation of Responsible Care Association for chemical manufacturers worldwide.

That experience has made him very demanding with regard to safety at every level of corporate operations at OUCC. With an insistence on the development of the safest possible habits and danger-detection practices, Alex Kuo emphasizes, "If you don't demand high standards, the results from an accident with any operation or equipment could be disastrous." He says "Safety is a habit."

Shangri-La's Far Eastern Plaza Hotel, Taipei, a winner of many international awards, also pays close attention to details regarding standard operating procedures for safety management. Employees must strictly adhere to food sanitation standards, established specifically in a hotel manual created for this purpose. From purchasing, storage, and cooking, every process must pass the critical inspection. The hotel also periodically holds unannounced fire drills, training the staff for crisis management and calm in the unfortunate event of accidents and dangerous situations.

From ships, factories, to hotels, you can see the spirit encapsulated through attention to security and safety.



■ Far Eastern New Century's (formerly Far Eastern Textile Ltd.) optical film plant, which pays attention to every safety detail



■ Annual fire drill conducted by Oriental Union Chemical Corporation





Crisis Management

On December 11, 1958 at 2 p.m., a single electrical outlet sparked a fuse causing a strip of cotton to catch fire at the Banqiao plant of Far Eastern Textile Ltd. (FETL, renamed Far Eastern New Century Corp.). The fire followed the air duct and spread uncontrollably. Far Eastern Group Founder, Mr. Yu-Ziang Hsu, heard "Fire! Fire!" and looking up realized the fire had spread to the building roof. More than 14,000 spindles of cotton were destroyed, in an incident, which almost paralyzed FETL after a major investment in Asia Cement Corporation, created tremendous pressure to maintain a positive cash flow.

Though utterly disconcerted, Mr. Yu-Ziang Hsu, was deeply moved and touched when he heard his employees volunteer to help without pay. Though depressed, he also realized giving up due to a fire, would result in financial hardship for many of them. Recovering from his initial shock, he gathered his strength, deciding against the short-term solution of purchasing used equipment. Instead, opting for a more ambitious long-term approach and lease purchased the higher quality and more expensive German Zinser spinning machinery. Ultimately this decision would raise the bar for standards of efficiency and quality and set the foundation for FETL's competitive edge.

In 1973, during the first energy crisis, Oriental Chemical Fiber Corporation (OCFC) had an inventory surplus and suffered deep losses. The number of downstream textile vendors dwindled from nearly 120 to barely over 30. After sustaining the business for two years, OCFC considered downsizing its number of employees. Mr. Yu-Ziang Hsu however in a crucial decision, decided to weather these difficult times for the sake of his staff and their livelihoods and in addition maintain employee morale, using the strategy of deferring partial salary payments

and freezing headcount. In 1976, when the fiber market began recovery, OCFC finally posted a profit and the deferred salaries paid back with interest.

What began as a random fire in 1991 burned to the ground Far Eastern Department Stores' Baoqing branch and Far Eastern Group's headquarters. Estimates on the damage were as high as NT\$100 million. The Group's Founder, Mr. Yu-Ziang Hsu, FETL's President Douglas Tong Hsu, and Vice President Johnny Shih were quick to remain calm and deal immediately with the crisis with preparations to resume business, promptly establishing temporary headquarters. FEG already conscientious in disaster recovery had backed up data in a secondary location. With the assistance of the Information Center restoring this data, the Group was able to operate normally within a few days.

These crises solidified relationships among employees and in these early days gave confidence to the effectiveness of FEG's disaster recovery plan, but it also heightened the need for focused preventative measures and attention to crisis management.

In 2008, with the world reeling from the effects of the global economic crisis, many businesses in Taiwan also faced major financial hurdles. However, FEG having foreseen the crisis ahead aggressively faced this and fortified its financial structure holding strategy meetings. All subsidiaries and affiliated companies were required to develop a detailed and complete strategy via stress test for endurance to withstand the crisis. These contingency plans enabled the Group to come through the largest and most turbulent economic crisis of the 21st century virtually unscathed. Throughout its history, FEG has gone through many crises and as in the damaging fires has always risen to walk through the valley with progressively steadier steps toward higher peaks.

■ Far Eastern Group headquarters and Far Eastern Department Stores, Baoqing Store, damaged by fire in 1991

■ U-Ming shipping vessel loading and unloading





Expansion and Diversification

Far Eastern Group (FEG) began in the textile business. By expanding both vertically and horizontally with powerful and innovative management, it became one of the most influential business conglomerates in Taiwan.

FEG's strategy is to expand production, redefine its competitive edge and create added value. All these elements are closely intertwined, and the Group with an ability to spread risk also creates new business opportunities. Through vertical integration of fiber, spinning, weaving, dyeing, and apparel, Far Eastern Textile Ltd. (FETL, renamed Far Eastern New Century Corp.) has developed streamlined production processes and extended its upstream business to Oriental Union Chemical and Oriental Petrochemical, among others. It has also expanded into the retail market.

Asia Cement Corporation (ACC) as successful, but different in its business structure is the upstream industry of producing cement and ready-mixed cement, and downstream marine and land transportation, and construction industry. U-Ming Marine Transportation has become the dry bulk transportation leader of Taiwan. Utilizing ACC, Far Eastern Construction and Far Eastern Contractor are driving forces in Taiwan's booming construction industry. Besides vertical integration, FEG has expanded horizontally into energy, hotels, financial services, telecommunications, etc. The Group is a model for business diversification. In addition, FEG's Information Center and Research and Development Center are the innovative information technology and R&D backbones for the Group while Yuan Ze University in the role of a think tank, shares leading concepts and research results from the academic field.

Multi-faceted development has brought the Group maximum effectiveness. Gathering resources, information, and services to introduce the "HAPPY GO" joint bonus point-collection card established relationships with 800 brands and 6,000 retail stores and a growing membership currently standing at over six million cards.

In order to smoothly integrate vertically and expand horizontally, FEG has a professional financial management team, which provides a competitive edge to the large number of companies and the industries in the Group in inter-company investments. By providing must-have products and services that are needed on a daily basis by most people, it has the ability to offer and maintain a very stable, low-risk portfolio.

The Group's strategy is to use stable and innovative financial management to grow its businesses. "Stabi-



■ Far Eastern New Century Corp. (formerly Far Eastern Textile Ltd.)
Hsinpu Chemical Fiber Plant, Taiwan

lization requires being multi-faceted; from industrial production to the service industry, there is successful diversification of investment. Thus the goal is any negative can be contained and you can enjoy profit," Far Eastern Group's CFO Champion Lee says. At the same time, the Group pays extra attention to corporate governance and internal control systems.

FENC acts as the flagship of the Group, investing in major businesses in the Group and taking care of strategic planning and resource disbursement. It does not however micromanage each company. In the 1950s, with every affiliated business expanding and growing, Founder Mr. Yu-Ziang Hsu, established an internal audit department with responsibility to audit and supervise the companies' internal management. In the 1960s, when ACC and FETL became publicly listed companies, the Far Eastern Group's internal audit system was near completion and meeting the regulator's policy requirement for all publicly-traded companies to have an internal audit department 10 years early. In 2005, the Group established the Group Audit Department with further supervision of subsidiaries auditing all subsidiaries in China and overseas. In 2008, it established the computer audit department to support all affiliated businesses in their management of internal systems, risk assessment, and information systems.

Far Eastern Group's vertical and horizontal expansion and business management gives its subsidiaries the flexibility and integration they need within the larger group. The nimble and innovative financial strategy, and the emphasis on the company's management and complete auditing system have helped the Group to progress steadily through these last 60 years.

International Cooperation

In Far Eastern Group's (FEG) 60-year history, it has expanded its business roadmap by integrating vertically and diversifying horizontally. With its in-depth international experience, the Group can set its forward-moving strategy before most other groups.

The original reason for FEG's internationalization was strictly for survival. In 1958, Far Eastern Textile Ltd.'s (FETL, renamed Far Eastern New Century Corp.) factory fire almost ruined the company. Mr. Yu-Ziang Hsu decided on a system upgrade by purchasing the expensive but more efficient German Zinser spinning machinery and exponentially increasing FETL's competitiveness. The Founder's insistence on utilizing new technology, and finding a way to break the status quo, were all critical factors in the company's growth.

In another example of success, Mr. Yu-Ziang Hsu established Oriental Chemical Fiber Corporation in 1969. Rather than using DMT, the mainstream technology of the time, he collaborated with a small company called Inventa in Switzerland to introduce PTA technology to Taiwan. Oriental Chemical Fiber thus became the first company in Asia to use PTA to mass-produce chemical fiber.

In 1987, FETL, Freudenberg of Germany and Vilene of Japan joined forces to establish Freudenberg Far Eastern Spunweb Co. to engage in the production of non-woven industrial fabrics and related high-tech polyester fiber products. In addition, FETL imported production technology from the French company Air Liquide International to establish Air Liquide Far Eastern Ltd.; in 1995, FETL also collaborated with American company DuPont to establish DuPont Far Eastern. The Group expanded further by establishing a PTA plant with the British company ICI. "These experiences were very helpful to us. They raised our level to the highest standards," FETL Vice Chairman, Johnny Shih emphasizes.

In 1988, Johnny Shih was already exploring the Chinese market and in 1995, after receiving approval from both governments, FEG entered mainland China. In 2007, it collaborated with Belgian

beer company Martens, which has more than 250 years of history, to establish Sino Belgium Beer (Suzhou) Limited. The company produces the eco-friendly and convenient PET beer bottle Coolerpak™. Besides these collaborative ventures, FEG also had a joint investment with American telephony company AT&T, Inc. to establish Far EasTone Telecommunications (Far EasTone). It became the first publicly listed company in Taiwan to hire a non-Taiwanese as the President of the company. Its board is also filled with diverse international talent: representatives from Singapore Telecom and Japan's NTT DoCoMo; independent Directors from the former Ericsson, CEO Kurt Roland Hellstrom, and Hong Kong Chinese University President Lawrence Juen-Yee Lau.

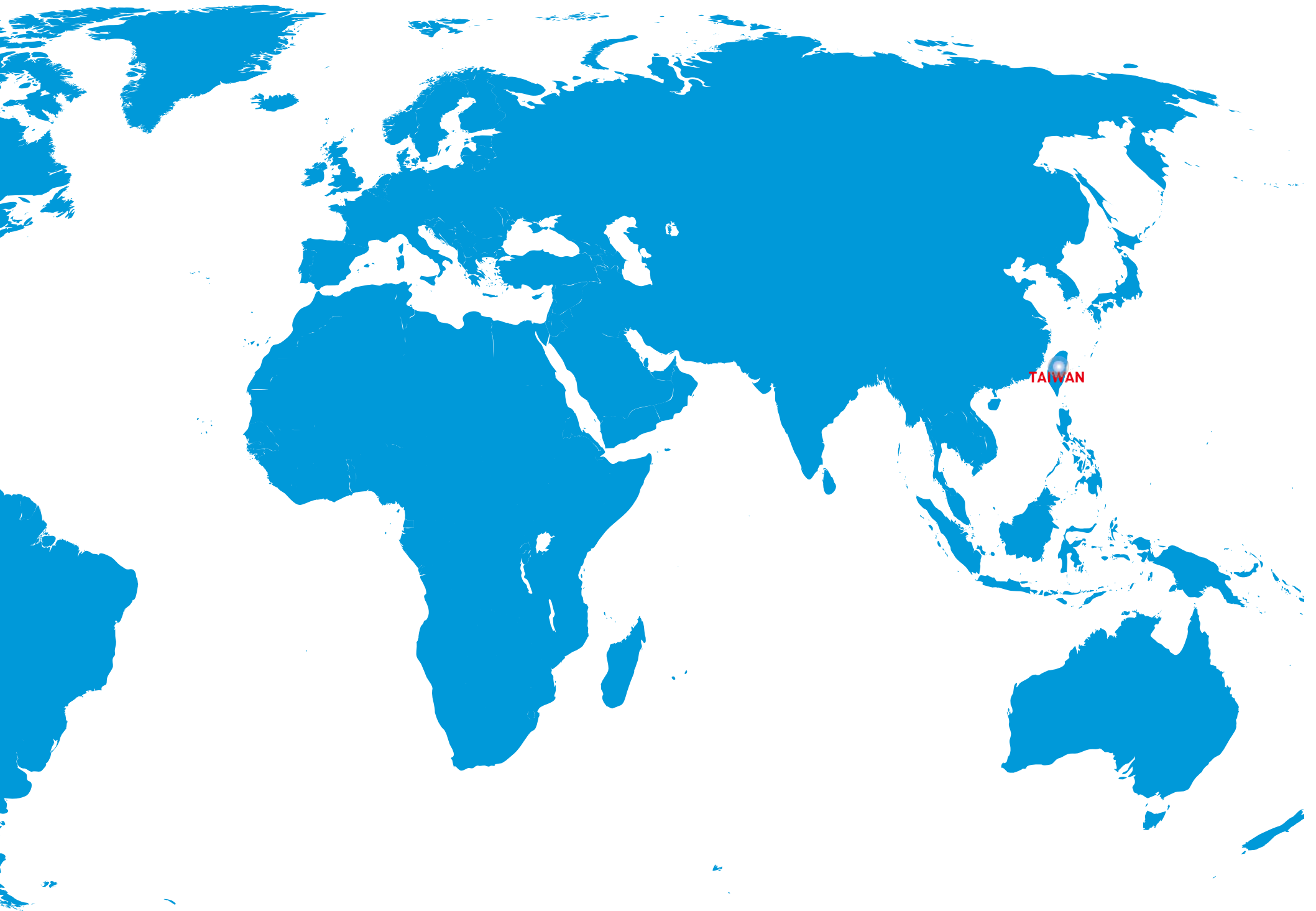
Far EasTone is also a member of Conexus Mobile Alliance. It provides improved cellular roaming and customer services, and shares innovative service experience with Japanese NTT DoCoMo, Singapore StarHub, Korean KT Freetel, Hong Kong/Macau Hutchison Telecom, Pilipino SMART, Indonesian, Indian, and Thai mobile telecommunications providers.

The Shangri-La's Far Eastern Plaza Hotel, Taipei, established in 1994, is also a prime example of international collaboration. The Hotel's management team, administration staff, and head chef all come from different parts of the world. The international service quality has won the hotel many international awards. In 2009, *Travel + Leisure* magazine ranked it number 11 in the Asian Top 25 hotels category. This wonderful accolade brought the hotel onto the world stage.

When Taiwan's number one dry bulk shipping company, U-Ming Marine Transportation, wanted to reduce operating risk and enhance its capital operating efficiency. It established a strategic alliance with Hong Kong peers in 2003, to incorporate Cape Asia, Elegance Carrier, and Winyield Investment firms. In the future, it hopes to seek more partnerships with mainland China peers and other international companies to increase its competitiveness. Douglas Tong Hsu says, "We are a global company without national restrictions. As long as people can embrace our culture, they can join us."



■ Far Eastern Group with no national boundaries



China Strategy

While most of the world has been increasingly anxious about entering the mainland China market, Far Eastern Group (FEG) has been laying its foundations there for over ten years, and has begun to see its success blossom. FEG's experience in mainland China is a model for all Taiwanese companies. Asia Cement Corporation (ACC) and Far Eastern Textile Ltd. (FETL, renamed Far Eastern New Century Corp.) were the first to venture into the mainland Chinese market. With experience gained in Taiwan and concern towards China's industrial development, influence with the Chinese government was earned, bypassing early doubts for China to welcome FEG companies.

In 1993, Asia Cement China's CEO, Tsai-Hsiung Chang, studied China's market for a year to understand the quantity and the quality of its limestone. In 1994, he located an appropriate mine in Jiangxi. At the time, the Chinese government, concerned about the pollution produced by the cement industry was very negative on the prospect of adding another pollution producing company to the area. In 1996, Chinese government officials came to Taiwan to visit ACC's Hualien Plant and saw its emphasis on both the economy and environmental protection. This visit would finally change the Chinese government officials' perspective, and they hurriedly began preparations for the formal application process to begin setting a groundbreaking development for the company in establishing business in mainland China.

In 1988, FETL Vice President Johnny Shih visited mainland China, but had to wait for both governments' approval before setting foot there. "This is where the difficulties existed; FETL's development in China is a large-scale deployment; it has to be legal," Shih indicates. Opening its plant doors to its Chinese peers so they could understand the efficiency and environmental protection learned from the company's experience would raise quality standards and be an undeniable factor in its entry.

FEG is now deep into most of the major cities in China, providing retail services and improving standards of living. Pacific SOGO Department Stores entered the Chinese market in 1993, becoming the first Taiwanese brand to do so. In the 2009 Top 1000 Taiwan Businesses in China Survey, eight of Pacific SOGO department stores in China were in the Top 50 service category. This shows the extraordinary achievement of Pacific SOGO in China. Currently, there are nine Pacific SOGO affiliated stores in Beijing, Shanghai, Chengdu, Chongqing, Tianjin, and Dalian. Together with two Far Eastern Department Stores, the Group has a total of eleven stores in China. FEG Chairman Douglas Tong Hsu emphasizes that, "The sky is limitless; though the problem is, whom are we serving among these 1.3 billion people?" In the future, Pacific SOGO Department Stores will focus on the second-tier cities in southwest China.

In addition, U-Ming Marine Transportation is also aggressively mapping out its territory in the Chinese market. After the agreement allowing direct shipping, nine vessels bearing the Taiwan flag were approved to ship directly to China; this marked an important milestone in marine transportation. In 2009, the most significant event in the telecommunications industry was the strategic and share purchasing agreements signed by Far EasTone Telecommunications and China Mobile. Douglas Tong Hsu's hope is to improve China's telecommunications industry by introducing telecommunications hardware and software from Taiwan, expanding Far EasTone Telecommunications' territory in China.

Mapping out the structure in China is a challenge and an opportunity for Far Eastern Group. Even though Far Eastern New Century, Asia Cement and Far Eastern Department Stores have very extensive coverage in China, Douglas Tong Hsu believes the Chinese market is wide and opportunity is unlimited, as the market is far larger than Taiwan's market. The entire structure, management system, and employee culture are all facing obstacles and in need of adjustment. In the future, with the rapid changes occurring; FEG will face new challenges but in the process create new opportunities.

