In 1988, the Fong's Group moved into its Hong Kong headquarters in Tsing Yi, a nine-floor plant and office building with a floor area of approximately 16,000 square meters (m²). The group also acquired the Xorella AG and German companies like Then Maschinen- und Apparatebau GmbH and GTM Goller Textilemaschinen GmbH. Over the last two years, the group has donated a lot of money to universities and some months ago founded Fong's Water Technology Co. Ltd. to provide water treatment and reuse systems with comprehensive services, including design, installation, maintenance and technical support. These were enough reasons for Textile World Asia to meet Fong Sou Lam, chairman of Fong's Industries Group, for an exclusive interview.

The interview took place in Hong Kong. Fong was accompanied by his son, Bill Fong, executive director of Fong's Industries Group. The group’s philosophy is to provide its customers the most innovative and environmentally friendly solutions through continuous research and development (R&D) efforts, and offer comprehensive customer service to help them achieve the utmost return in their investments and to enable Fong's to become the “First Choice” in the textile industry.

The Challenge
TWA: What is your personal challenge in the Group?
Fong Sou Lam: My personal challenge is to develop new products and to maintain a sustainable business.
ness growth. And, of course, we want to maintain the leading position of the Fong’s Group in the industry. To back this up, in July 2008, the Fong’s Group appointed Alex Wan as the CEO to assist me in planning the overall corporate development and strategic direction of the Fong’s Group. Wan will also provide leadership for the board and oversee the efficient functioning of the board to ensure the smooth and efficient business operation of the whole Fong’s Group.

Note: The annual machinery production of the entire Fong’s Group based on 2007 sales was more than 2,300 units including sales through Monforts Fong’s Textile Machinery Co., Ltd., a joint-venture with Germany-based A. Monforts Textilmaschinen Gmbh to serve only the Mainland Chinese market.

Current Market Situation

TWA: How do you see the current market situation in general?

Fong: In the wake of the global financial crisis, the textile industry has been impacted by many unfavorable factors. The buying sentiment for textile machinery is very weak at the moment. In addition, the textile industry is still facing a profit squeeze and at the same time has to reduce its volume due to reduced demand from the traditional export

TWA: What do you think of the overall market situation in China?

Fong: The textile industry in China has been hit hard by the global financial crisis. The demand for textile machinery has decreased significantly, and the price of textile products has dropped sharply. The textile industry is facing a severe challenge and is in need of a new strategy.

TWA: What are the key strategies that Fong’s Group will implement in the future?

Fong: The key strategies that Fong’s Group will implement in the future include diversification, innovation, and efficiency. We will focus on developing new products and technologies to meet the changing market demands. We will also focus on improving our operational efficiency to reduce costs and increase profits. Additionally, we will continue to invest in research and development to stay ahead of the competition.

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TWA: 你的集团是否也受现时的不景气影响？你有什么对策？

方：当然，与其它企业一样，立信集团也因金融风暴而经历着艰辛的日子。人民币升值、2007年第二季度欧元大幅上扬、全球经济放缓、生产成本上涨等，均为集团的业务带来负面的影响。面对如此困难的市场环境，集团采取了相应措施，以提升客户基础、提高营运效率及降低成本。这并非集团在成立45年来首次经历的宏观经济危机，以集团的经验，我们相信能够抵抗风暴，更形茁壮。

虽然现时业务放缓，我们预期纺织业除了将在整固后健康发展外，业界亦会在风暴进一步肯定下来后，重新投入资本。无论在成本方面，或在环保法规方面，以合乎客户需要方面，全球业界均必须为了加强竞争力而提升设备的水平。

区域概况

TWA：香港于1997年回归中国后，重要性有否减低？与回归前相比，香港现时的情况如何？又或在中国及香港签订的《内地与香港关于建立更紧密经贸关系的安排》（CEPA）下，香港受惠是否更多？

方：1997年回归以来，我们并未感到香港的重要性受到影响。香港是业界公认全球最吸引的营商环境之一，业务主要源于商界对金融、贸易及物流服务的需求，以及旅游业。香港人在经济转型至更高层次的服务业过程中，亦能维系竞争力，以及保留其自由经济联盟的地位。

TWA：你认为香港现时的角色如何？
The Mainland’s Role

TWA: How do you judge China’s role in the world in general, and in the textile industry in particular? Is China able to supply the whole domestic market as well as the rest of the world? Today, China is producing different levels of domestic and export quality. If the average income of the Chinese people increases, will China still be able to supply all markets? China is having big problems, such as energy, wastewater, and so on. How will China face these problems?

Fong: China’s current status as a leading textile producer in the world is undeniable. China is regarded as the world’s factory for many manufactured goods and not just textiles. Based on the current situation, China does have enough capacity to meet its export demands as well as to satisfy the domestic market. However, China’s domestic demand for textiles and apparel has increased some 25 percent per year. This means that the size of the market will double approximately every three years due to the growth in income and China’s demographics.

Given the above and the recent directions of the Chinese government to try to move its industries to higher-value products, as well as the concerns for the environment, I foresee that in 10 years’ time, China will start importing a good percentage of textiles for domestic consumption as compared to now.

As for the comparison of domestic and export quality, I must say that the gap is getting smaller and smaller. As a matter of fact, many producers who were purely focused on exports have now redirected their production towards meeting the domestic markets. Furthermore, I believe that the problem of quality is not so much
about the textiles themselves, but it is the fashion and design aspect that is lacking. As China develops its own talent in this respect, the textile industry will become even more strong and healthy and perhaps will even influence international fashion trends in the future, although this may take some time.

**Important R&D**

**TWA:** What are the main market requirements today for successful and modern textile machinery?

**Fong:** Good-quality products coupled with advanced technologies for a safe, reliable, cost-effective and environmentally friendly operation to help the customers to save production costs and increase their competitiveness in the market. Also, outstanding performance and innovative environmental concepts for saving thermal energy as well as optimizing heat-recovery systems.

**TWA:** Where do you set priority in your R&D work? In your company’s data, you mention that “Research and development effort is the indispensable factor for maintaining the Group’s competitiveness and long-term development.”

**Fong:** Our priority is to develop new innovative products with shortest dye cycles and to enhance and improve the performance of our existing products and the automation controlling systems.

**TWA:** How many people are working in R&D? What is the percentage you spend on R&D as it relates to the turnover of your company?

**Fong:** There is a staff of around 140 working in our R&D department. The investment in R&D accounts for approximately 2 percent of our annual sales turnover for the textile machinery segment.

In 1991, the Group acquired a 120,000-m² land site in Buji, Shenzhen for production facilities. 1995, the Shenzhen plant and the 21-floor building with office and dormitory premises were put in full use. Since that time, the Hong Kong office has served as the Group’s headquarters for R&D, finance and sales.* 集团于1991年在深圳布吉购地12万平方米筹建工厂。楼高21层的新厂房于1995年落成，设施包括办公楼及宿舍。自此，香港办事处转为行政总部，内置研发、财务及销售等部门。

多重节能冲洗系统（Multi-Saving Rinsing System），以及先进智能冲洗系统（AIR+），可以缩短染色程序，大幅减少耗水量。至于Then GmbH方面，最新推出的Synergy G2染色机，采用深受市场欢迎的Then-Airflow®气流染色技术，可以进一步降低耗水量，另外Monfongs 828 ES TwinAir双风道推幅定型机则内置废气热回收装置，可节能达18%之多。

**资助学界**

**TWA:** 集团子公司立信染整机械有限公司为香港的学府提供大量捐款，原因何在？集团对捐款的期望如何？

**方**：立信捐款予各大学，目的是进一步提高他们已相当良好的教研能力，以及为更多大学研究人才提供资助。集团希望学院能运用我们的捐款，实行更多研究项目，为中国、香港，以及亚洲业界提供有意义的方案。我们深信集团与大学合作，可以加强学界与业界的合作关系。

**TWA:** 你于2007年组成立信水务科技有限公司及立信水务环保设备（深圳）有限公司，两公司的主要目标是什么？
TWA: The requirements from the markets are ever-increasing. What are the main targets of your ongoing R&D efforts, and how do you face the megatrends such as energy and water savings, shortage of power supply, and such?

Fong: Through ongoing R&D efforts, we are trying to provide excellent, innovative and environmentally friendly products to the total satisfaction of our customers. The Fong’s HSJ environmentally friendly series machines are equipped with a Multi-Saving Rinsing System and an Advanced Intelligent Rinsing System (AIR+) to shorten the dye cycle and reduce water consumption significantly. At Then GmbH, the recently launched Synergy G2 dyeing machine is based on the successful Then-Airflow® technology to further reduce water consumption. The Monfongs 828 ES TwinAir stenter range with integrated exhaust-heat-recovery system is able to reduce energy consumption by 18 percent.

Donations

TWA: Your daughter company, Fong’s National Engineering Co. Ltd., donated millions of HK dollars to Hong Kong universities. What are the main goals for Fong’s in doing that? What does Fong’s expect from making the donations?

Fong: The donations made by Fong’s to the universities were with the aim of further strengthening their already well-established teaching and research capabilities and supporting more research talent in the universities. We hope with our donation, the universities will be able to conduct more research projects, which will result in meaningful solutions for the industries in Hong Kong and China, and throughout Asia. We are confident that our partnership with the universities will further enhance the relationships between the universities and the industrial community.

TWA: In 2007, you established Fong’s Water Technology Co. Ltd. and Fong’s Water Technology and Conservation Equipment (Shenzhen) Co. Ltd. What are the main targets for this company?

Fong: Well, the reason we set up Fong’s Water Technology was due to the constantly rising costs of various natural resources, such as energy and water. These days, being a profitable environmentally conscious company is the utmost goal in the modern dyeing industry. Fong’s Water Technology provides a reliable and economical solution to customers to meet this goal. Our mission is to provide a water treatment and reuse system with comprehensive services, including design, installation, maintenance and technical support to help our customers reduce water consumption by more than 70 percent and also to reduce discharge.

Outlook

TWA: If you compare today’s market requirements with those of five to 10 years ago, what are the biggest differences?

Fong: The demands of customers are becoming more and more sophisticated. The customers are increasingly looking for machine suppliers that can provide them with competitive products both in technical terms and with respect to price to help them achieve economic and ecological benefits in their dye-houses. In addition, they are looking for the flexibility to tailor products to meet their individual requirements.

TWA: Which countries will be the strongest competitors in the textile markets for China?
Fong: In one of your articles, titled “India — A Sleeping Giant?” you briefly elaborated the current status of the Indian textile market. (See “From The Editor,” Textile World Asia, September/October 2008). India is a promising marketplace as its textile industry covers a wide spectrum of activities and its market size is valued at US$52 billion with the industry’s potential foreseen to reach US$115 billion by 2012. With the strong domestic and export market demand and good potential in technical textiles, combined with the advantageous governmental policy, the Indian textile industry will continue its upward growth and play a major role in the world of textiles and apparel. In addition to India, it is foreseeable that Bangladesh will play a significant role in the global textile arena.

TWA: How do you see the market over the next few years? What is your vision for the next decades?

Fong: Firstly, in the short term, the textile industry worldwide will require the next 12 to 18 months to recover. Secondly, the good thing about the textile industry is that clothing is one of the basic necessities of human beings, and the demand will not evaporate. Therefore, looking ahead in the next one and one-half decades, I foresee that China will produce fewer and fewer textiles for export to meet its own demand. This will also play a proxy to the overall situation in Asia; it means that Asia will likely export fewer textiles as a whole for the very same reasons.

Central and South America will also have very good long-term prospects for textiles due to their proximity to the United States and also their own growing domestic market.

The Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA) is the first free trade agreement ever concluded between Mainland China and Hong Kong. The main text of CEPA was signed June 29, 2003. CEPA opens up huge markets for Hong Kong goods and services, greatly enhancing the already close economic cooperation and integration between Mainland China and Hong Kong.

Fong: In my opinion, the agreement is quite significant. The end result of CEPA will be to create more opportunities for Hong Kong to be a part of Mainland China’s economic development, and at the same time, to continue to maintain its advantages as a free trade zone.

TWA: You are right. The CEPA is a great move towards regional economic cooperation and integration.

Fong: In most cases, the bilateral and multilateral agreements that have been made are beneficial to both parties. The CEPA agreement is no exception. It will benefit both Mainland China and Hong Kong.

TWA: In conclusion, the CEPA is a very important agreement that will benefit both Mainland China and Hong Kong.

Fong: Indeed, it is a significant step towards economic cooperation and integration between the two regions.
Milestones 集团大事年表

- **1963**: Fong Sou Lam establishes Fong's in Hong Kong.
- **1969**: The company is officially renamed Fong’s National Engineering Co., Ltd. 公司正式命名为立信染整机械有限公司。
- **1979**: Fong’s becomes one of the first Hong Kong companies to explore the textile dyeing and finishing market in China. 立信为香港首批进军中国纺织染整市场的企业之一。
- **1998**: Fong’s National Engineering Co. Ltd. and RF Systems S.r.l., Italy, entered into a licensing cooperation to manufacture and market the Radio Frequency Dryer. 立信染整机械有限公司与意大利 RF Systems S.r.l. 达成授权协议，制造及销售射频烘干机。
- **1999**: Fong's Industries Group joins forces with A. Monforts Textilmaschinen GmbH & Co. KG to establish Monforts Fong’s Textile Machinery Co. Ltd. and Monforts Fong’s Textile Machinery (Shenzhen) Co. Ltd. for the manufacture of fabric finishing equipment in China. 立信与A. Monforts Textilmaschinen GmbH & Co. KG 合资成立 立信丰门富士纺织机械有限公司及立信丰门富士纺织机械(深圳) 有限公司，为中国制造纺织后整理设备。
- **2002**: As a major step toward further diversification, the Group establishes Xorella Hong Kong Ltd. to acquire Xorella AG, which is engaged in the design and manufacture of yarn-conditioning equipment. 作为向进一步多元化的关键步骤，集团成立纱线处理设计及制造的瑞士Xorella AG。
- **2004**: The Group establishes Germany-based Then Maschinen GmbH to acquire the former Then Maschinen- und Apparatebau GmbH and Scholl-Then GmbH. 集团于德国成立 Then Maschinen GmbH，收购前Then Maschinen- und Apparatebau GmbH及Scholl-Then GmbH。
- **2006**: The Group establishes Germany-based Goller-Textilmaschinen GmbH to acquire the fixed assets, inventory and all intellectual property rights of former GTM Goller Textilmaschinen GmbH. 集团成立Goller-Textilmaschinen GmbH，以收购前GTM Goller Textilmaschinen GmbH 的固定资产、库存以及所有知识产权。

I also believe the regions of the Middle East and North Africa will have great potential due to the young demographics of the population.

Lastly, and in general, in the next one to two decades, traditional markets such as Europe and North America will play a lesser role in the consumption of textiles due to the changes in demographics and aging populations, and the trick will be how the local textile industry and international players adapt to these changes.

**TWA**: Your group is considered to be a leader in your business sector. What do you do to keep this position in the market?

**Fong**: Throughout 45 years of operation, Fong’s Group has successfully built its brand name “Fong’s” as a world-renowned dyeing and finishing equipment manufacturer. The Group upholds its commitment to the demands of the customers — excellent-quality products, prompt delivery and comprehensive customer services. It is our aim to offer a one-stop-shop service to the customers, with machinery to handle processes ranging from yarn conditioning to dyeing and finishing, thereby further boosting the recognition among our customers and enhancing our competitiveness so that we will maintain the leading position in the industry.

Furthermore, although we have grown locally in Hong Kong and have traditionally very much focused on China, we have in the recent decade also focused on the importance of our international customers and markets outside of China. In fact, 50 percent of our machinery sales these days are for markets outside of China, and we hope to further add customers internationally given our long-term outlook above.