

QI Quotas on textile and apparel products will be abolished on 31st December, 2004. How will this affect the sourcing strategy of apparel buyers?

AI After quotas on textile and apparel products for WTO members are lifted, the general expectation is that sourcing activities in China will not only increase but dominate the international market because China is able to manufacture almost any type of textile and apparel product, at any quality level, at a competitive price. Unless the US imposes new quotas on specific product categories under a special safeguard mechanism incorporated into China's WTO accession agreement, the quantity of China's garment exports will no longer be restricted.

However, in our experience, apparel buyers do consider other factors when making sourcing decisions. We believe that the concept of split sourcing will remain. To avoid over reliance on a single country and to balance costs, flexibility, speed and risk, it is a normal sourcing strategy to spread orders over different countries particularly as every country has its own competitive advantages. Inherent strengths in each country include the local availability of raw materials, textile machinery and expertise, factories and cheap labor and efficient shipping networks.

There are other trade barriers in addition to quotas. The world beyond 2005 will largely be governed by import duties and free trade agreements between countries giving preferential status to one producer over the other. The attention of apparel buyers is likely to shift to major importer policies regarding import duties and free trade agreements.

Management's Chatroom

Q2 Why do garment manufacturers for US retailers usually spread their production facilities over several countries?

A2 The diversification of production bases is to leverage the specific and geographical advantages of various production bases. By doing so, garment manufacturers can maintain their competitive edges by offering greater product variety to customers with more flexibility.

Take Central America as an example. As product life cycles become shorter and shorter, the need for speed is increasing. The western hemisphere offers competitive advantages to US retailers in view of its proximity to the US. Production in the western hemisphere can shorten the delivery time when compared to the Far East. The region therefore serves the quick turnaround or mid-season orders required by US buyers. Goods produced in Central America also enjoy lower freight costs to the US, an advantage that has become increasingly more important in view of rising shipping rates from Asia. A US-Central American Free Trade Agreement is currently under legislative processes, which aims at promoting new opportunities for the US and Central America textile and apparel manufacturing business. The competitive edge of Central American countries is expected to be further enhanced.

Since the entering into of the US-Vietnam bilateral trade agreement, which came into effect in 2001, Vietnam has become a favourable sourcing base for US buyers. Although the imposition of US quota requirements in 2002 has slowed down sales growth in Vietnam, the abundant supply of low-cost labor and huge manufacturing base for raw materials still make it an attractive sourcing base for US retailers.

Q3 What are Carry Wealth's development plans for China?

A3 China's accession to the WTO has accelerated the shift in manufacturing from other parts of the world to efficient and lower-cost producers in China. In particular, China's vast domestic market and stable economic growth provide a springboard for strong growth momentum in its textile and apparel industry.

After assessing its strengths and resources as well as market conditions in China, Carry Wealth believes that joint investment with well-known market participants in China will provide quicker access to the market. The establishment of ShanDong WeiQiao HengFu Textile Limited for the manufacturing of knitted fabrics in January 2004 is thus an important milestone for the Group. Further downstream investments will be considered in due course.

In the meantime, the Group's sample making facility in Dongguan not only provides a major foothold in the Group's exploration of the vast market potential in China, but also serves as a training center for overseas supervisory staff, ensuring consistent implementation of the Group's policies across all its production bases.

Q4 How does Carry Wealth make use of information technology to facilitate its operations?

A4 Information technology is a weapon that is crucial to success...

To cope with the increasing demand both from internal operations and our external business partners, we are developing a new business system using the latest technology. It is being tailored to meet the specific industry standards, processes, and challenges in our business. Its diverse range of functions and features will include a sophisticated intelligent workflow-control and alert mechanisms, which will strengthen the monitoring and management of the entire supply chain cycle. It will run on top of other heterogeneous systems, integrating these systems into a cross-functional, end-to-end business platform that will allow the Group to execute enterprise-wide strategies easily and efficiently.

In addition, other useful systems such as a data mining system and customer relationship management system are also on the planning board.

Our operations are supported by a world-class network infrastructure, which must always be ready to deal with new business goals and objectives. At the same time, reliable and stable links are crucial to enable effective and efficient communications among the group and our companies, in their many different locations.

We therefore are constantly working to improve and advance our information technology, which is beneficial to our business development.