

Press Release

For Immediate Release

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Leaders of apparel and footwear industries set future directions at Prime Source Forum in Hong Kong

Keeping pace with the global trend of increasing integration of apparel and footwear operations by leading brands, the annual Prime Source Forum has become the platform uniting influential corporations in the two industries to share insights and tackle common issues.

Through synergistic and open dialogue, industry leaders, key executives of apparel and footwear corporations from around the world, in a concerted effort to pursue solutions and chart the future course for sustainable developments.

The organiser of the event is APLF Ltd, the joint venture between UBM Asia Ltd and its French partner, the SIC Group. The 7th Prime Source Forum was held as usual in the Hong Kong Convention and Exhibition Centre from March 28 to 30, 2012.

Setting the forum's overall tone, Michael Duck, director of APLF and executive vice-president of UBM Asia, urged the delegates to voice their views and suggestions at this rare gathering of industry leaders, trade associations, manufacturers, retailers, service providers and stakeholders in the global supply chain. "The global economic crisis has hit retailers around the world which has an inevitable effect on the demand for non-essential products, such as fashion. In addition, there is the knock-on effect of the political changes in the Middle East. There are plenty of issues to be discussed," he noted.

The forum promoted open discussion and welcomed debates among delegates to express their points of views. "You should join the discussion because speaking out is your prerogative. Questions, comments and disagreements are the essential part of this forum's success," Mr Duck said. "The forum also offers networking opportunities for peers and competitors alike."

With great enthusiasm, keynote speakers and delegates explored in-depth a broad range of issues in the apparel and footwear sectors. One of the keynote speakers, Ronald Fromm, Chairman of the Board at Brown Shoe Co Inc in the United States, believed it was great that the forum incorporated the footwear sector so that thought leaders from both fashion and footwear industries could share their insights. "The openness and transparency of the discussions are the keys to a great dialogue.

[At the forum] I have learned that the two industries share common challenges and issues. We have also got a glimpse of the future direction," Mr Fromm said.

See Appendix for a summary of other speakers.

The 8th Prime Source Forum will be held at the Hong Kong Convention and Exhibition Centre from March 25 to 27, 2013.

For more details, please visit www.primesourceforum.com.

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About the organiser:

Asia Pacific Leather Fair Ltd. (APLF Ltd.) is a joint-venture between UBM Asia Ltd. and the SIC Group of France.

Owned by UBM plc listed on the London Stock Exchange, UBM Asia operates in 18 market sectors with headquarters in Hong Kong and subsidiary companies across Asia, including UBM China in Shanghai, Hangzhou, Guangzhou and Beijing. We have over 200 products including trade fairs, conferences, trade publications, B2B/B2C portals and virtual event services. As Asia's leading exhibition organiser and the biggest commercial organiser in the two fastest growing markets in Asia: China and India, we stage the leading events of their kind across Asia. Our 150 events, 24 publications and 16 vertical portals serve a 1,000,000 plus quality exhibitors, visitors, conference delegates, advertisers and subscribers from all over the world with high value face-to-face

business-matching events, quality and instant news on market and industry trends and round-the-clock online trading networks and sourcing platforms. We have 1,000 staff in 21 major cities across Asia, stretching from Japan to Turkey.

The SIC Group is part of the Conseil National du Cuir (the French Leather Council), or CNC, the representative of the leather profession in France, and is one of the leaders in the organisation of international events.

Appendix

Summary of other speakers

President and CEO of the American Apparel & Footwear Association (AAFA), Kevin Burke, said the forum had become highly relevant to the association, which represents apparel and footwear companies working in the global market. "Adding footwear to the forum completes the package. Many apparel companies have diversified into footwear and vice versa. Although these are different businesses, they do share a lot of common issues," Mr Burke noted.

Many fashion and footwear companies are under enormous pressure as their profits have been further squeezed due to the challenging retail market conditions whereas costs of energy, raw materials and labour have maintained their upward trend. With over three quarters of world's output of garments and shoes, China is still the undisputable leading sourcing hub, thanks to its well-developed supply chain infrastructure, sizeable labour pool and a strong textile industry, according to several panelists at the session "Sourcing challenges and opportunities from China's economic success". The panelists included Alessandra Cocchi, Managing Director of EastMax Fashion Ltd and David Hampson, Country Manager, The Jones Group, Nine West Footwear.

At the session "Is the industry trending to a China Plus sourcing Matrix?" panelists such as Michael Blakeley of The Source ASEAN Full Service Alliance and Matt Priest, President of the Footwear Distributors and Retailers of America discussed the focus of the "China + 1" strategy. They agreed that the strategy had shifted to such regions as Latin America and member countries of the Association of Southeast Asian Nations, which may have signed major free trade agreements with the US and European Union or still enjoy the Generalised System of Preference with the US. As Myanmar was seemingly opening up to the West, the country was also considered a viable alternative sourcing centre by many delegates.

In his keynote address, Henry Tan, BBS, JP, CEO and President of Luen Thai Holdings Ltd, shared his thoughts on alternative sourcing bases. "The most vital is the collaboration between the customers and suppliers. For instance, we do business with UNIQLO and we do not charge them the highest prices. We have established efficient operation with them and deliver value to them. This is the key to success, much more than trying to locate lower-cost production centres."

Mr Fromm of Brown Shoe said although there would not be major changes in sourcing in China, companies had seen sourcing move further inland in the country and to other countries, such as Vietnam. "The vital thing is to forge collaboration with the same partners, whether in China or not," Mr Fromm noted.

Social media captured increasing attention in the fashion industry as an effective tool to tap the market of tech-savvy consumers. At the session “The power of internet and social networking on branding and retailing”, online marketing specialists, including Thibault Villet, co-founder and CEO of Glamour Sales China, and Anthony Chow, CEO of Otto Group China, agreed that a soaring number of consumers worldwide opted to use social media to exchange product insights, give recommendations and communicate with the retailers. They also thought more brands used social media to engage the consumers.

Sustainable development in the industry depended on young talents. At the session “Solutions to closing the talent gap in the fashion industry”, several seasoned practitioners, including Judy Mann, Managing Director and Chief Consultant and Designer of Cheetah Management Co Ltd and Janice Wang-Millard, Co-founder and CEO of Alvanon Inc, shared their views. All the panelists believed the industry and design/garment-making training institutes should update and strengthen their programmes on both design and the technical aspects and increase experiential learning opportunities to meet today’s fast-changing needs.

A full-day workshop was held on March 28 where panelists shared views on the labour regulations worldwide, compliance issues, and possible application of the latest technologies to global supply chain. An update on the progress made by the Global Apparel, Footwear and Textile Initiative (GAFTI) was presented by several committee members, including Veit Geise, Vice-president for Asia Sourcing at VF Asia Ltd, and Andre Leroy, Marketing Director of Modern Testing Services (Global) Ltd.

Mr Fromm thought GAFTI is ‘spot on’. “It is a worthwhile initiative. It ensures that we are well-equipped to deal with issues in environmental and social compliance and product safety. Its goal of setting up a harmonised global industry standard and framework ensures individual corporations are capable of measuring and understanding it,” Mr Fromm added.

The view of Mr Fromm’s was shared by Mr Burke of AAFA. “We need a global organisation to bring sanity back to the regulatory environment. There are too many regulations which are contradictory and too many issues that make doing business difficult. We need global cooperation to function in the global marketplace,” Mr Burke noted.

With the growing affluence of its population, China has become the ultimate market where many brands seek to get a share of the pie. Specialists such as Professor Zhang Zhe of Shanghai

Jincheng Fashion Consulting Co Ltd and Sandy Chen of TNS Shanghai, provided comprehensive insights into the purchasing behaviours and aspirations of the Chinese consumers.

While top-of-the-line luxury brands enjoy prestige and strong patronage by the wealthy Mainland consumers, the market still appears a tough terrain for overseas brands in the middle and upper-middle end, believed Mr Tan of Luen Thai. "China is so big and there are many cities. Trade practices among them are different. Perhaps the easiest way is to form a joint venture with a local Chinese partner that knows the local trade spectrum. If you try to put a mark-up on them, by the time the products land in China, the cost may no longer be competitive compared with domestic Chinese brands. The market is challenging for medium-end brands. Perhaps one has to open their own stores as few Chinese companies have the sophistication to manage large retail chains," said Tan.

The cut-throat competition in China's retail market has driven some domestic brand retailers to upgrade their systems with leading-edge technologies. Head of European Market Development, RFID Adoption, Retail Branding and Information Solutions at Avery Dennison, James Stafford, said some Chinese retail brands looked closely at the advanced systems used in Northern Europe and North America. "Given the rising labour cost, these retailers want to eliminate some manual processes and make operation more efficient," noted Mr Stafford, who was one of the panelists at the forum session "The globalisation of retail and its impact on the international supply chain".