

PECC INTERNATIONAL ROUNDTABLE

**“The Development of the China Aerotropolis and
its Link to the Global Supply Chain Network”**

by Paul W. Bradley



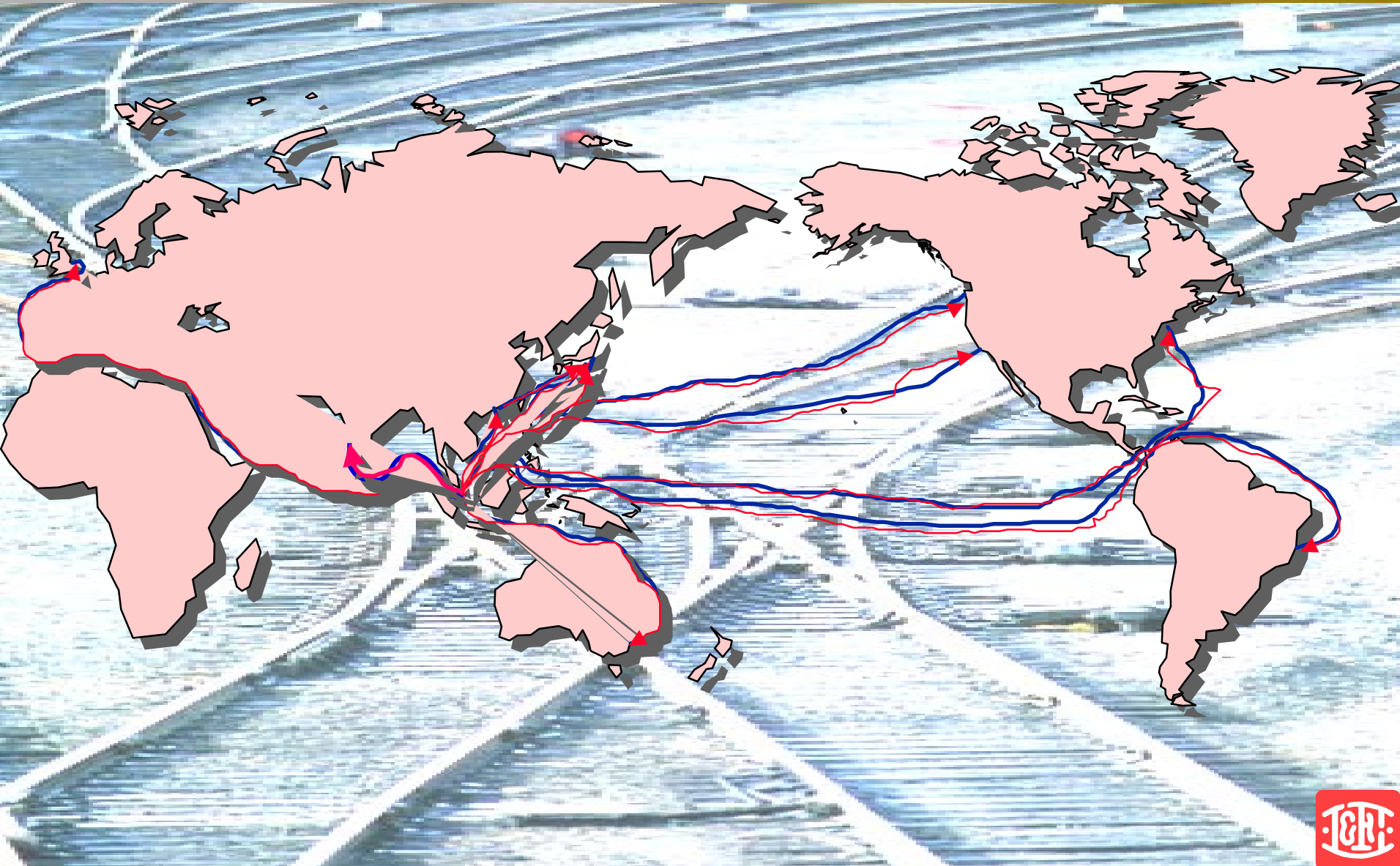
LI & FUNG DISTRIBUTION GROUP

6 September 2003

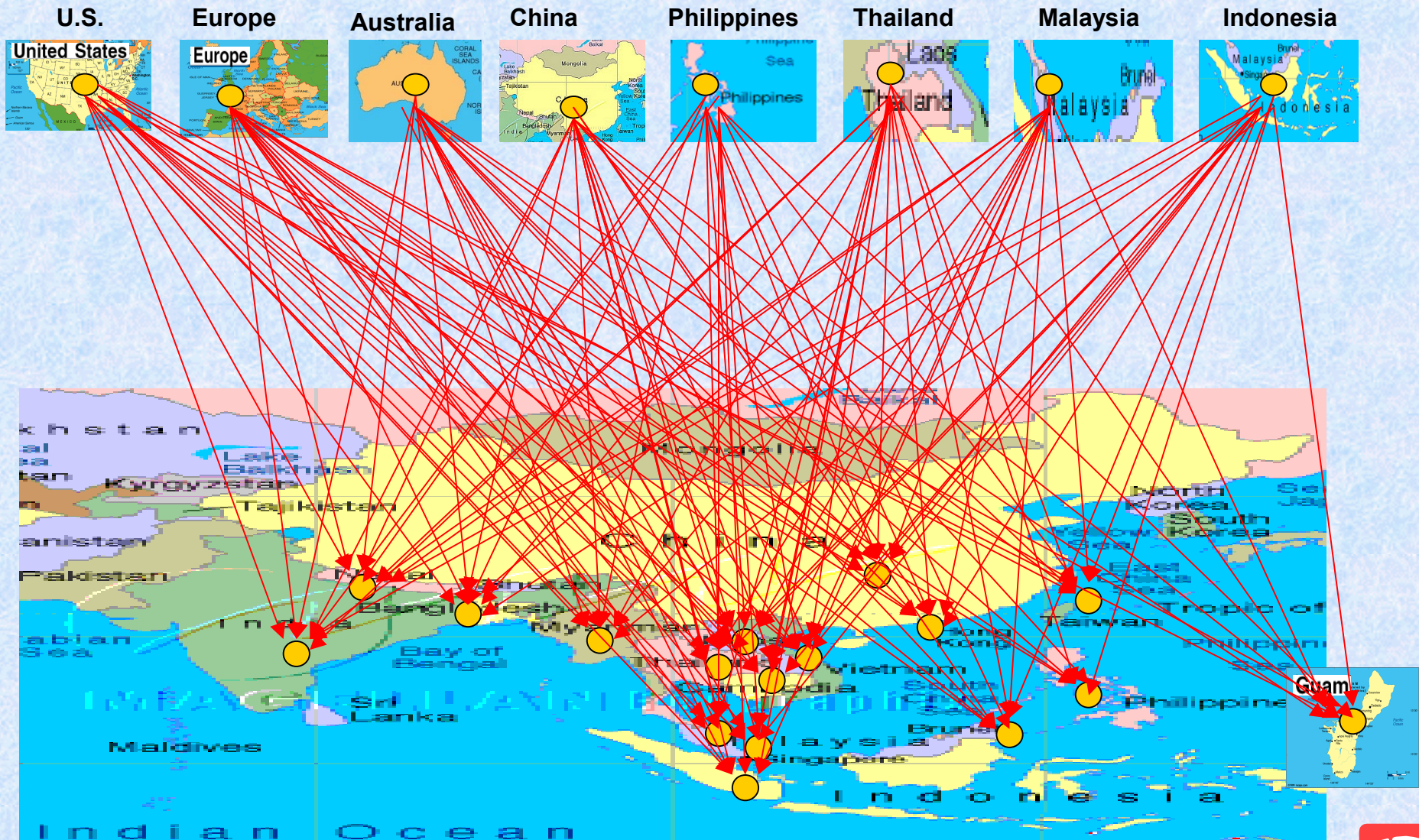
The Aerotropolis (A Wider Definition)

An aviation linked urban infrastructure consisting of an airport core, light industrial space, hotel/retail/entertainment complexes, and ocean ports, fully integrated across global supply chain networks.

HORIZONTAL & VERTICAL INTEGRATION



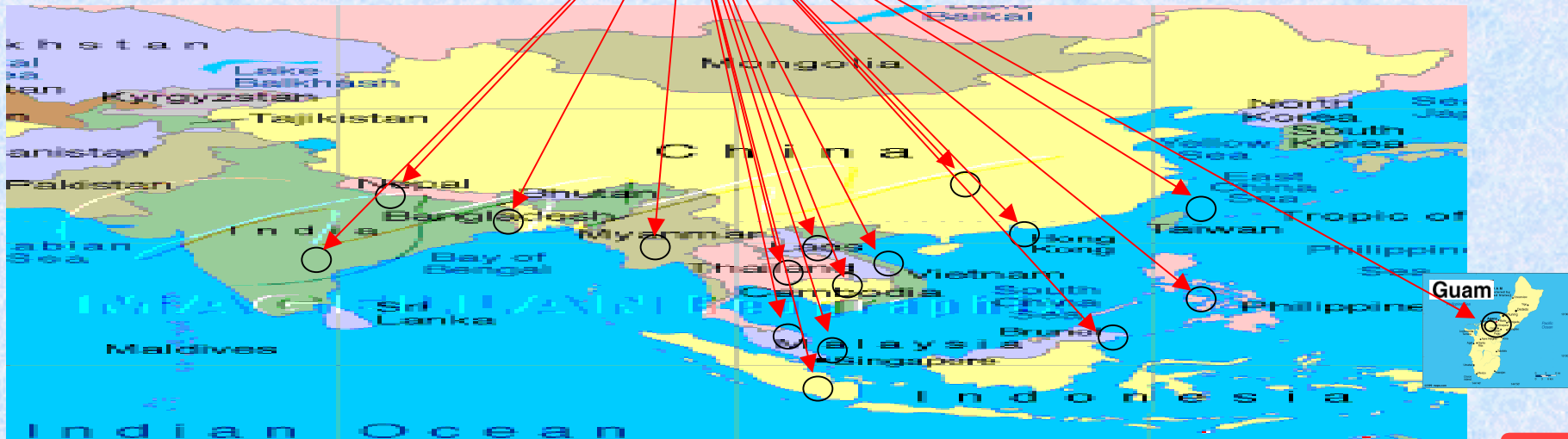
An Example of an Inefficient Distribution Model



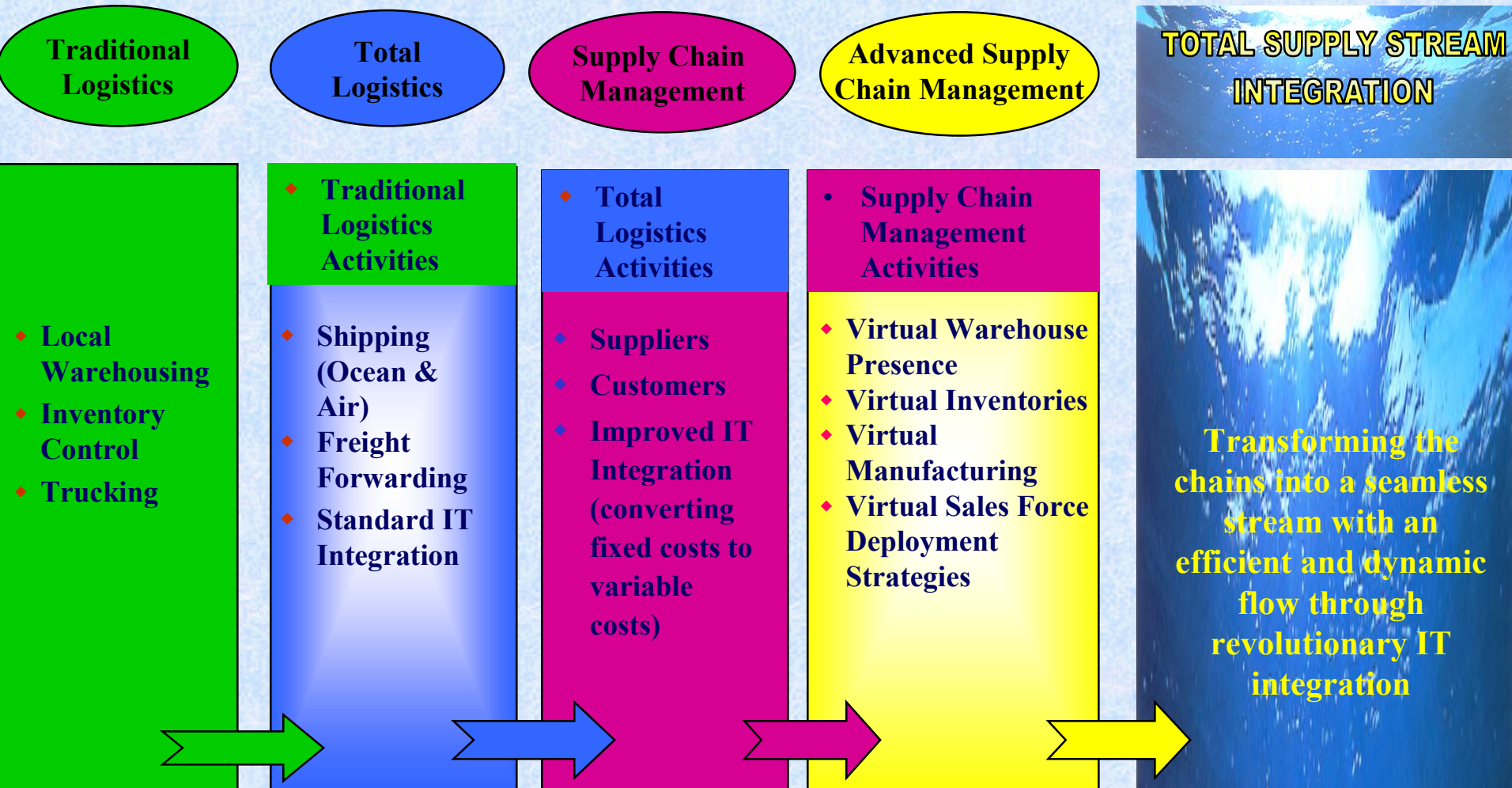
Streamlining Asia's Supply Chains



Supply Chain Management Hubbing



The Evolutionary Path of Total Supply Stream Integration



Evolutionary Path of Manufacturing

To: Virtual Manufacturing

Dynamic Global Manufacturing Networks

To: Manufacturing Centers of Excellence

Regional Hub Manufacturing Strategy

To: Establishing Strategic Manufacturing Facilities

From : One Dimensional Manufacturing Model

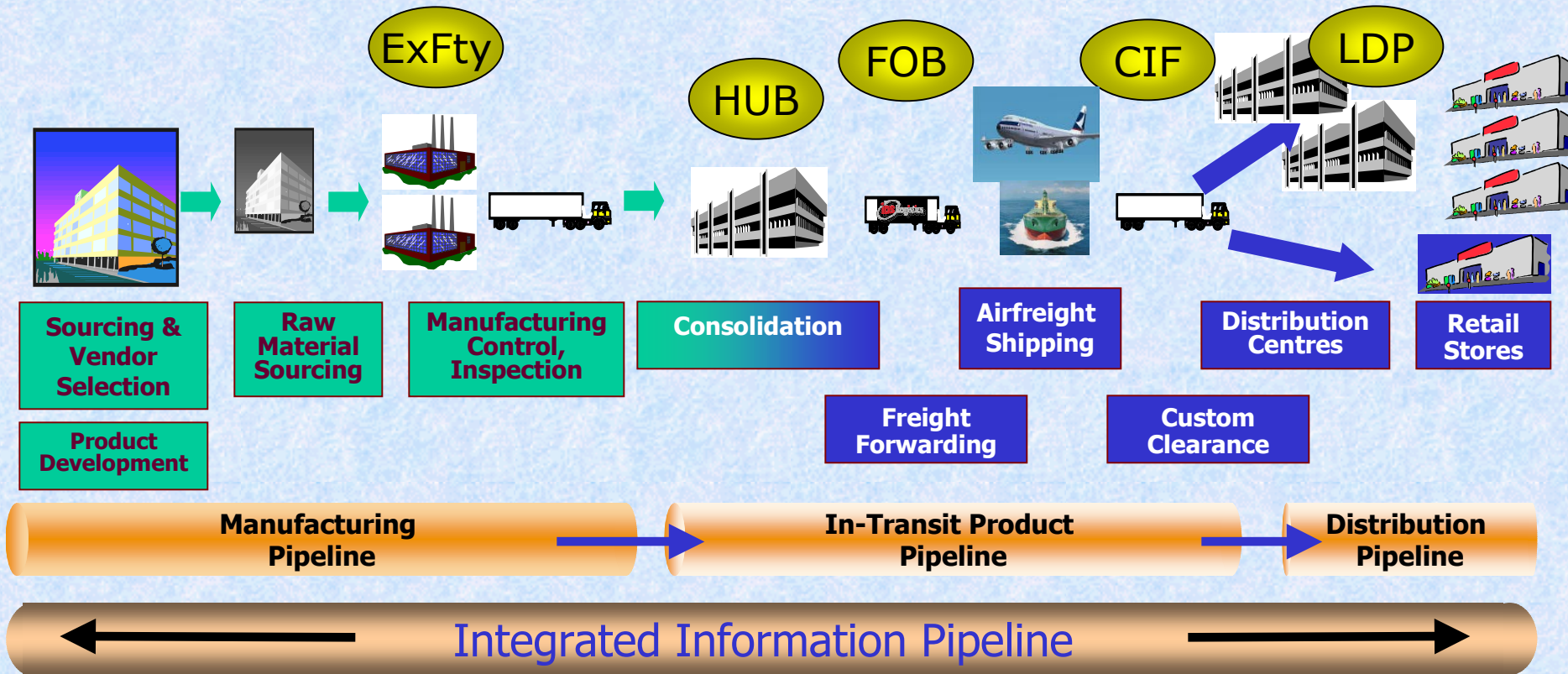
Leveraging Virtual Manufacturing

- ❖ Converting fixed costs to variable costs
- ❖ Re-channeling capital from fixed assets to enhance R&D, advertising, or bottom-line profitability
- ❖ Sub-components can be produced in multiple factories and then consolidated and assembled into end products for distribution
- ❖ Creating flexible manufacturing capacity to react to changing consumer demand
- ❖ Ability to continuously shift manufacturing capacity to exploit production cost opportunities

*SCM Technology:
Total Visibility & Control across the Value Chain*

Virtual Manufacturing

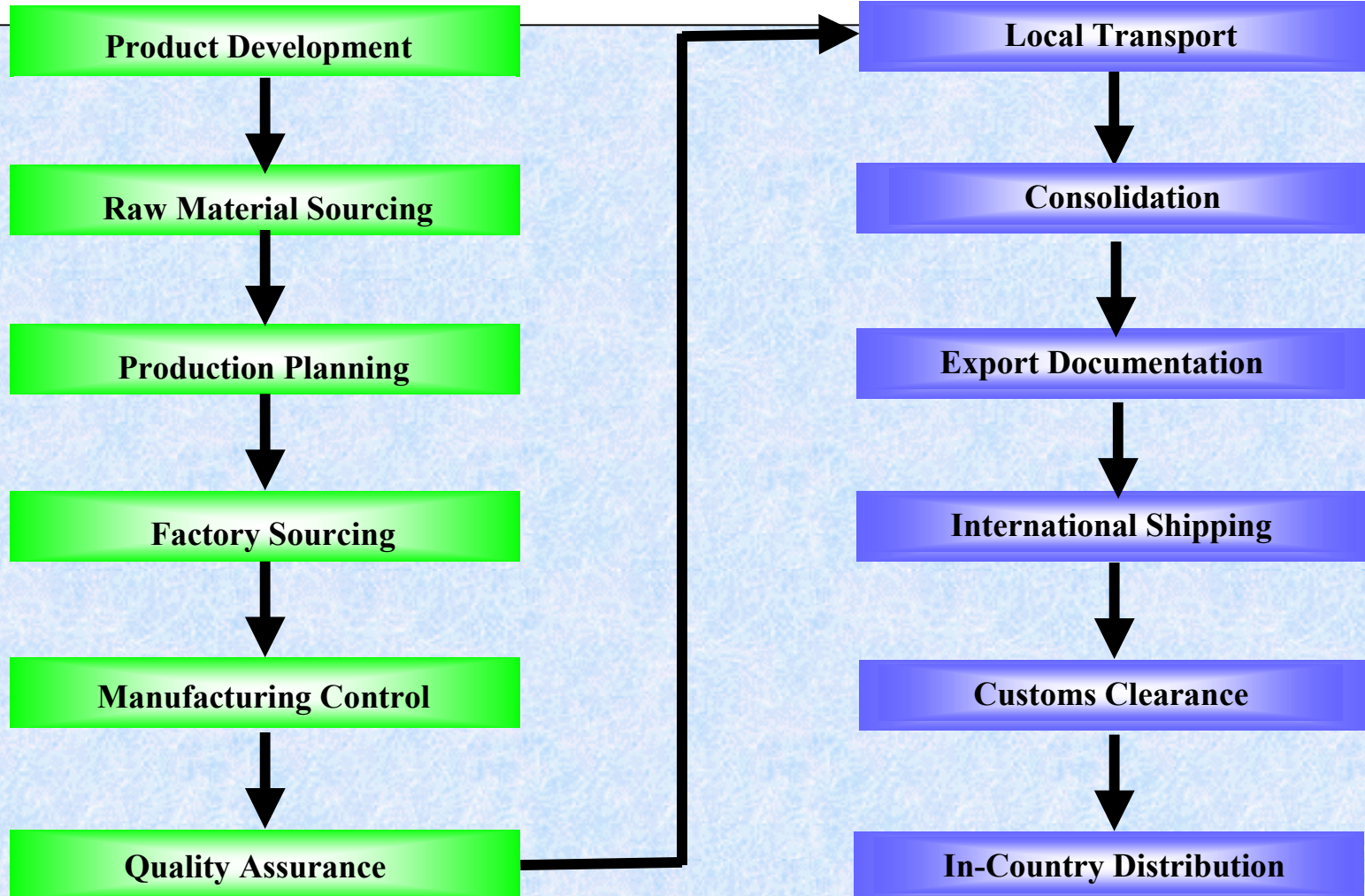
Supply Chain Execution



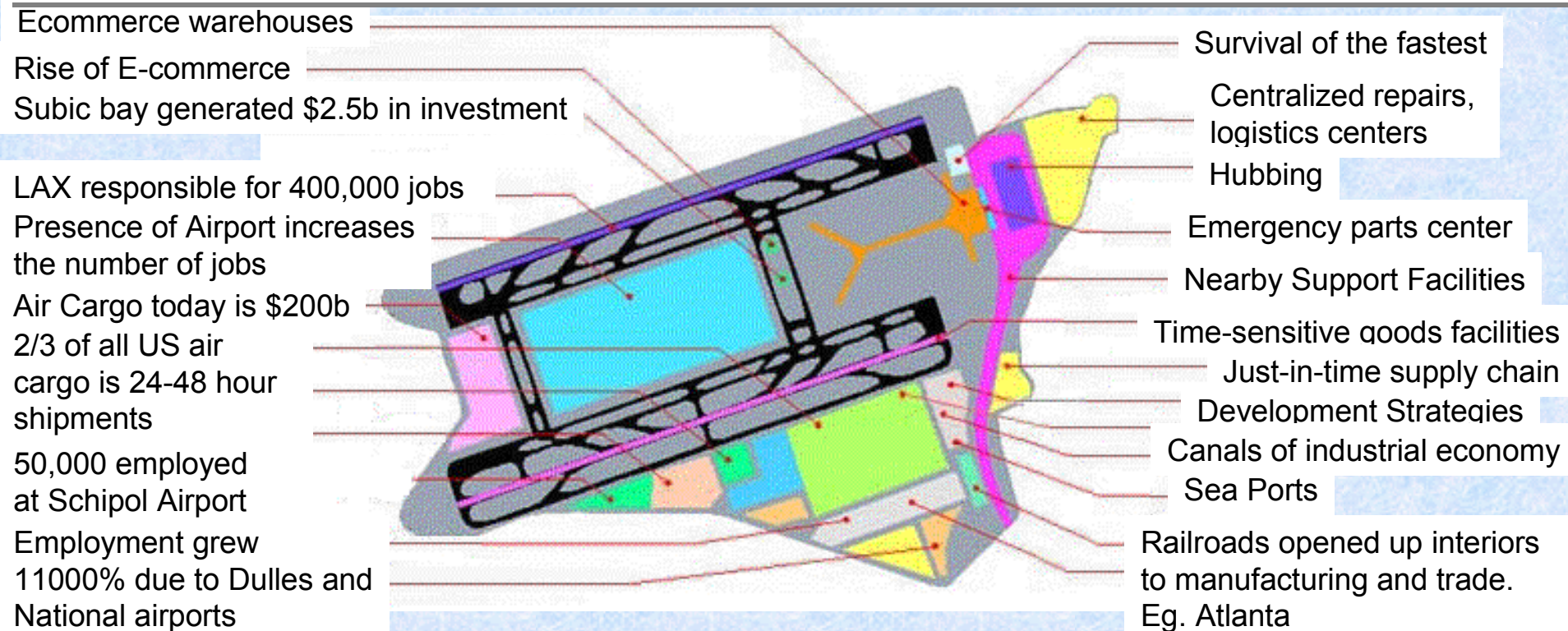
Supply Chain Integration

Virtual Manufacturing

Supply Chain Execution



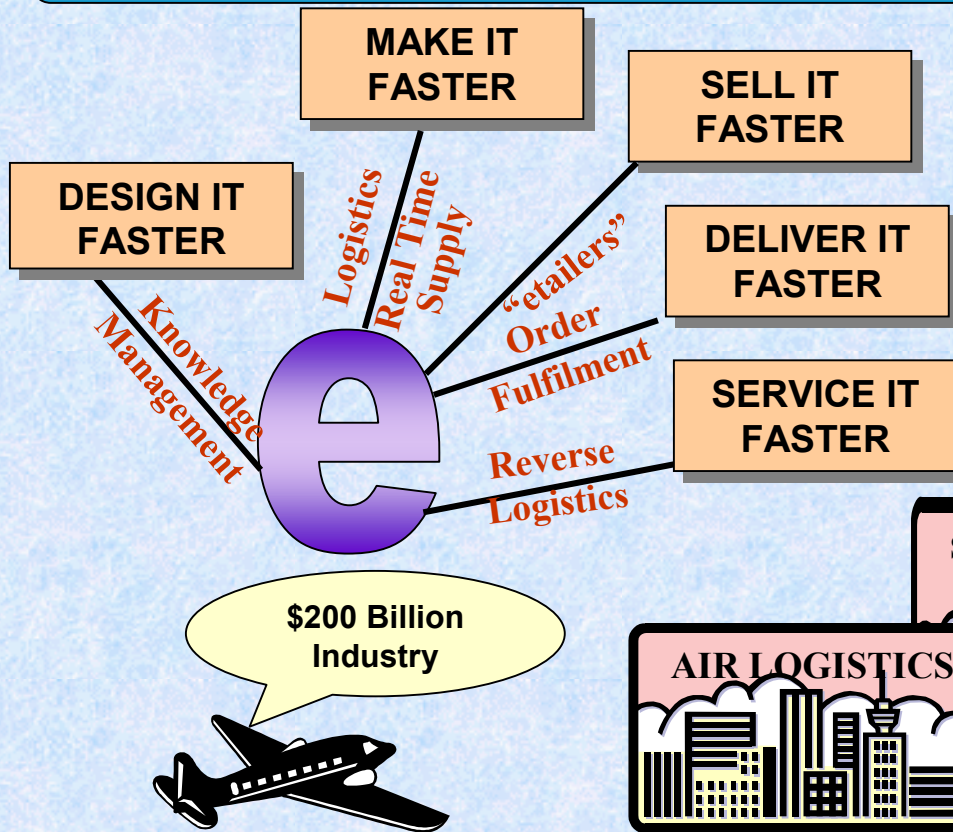
Air Commerce - The logistics backbone to the new economy



40% of the value of world trade today goes by air, 2% by weight.

Connecting The 21st Century

LOGISTICS IS THE BASIS FOR FUTURE COMPETITION



SPEED RULES

“SURVIVAL OF THE FASTEST” WILL BE THE LAW OF COMPETITIVE SUCCESS

40% OF THE VALUE GOES BY AIR



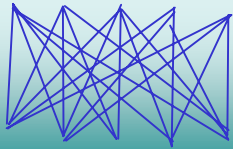
IT'S ABOUT THE NETWORK NOT THE NODES

KNOWLEDGE WORKERS USE AIR TRAVEL MORE THAN OTHERS



SUPPLY CHAIN INTEGRATION

Supply Chain Nightmare in Asia

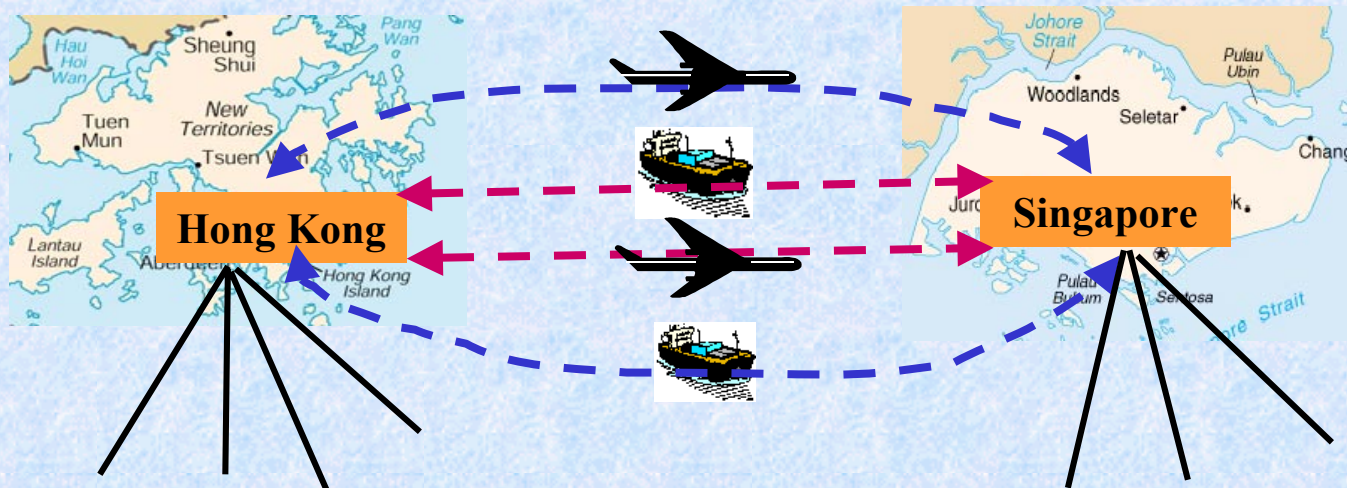


Supply Chain Integration

OPPORTUNITIES

- » Flow Management of Product
- » Optimize Information Flow
- » Inventory Management
- » Financing
- » Demand Management

ASIAN POWER HUBS



PROVINCES IN CHINA



China : Challenges & Opportunities

- ❖ **China will become the Manufacturing Center of the World**
- ❖ **China will be the Largest Consumer Market of the 21st Century (in stages)**
- ❖ **This will require radical changes in global business strategy**



Major Transport & Logistics Centre Developments

主要運輸及物流中心發展

Major Transport & Logistics Centre Developments



Ref : www.info.gov.hk/gia/

Hong Kong's Competitive Edge

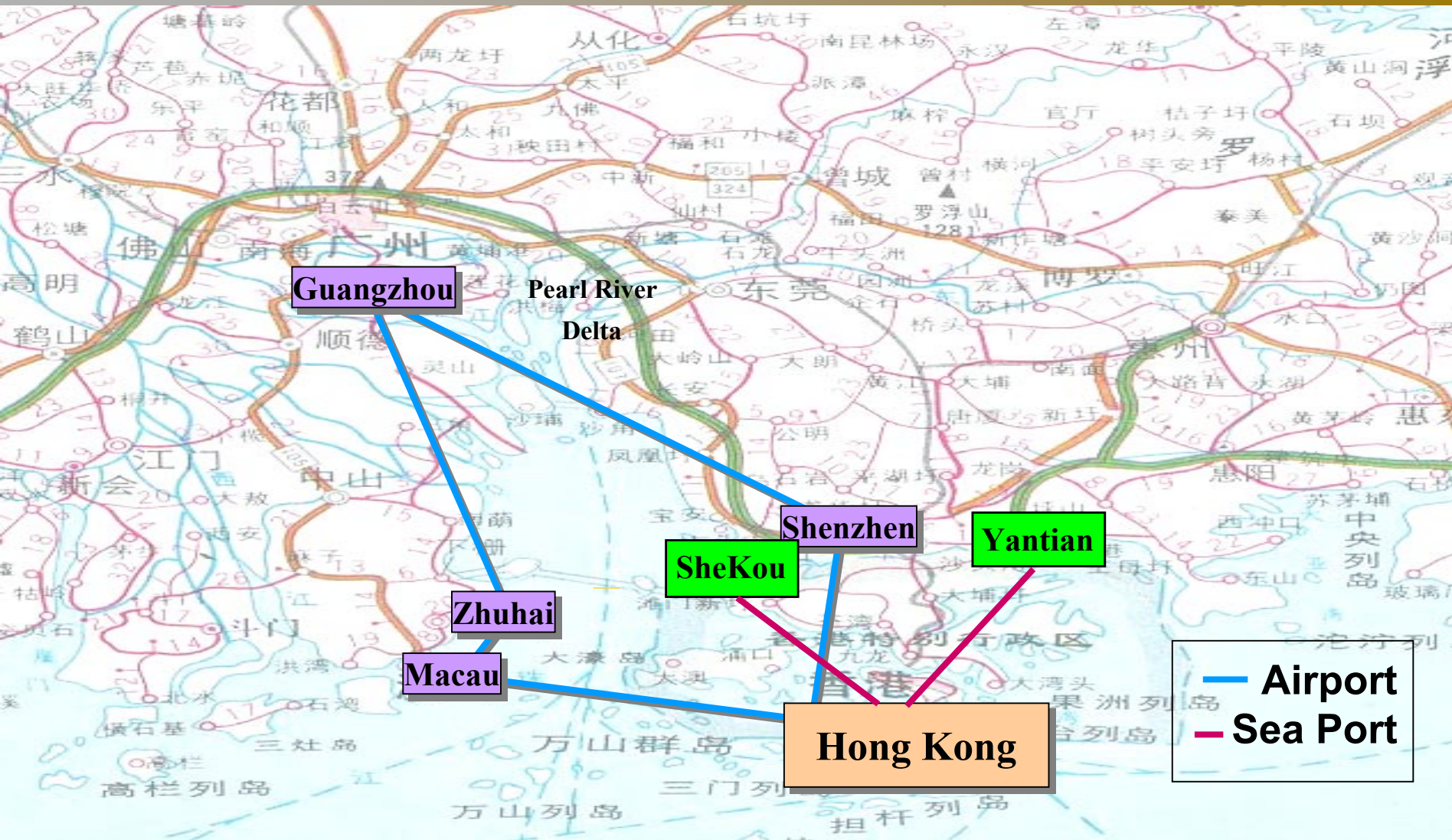
Linking the Pearl River A5 Aerotropolis



Hong Kong

- Thought Center to meet consumer expectations
- Manufacturing & Virtual manufacturing co-ordination Center
- Supply Chain & Quality Control Center
- Adapting global technology to China's unique environment

"A5" China Aerotropolis



Entrepot between China and the World

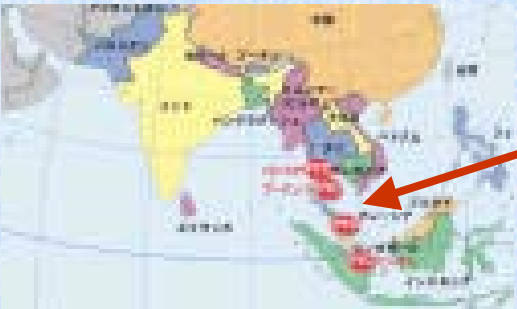
Europe



United States



Asia





Li & Fung Group

Li & Fung (1937) Ltd

Public Shareholders

Financial Investors

Li & Fung (Trading) Ltd

Li & Fung (Retailing) Ltd

Li & Fung (Distribution) Ltd

Core Business:

Export trading of soft goods and hard goods to US & EU

Global sourcing network of 68 offices in 40 countries

Retailing in Greater China and ASEAN countries:



International Supply Chain Management & In-country Logistics



Marketing Services & Contract Manufacturing

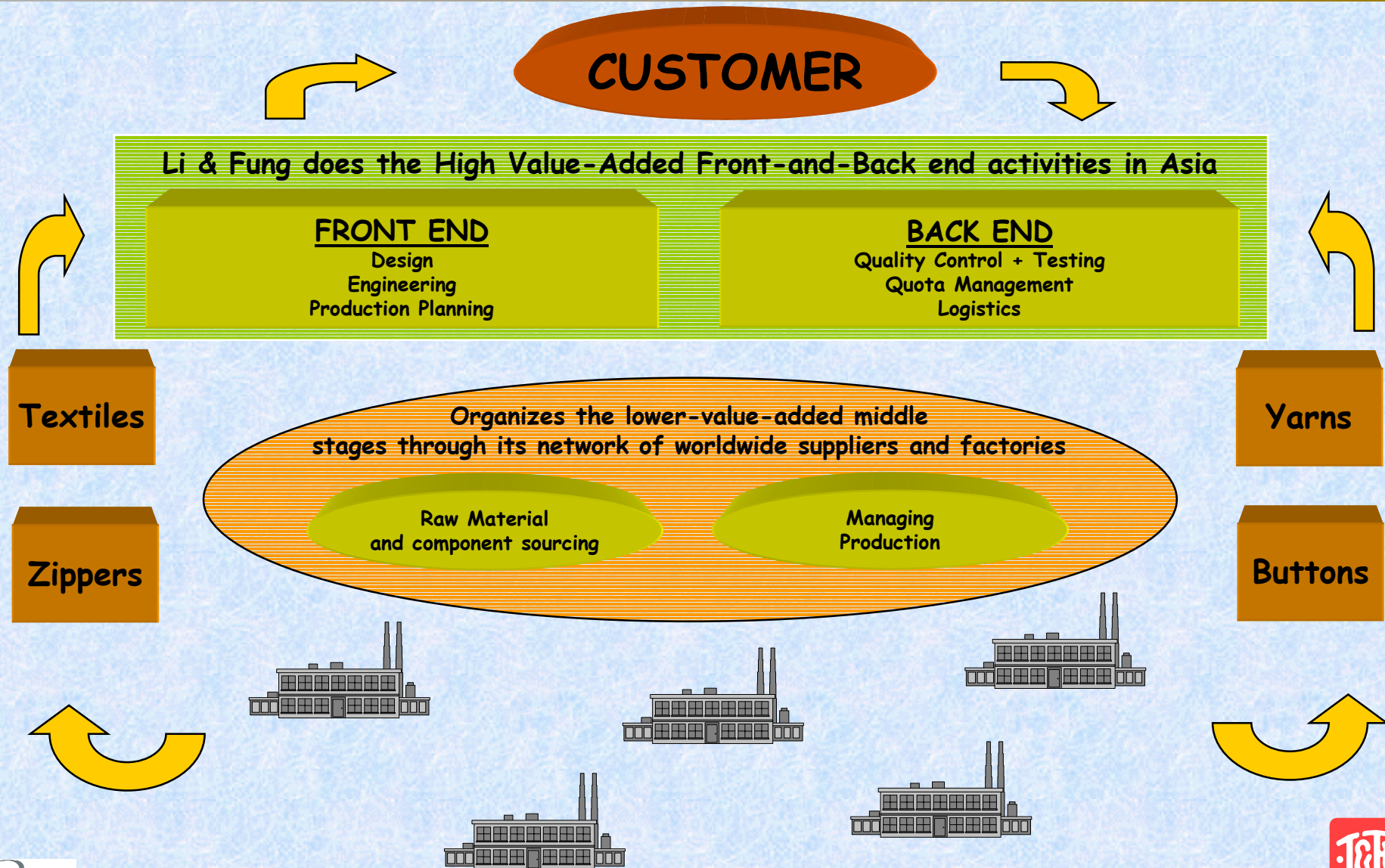
Turnover: US\$ 4.5 Billion
Employee: 5,000

US\$350 Million
2,000

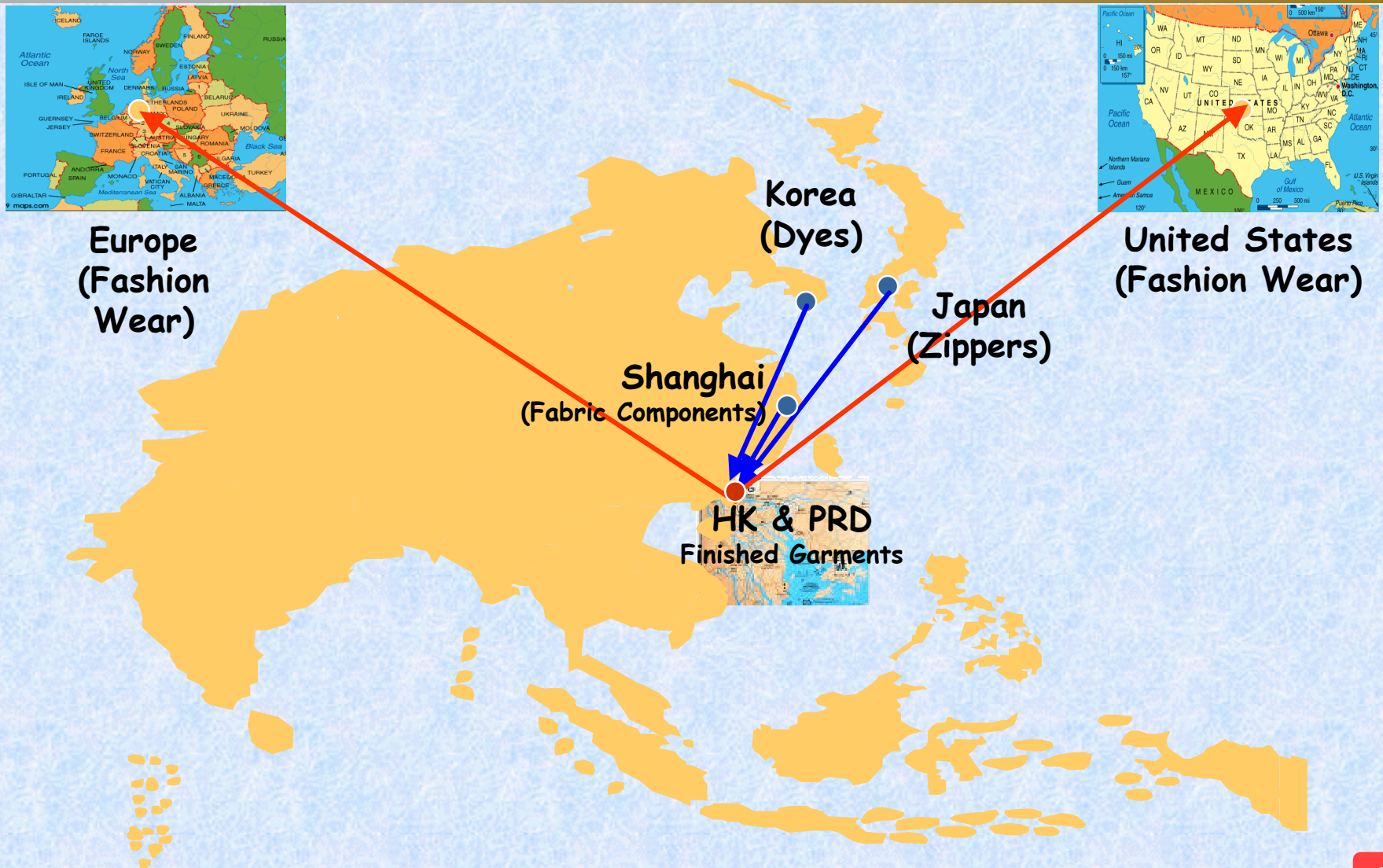
US\$ 1 Billion
5,000



Li & Fung's Fashion Wear Supply Chain Network



Example of Fashion Wear Supply Chain Network



The Pearl River Delta Aerotropolis: A New Path to Competitive Advantage

Creating a dynamic virtual manufacturing and supply chain network linked across China to respond to global consumer demand



The Li & Fung Group

***is uniquely positioned to Enhance
Value Across the
Asian Supply Chain***