

# textiles

## Hong Kong's TAL Group Takes on Cost Wrinkles

By ELLEN SHENGHONG

**HONG KONG** — For the TAL Group, the solution to the escalating cost of labor in China is to become more efficient and offer more services.

TAL, a family-owned business that's been operating since 1947, holds innovation as a critical part of its survival, said the company's chief operating officer, Roger Lee.

Though not a household name, the Hong Kong-based company estimates that it makes one out of every six dress shirts sold in the U.S., or about 35 million shirts a year. While dress shirts make up most of the business, or about 60 percent of sales, the company also produces casual pants, outerwear and has its own lines of casual apparel.

"We focus on products that are a little harder to make with a higher barrier to entry," said Lee, speaking at his office at the TAL head office in Hong Kong's Tsim Sha Tsui district.

Like many other manufacturers, TAL has been able to pass on only part of the increases in materials and labor costs.

"It's definitely gone up," Lee said of materials and labor costs. "But the consumer will not accept a higher price so they have to figure out ways to be more efficient or to offer better product to the consumer that the consumer will buy, so

our innovation fits right into that."

Higher costs "absolutely are impacting margins," Lee acknowledged, "but as a manufacturer, the second you don't survive you disappear. For us to continue to get to our vision of being a world-class apparel manufacturer, we have to survive, we have to provide more services to our customers, not just producing garments. We have to give them innovation."

TAL invests millions of dollars a year in research and development and, among other things, is known for its wrinkle- and stain-resistant treatments. The company has also invested in additional services, such as a vendor-managed inventory program that helps customers control costs by reducing inventory. The automated inventory program monitors the stock in each store and places orders automatically through weekly or monthly replenishment programs, depending on the particular store set up. The program not only tracks point of sale data, but also forecasts demand, taking into account



Shirts by the TAL Group.

upcoming promotions, holidays or other events. Lee said the company makes about 18 million garments as part of the replenishment program.

TAL has also worked to improve efficiency and lower costs in its own factories. The company has factories in China, Thailand, Malaysia, Indonesia and Vietnam, with each factory specializing in one or two items. About a third

provide a combination of low labor costs, a strong local management team, labor availability and good logistics.

"We do not go to the cheapest country to set up a factory for five to 10 years, then move to another country," he said. "We go into a country to be there for longer than 10 years so we can develop a local management team."

Training a local management team takes up to five years, he added, but is vital to creating a "sustainable model" that can be innovative, productive and find ways to bring down costs to combat inflation.

The company is also looking at new markets, particularly China. TAL commissioned Bain Consulting three years ago to look into the market. At the time, the market was only one-fifth the size of the U.S. market in volume terms, but is expected to grow rapidly.

"We know China is the future with the income level rising, with them becoming more discerning about what they want to buy," said Lee.

Though TAL has been focused on Western clients for decades, Lee believes the company can use its experience to enter the market. That may be sooner rather than later. While many Chinese retailers have their own factories, similar to how it was in the U.S. decades ago, Lee said he sees opportunities opening up.

"We know slowly more and more customers will come to us because they want a better product and I believe the China retailers who today have factories will eventually say it's too much of a headache," he said. "I just want to focus on retail. Retail at the end of the day is more sexy, it has higher margins."

TAL has a China-dedicated team now working on sales, merchandising and design.

"We are slowing seeing customers asking for a better product, so now it fits into what we're offering," he added.



"We go into a country to be there for longer than 10 years so we can develop a local management team."

— ROGER LEE, TAL GROUP

of items are manufactured in China, another third in Thailand, and the rest in Malaysia, Indonesia and Vietnam.

While many manufacturers have been looking to move production to Southeast Asia in the wake of rising labor prices, TAL is something of an old-timer. The company first set up factories in Southeast Asia decades ago. Lee said TAL looks for places that can

### LEGAL NOTICE

UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK  
In re: THE CONNAUGHT GROUP, LTD., et al., Chapter 11 Case No. 12-10512 (SMB) Debtors. (Jointly Administered)

NOTICE OF DEADLINE FOR FILING PROOFS OF CLAIM ON OR BEFORE MAY 21, 2012 AT 5:00 P.M. (EDT) TO ALL PERSONS AND ENTITIES WITH CLAIMS AGAINST THE CONNAUGHT GROUP, LTD. (CASE NO. 12-10512); LIMITED EDITIONS FOR HER OF NEVADA LLC (CASE NO. 12-10514); LIMITED EDITIONS FOR HER OF BRANSON LLC (CASE NO. 12-10515); LIMITED EDITIONS FOR HER LLC (CASE NO. 12-10516); AND WDR RETAIL CORP. (CASE NO. 12-10517).

The United States Bankruptcy Court for the Southern District of New York has entered an Order (the "Bar Order") establishing May 21, 2012 at 5:00 p.m. (EDT) (the "Bar Date") as the last date for each person or entity (including individuals, partnerships, corporations, joint ventures, trusts and governmental units) to file a proof of claim against any of the Debtors (the "Debtors").

The Bar Date and the procedures set forth below for filing proofs of claim apply to all claims against the Debtors that arose prior to February 9, 2012, the date on which the Debtors commenced cases under chapter 11 of the United States Bankruptcy Code, except for those holders of the claims listed in Section 4 below that are specifically excluded from the Bar Date filing requirement.

1. WHO MUST FILE A PROOF OF CLAIM. YOU MUST file a proof of claim to vote on a chapter 11 plan filed by the Debtors or to share in distributions from the Debtors' bankruptcy estates if you have a claim that arose prior to February 9, 2012 (the "Filing Date"), and it is not one of the types of claim described in Section 4 below.

2. WHAT TO FILE. Your filed proof of claim must conform substantially to the Proof of Claim Form attached to this Notice; a case-specific proof of claim form that can be obtained at <http://www.kccfcl.net/Connaught>.

All proof of claim forms must be signed by the claimant or, if the claimant is not an individual, by an authorized agent of the claimant. It must be written in English and be denominated in United States currency. You should attach to your completed proof of claim any documents on which the claim is based (if voluminous, attach a summary) or an explanation as to why the documents are not available.

Each claimant asserting a 503(b)(9) claim against the Debtors must include the following: (a) the value of the goods the claimant contends the Debtors received within twenty days prior to the Petition Date; (b) documentation, including invoices, receipts, bills of lading and the like, identifying the particular goods for which the claim is asserted; and (c) documentation regarding which Debtor the goods were shipped to, the date the goods were received by the Debtors, and the alleged value of such goods. Failure to attach proper documentation may constitute a basis for objection to the claim being asserted.

Any holder of a claim against more than one Debtor must file a separate proof of claim with respect to each Debtor and all holders of claims must identify on their proof of claim the specific Debtor against which their claim is asserted and the Debtor's name on the Southern District of New York or Kutzman Carson Consultants LLC in a form substantially similar to Official Bankruptcy Form No. 10.

3. WHEN AND WHERE TO FILE. Except as provided for herein, all proofs of claim must be filed so as to be received on or before May 21, 2012 at 5:00 p.m. (EDT) at the following address: IF SENT BY MAIL OR OVERNIGHT DELIVERY: Connaught Claims Processing, c/o Kutzman Carson Consultants LLC, 2335 Alaska Avenue, El Segundo, CA 90245. IF DELIVERED BY HAND: United States Bankruptcy Court, Southern District of New York, One Bowling Green, Room 534, New York, NY 10004-1408.

Proofs of claim will be deemed filed only when received by the Bankruptcy Court or at the addresses listed herein on or before the Bar Date. Proofs of claim may not be delivered by facsimile, telecopy or electronic mail transmission.

Governmental units may have until August 7, 2012 at 5:00 p.m. (EDT), the date that is 180 days after the order for relief, to file proofs of claim.

4. WHO NEED NOT FILE A PROOF OF CLAIM. You do not need to file a proof of claim on or prior to the Bar Date if you are:

(a) a person or entity that has already filed a proof of claim against the Debtors with the Clerk of the Bankruptcy Court for the Southern District of New York or Kutzman Carson Consultants LLC in a form substantially similar to Official Bankruptcy Form No. 10;

(b) a person or entity whose claim is listed on the Schedules if (i) the claim is not scheduled as "disputed," "contingent" or "unliquidated" and (ii) you do not disagree with the amount, nature and priority of the claim as set forth in the Schedules and (iii) you do not dispute that your claim is an obligation only of the specific Debtor against which the claim is listed

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in the Schedules; (c) A holder of a claim that has previously been allowed by order of the Court;

(d) A holder of a claim that has been paid in full by any of the Debtors;

(e) A holder of a claim for which a specific deadline has previously been fixed by this Court;

(f) Any Debtor having a claim against another Debtor or any of the non-debtor subsidiaries of a Debtor having a claim against any of the Debtors; or

(g) A holder of a claim allowable under § 503(b) and § 507(a)(2) of the Bankruptcy Code as an expense of administration of the Debtors' estates except that claims arising under section 503(b)(9) of the Bankruptcy Code may be filed by the applicable Bar Date as provided above. Section 503(b)(9) provides in part as follows: "...there shall be allowed administrative expenses ... including ... (9) the value of any goods received by the debtor within 20 days before the date of commencement of a case under this title in which the goods have been sold to the debtor in the ordinary course of such debtor's business." Accordingly, if you have a Claim under Bankruptcy Code section 503(b)(9), you must file a proof of claim on or before the General Bar Date.

If you are a holder of an equity interest in the Debtors, you need not file a proof of interest with respect to the ownership of such equity interest at this time. However, if you assert a claim against the Debtors, including a claim relating to such equity interest or the purchase or sale of such interest, a proof of such claim must be filed on or prior to the Bar Date pursuant to procedures set forth in this Notice.

5. EXECUTORY CONTRACTS AND UNEXPIRED LEASES. If you have a claim arising out of the rejection of an executory contract or unexpired lease as to which the order authorizing such rejection is dated on or before April 6, 2012, the date of entry of the Bar Order, you must file a proof of claim by the Bar Date. Any person or entity that has a claim arising from the rejection of an executory contract or unexpired lease, as to which the order is dated after the date of entry of the Bar Order, must file a proof of claim with respect to such claim by the date fixed by the Court in the applicable order authorizing rejection of such contract or lease.

6. CONSEQUENCES OF FAILURE TO FILE A PROOF OF CLAIM BY THE BAR DATE. ANY HOLDER OF A CLAIM THAT IS NOT EXCEPTED FROM THE REQUIREMENTS OF THIS ORDER, AS SET FORTH IN SECTION 4 ABOVE, AND THAT FAILS TO TIMELY FILE A PROOF OF CLAIM IN THE APPROPRIATE FORM WILL BE BARRED FROM ASSERTING SUCH CLAIM AGAINST THE DEBTORS AND THEIR CHAPTER 11 ESTATES, FROM VOTING ON ANY PLAN OF REORGANIZATION FILED IN THESE CASES, AND FROM PARTICIPATING IN ANY DISTRIBUTION IN THE DEBTORS' CASES ON ACCOUNT OF SUCH CLAIM.

7. THE DEBTORS' SCHEDULES AND ACCESS THERETO. You may be listed as the holder of a claim against one or more of the Debtors in the Debtors' Schedules of Assets and Liabilities and/or Schedules of Executory Contracts and Unexpired Leases (collectively, the "Schedules").

If you rely on the Debtors' Schedules, it is your responsibility to determine if the claim is accurately listed in the Schedules. As set forth above, if you agree with the nature, amount and status of your claim as listed in the Debtors' Schedules, and if you do not dispute that your claim is only against the Debtor specified by the Debtors, and if your claim is not described as "disputed," "contingent" or "unliquidated," you need not file a proof of claim. Otherwise, or if you decide to file a proof of claim, you must do so before the Bar Date in accordance with the procedures set forth in this Notice.

Copies of the Debtors' Schedules are available for inspection on the Court's website at <http://www.nys.uscourts.gov>. A login and password to the Court's Public Access to Electronic Court Records ("PACER") are required to access this information and can be obtained through the PACER Service Center at <http://www.pacer.uscourts.gov>. Copies of the Schedules are also available for inspection at <http://www.kccfcl.net/Connaught>. Copies of the Schedules may also be examined between the hours of 9:00 a.m. and 4:30 p.m. (EDT), Monday through Friday at the Office of the Clerk of the Bankruptcy Court, One Bowling Green, Room 511, New York, New York 10004-1408. Copies of the Debtors' Schedules may also be obtained by written request to Debtors' Claims Agent at Kutzman Carson Consultants LLC, 2335 Alaska Avenue, El Segundo, CA 90245, or by contacting them via phone at 877-606-7656.

A holder of a possible claim against the Debtors should consult an attorney regarding any matters not covered by this notice, such as whether the holder should file a proof of claim.

Dated: April 6, 2012, New York, New York.

BY ORDER OF THE COURT  
FULBRIGHT & JAWORSKI L.L.P., 666 Fifth Avenue, New York, NY 10103, Telephone: 212-318-3000, Facsimile: 212-318-3400, David L. Barrack, Esq., Paul Jacobs, Esq., Mark C. Haut, Esq., Counsel to the Debtors and Debtors in Possession