

4.0 INFORMATION ON THE GA BLUE GROUP

4.1 History and Principal Activities

GA Blue was incorporated in Malaysia under the Companies Act, 1965 on 31 January 2002 as a public limited company under its present name. GA Blue commenced operations on 6 March 2001. The Company is an investment holding company whilst the principal activities of its subsidiary companies are as follows:-

Subsidiary Company	Effective Equity Interest %	Principal Activity
GBC	100.00	Manufacturing and marketing of jeanswear and its related products.
All Denim	100.00	Distributing and retailing of jeanswear, footwear and other accessories.
Delison	100.00	Distribution of haversacks, pouch bags and travelling bags.
Evatech	100.00	Manufacturing and selling of garments and apparels.
Lensan	100.00	Marketing and distributing of fashion watches and eyewear.
Topchamp	100.00	Marketing of jeanswear and its related products.
Twin Access	100.00	Marketing and distributing of jeanswear and other fashion apparels.
Uni Jeans	100.00	Provision of services relating to specialised treatment and finishing process of jeanswear.
LKH	60.00	Supplier of apparels and footwear.
Starix	51.00	Marketing and distributing of high fashion wear.
Lu Fa #	100.00	Property investment.
Quangcin #	100.00	Property investment.

Note: -

Wholly-owned subsidiary companies of Evatech.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

4.0 INFORMATION ON THE GA BLUE GROUP (Cont'd)**4.2 Share Capital**

The current authorised share capital of GA Blue is RM100,000,000 comprising 200,000,000 shares of which 82,000,000 shares are issued and fully paid-up.

The changes in the issued and paid-up share capital of GA Blue since its incorporation are as follows: -

Date of Allotment/ Share Split	No. of Ordinary Shares Allotted	Par Value	Consideration/Reason	Issued and Paid-up Share Capital
		RM		RM
31.01.2002	2	1.00	Subscribers' shares	2
30.11.2003	40,999,998	1.00	Issued pursuant to the acquisition of the entire issued and paid-up share capital of GBC at an issue price of approximately RM1.03 per share.	41,000,000
2.12.2003	*	0.50	Share Split	41,000,000

Note:-

- * The entire 41,000,000 ordinary shares of RM1.00 each was sub-divided into 82,000,000 ordinary shares of RM0.50 in GA Blue.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

4.0 INFORMATION ON THE GA BLUE GROUP (Cont'd)**4.3 Restructuring and Listing Scheme**

In conjunction with and as an integral part of the Listing exercise of GA Blue on the Second Board of the MSEB, the Company undertook the following exercises which were approved by the FIC, MITI and SC on 18 November 2002, 29 November 2002, and 9 May 2003, 14 August 2003 and 3 November 2003 respectively :-

(a) Acquisition of the entire issued and paid-up share capital of GBC

GA Blue had on 30 November 2003 acquired the entire issued and paid-up share capital of GBC comprising 2,200,000 ordinary shares of RM1.00 each for a total purchase consideration of RM42,306,986 based on the audited consolidated NTA of GBC as at 31 July 2002 which was satisfied by the issuance of 40,999,998 new ordinary shares of RM1.00 each in GA Blue at an issue price of approximately RM1.03 per ordinary share of RM1.00 each.

The 40,999,998 new ordinary shares of RM1.00 each in GA Blue were issued to the vendors of GBC as follows:-

Vendor	No. of GBC Shares held		No. of New GA Blue Shares Issued*	
	No. of Ordinary Shares of RM1.00 each	%	No. of Ordinary Shares of RM1.00 each	%
Kan Ah Chun	625,000	28.41	11,647,699	28.41
Yeap Beow Chong	625,000	28.41	11,647,699	28.41
Lim In Foo	55,000	2.50	1,025,000	2.50
Kang Chiu Yee	55,000	2.50	1,025,000	2.50
Chong Ik Poh	20,000	0.91	372,800	0.91
Yeap Kian Keong	10,000	0.45	186,400	0.45
Tan Chooi Kim @ Yeap Chuan Joo	10,000	0.45	186,400	0.45
Saffie Bin Bakar	570,000	25.91	10,622,700	25.91
Rithauddin Hussein Jamalattiff Bin Jamaluddin	100,000	4.55	1,863,600	4.55
Anual Bin Hassan	100,000	4.55	1,863,600	4.55
Zora Binti Zainal Abidin	30,000	1.36	559,100	1.36
	<u>2,200,000</u>	<u>100.00</u>	<u>40,999,998</u>	<u>100.00</u>

Note :-

* The number of new GA Blue shares received are rounded up/down, to the extent possible, to the nearest hundred.

Subsequent to the GBC Acquisition, GA Blue had on 1 December 2003 acquired all shares held by GBC in its subsidiary companies for a total cash consideration of RM15,998,623, based on the respective companies' audited NTA value as at 31 July 2002 except for Evatech where the purchase consideration was based on the proforma consolidated NTA value as at 31 July 2002 and Lensan where the purchase consideration was based on the share capital acquired as it had negative shareholders' funds as at 31 July 2002. The Cash Acquisitions are in line with GA Blue's internal re-organisation to rationalise its corporate structure. GBC's subsidiary companies are All Denim, Delison, Evatech, Lensan, Topchamp, Twin Access and Uni Jeans, 60% equity interest of LKH and 51% equity interest of Starix.

The 40,999,998 ordinary new shares of RM1.00 each in GA Blue issued pursuant to the GBC Acquisition ranked pari passu in all respects with the existing shares of GA Blue and carried all rights to receive in full all dividends and other distributions declared and paid subsequent to the allotment thereof.

Upon completion of the GBC Acquisition, the issued and paid-up share capital of GA Blue increased from RM2 comprising 2 ordinary shares of RM1.00 each to RM41,000,000 comprising 41,000,000 ordinary shares of RM1.00 each.

4.0 INFORMATION ON THE GA BLUE GROUP (Cont'd)

(b) Share Split

After the Acquisitions, on 2 December 2003, GA Blue undertook a sub-division in the par value of its ordinary shares from RM1.00 to RM0.50. Consequently, the issued and paid-up share capital of GA Blue of 41,000,000 ordinary shares of RM1.00 each was converted to 82,000,000 ordinary shares of RM0.50 each. The Share Split was approved by the SC vide its letter dated 3 November 2003.

(c) Public Issue

In conjunction with its Listing on the Second Board of the MSEB, GA Blue will undertake the Public Issue in the following manner:-

- (i) 8,800,000 Public Issue Shares to be made available for application by the Malaysian public;
- (ii) 4,000,000 Public Issue Shares have been reserved for application by identified investors by way of private placement, of which at least 30% is to be placed, to the extent possible, to Bumiputera investors;
- (iii) 5,000,000 Public Issue Shares to be reserved for eligible Directors, employees and persons who have contributed to the success of the GA Blue Group; and
- (iv) 200,000 Public Issue Shares to be reserved for Bumiputera investors approved by the MITI.

Upon completion of the Public Issue, the issued and paid-up share capital of GA Blue will increase from RM41,000,000 comprising 82,000,000 shares to RM50,000,000 comprising 100,000,000 shares. The Public Issue Shares will represent 18.00% of the said enlarged issued and paid-up share capital.

(d) Listing and Quotation on the MSEB

GA Blue will submit an application to the MSEB for the listing of and quotation for the entire issued and paid-up share capital of GA Blue of 100,000,000 shares on the Second Board of the MSEB.

4.4 Business Overview

4.4.1 Background

The GA Blue Group is an original brand manufacturer, licensed brand manufacturer and distributor of jeanswear, accessories and other fashion apparel.

The Group is involved in the marketing of a wide range of jeanswear and other fashion apparel such as accessories (i.e. belts, briefs, caps, socks, bags, jackets and overalls), ladies wear, tops and pants, under the "GA Blue", "Lois", "Mustang", "R Twenty-Two", "RJNS", "Rex Jeans", "pm" and "22:pm" brand names. All the brand names are owned by the GA Blue Group except for the "Lois" and "Mustang" brand names for which the Group is the licensee in Malaysia.

4.4.2 GA Blue's Group Structure

The group structure and principal activities of the GA Blue Group are summarised in Section 1.1 and Section 4.5 of this Prospectus.

4.0 INFORMATION ON THE GA BLUE GROUP (Cont'd)

4.4.3 Principal Products

(a) Brand Names

As the Group is primarily a marketing company, its key assets are its brand names. The Group's products are currently sold through brand names such as "GA Blue", "Lois", "Mustang", "RJNS", "Rex Jeans", "R Twenty Two", ":pm" and "22:pm".

"GA Blue" is a home-grown brand established in 1992 and it is the flagship brand for the Group. Other local brands owned by the Group such as "RJNS" and "R Twenty Two" were introduced in the Malaysian market in 1999 whereas ":pm" and "22:pm" were introduced in the third quarter of 2002 in the European markets. The Group is the licensee in Malaysia for the "Lois" label which is a Spanish brand name and the "Mustang" label which is a German brand name.

(b) Jeanswear

The Group manufactures a wide range of jeanswear with variations in cutting style, designs, colour, specialised treatment and finishing techniques as follows:-

(i) Cutting styles

- (a) Straight cut;
- (b) Easy fit;
- (c) Boot cut; and
- (d) Regular cut.

(ii) Designs

- (a) Front pocket style;
- (b) Back pocket style;
- (c) Leg style;
- (d) Decorative stitching;
- (e) Embellishments;
- (f) Fabric colour; and
- (g) Finishing processes.

(iii) Colour

GA Blue has around 107 variations in colour for the "GA Blue" label, 83 for the "Mustang" label and 95 for the "Lois" label. Examples are as follows:

- (a) indigo;
- (b) black;
- (c) beige;
- (d) green;
- (e) white; and
- (f) purple.

(iv) Techniques used in Specialised Treatment and Finishing Technique

- (a) Stonewashing;
- (b) Sandblasting;
- (c) Acid washing;
- (d) Bleaching;
- (e) Brushing; and
- (f) Dyeing.

(c) Other Products

The Group is also involved in the retail sales and distribution of other products, such as accessories, watches, footwear, ladies wear, tops and pants under the "GA Blue", "Lois", "Mustang", "R Twenty Two", "RJNS", "Rex Jeans", ":pm" and "22:pm" labels. These products are distributed through the same outlets as its jeanswear products. Products categorised under accessories include belts, briefs, caps, socks, bags, jackets, wallets and overalls.

4.0 INFORMATION ON THE GA BLUE GROUP (Cont'd)**4.4.4 Brand Names, Patents, Trademarks, Licences, Technical Assistance Agreements, Franchise and other Intellectual Property Rights**

Save as disclosed below, the GA Blue Group does not own any major brand names, trademarks, licences, registered patents, technical assistance agreements, franchises or other intellectual property rights pertaining to the Group.

(i) Trademarks

	Brand	Country/ Trade Mark No.	Registrant	Type of Products	Expiry Date
1.	"GA Blue"	Malaysia/ 90/01463 (B) 92006578 (B)	GBC	Jeans, Trousers, Shirts, Sleeves, Belts (Clothing), Gowns	February 2011 September 2009
		Thailand/ Kor86986	GBC	Trousers, Shorts, Shirts, Jackets, Belts (Clothing), Caps, Hats, Boots, Shoes, Sport Shoes, Slippers, Gowns	September 2007
		Indonesia/ 419652	GBC	Jeans, Trousers, Shirts, Sleeves, Belts (Clothing), Gowns	August 2007
2.	"R Twenty Two"	* Malaysia/-	Twin Access	Clothing, footwear, headgears	Not applicable
3.	"RJNS"	* Malaysia/-	Twin Access	Clothing, footwear, headgears	Not applicable
4.	"Rex Jeans"	* Malaysia/-	Twin Access	Jeans, T-shirts, sweaters, trousers, vests, undergarments for men and women, knitwear, clothing of all kinds, hats, caps socks, shoes and slippers	Not applicable
5.	":pm"	* Malaysia/-	Starix	Coats, jackets, knitwear, wovenwear, jeanswear, shirts, trousers, blouse, skirts, dress, belts, briefs, caps, socks, footwear	Not applicable
6.	"22:pm"	* Malaysia/-	Starix	Coats, jackets, knitwear, wovenwear, jeanswear, shirts, trousers, blouse, skirts, dress, belts, briefs, caps, socks, footwear	Not applicable

Note:-

* Applications for registration of trademarks have been submitted to the Trade Marks Registry, Malaysia and are pending approval as at 19 January 2004 (being the latest practicable date prior to the printing of this Prospectus).

4.0 INFORMATION ON THE GA BLUE GROUP (Cont'd)**(ii) Licences**

	Brand/ Trademark	Licensor	Licensee	Nature of licence/ Type of Products	
1.	"Lois"	Lois Trade Mark Co Ltd, Valencia, Spain	Twin Access	Trade Mark Licence and Technical Assistance Agreement (Licensed to manufacture, operate as exclusive distributor in Malaysia, the products under the "Lois" trademark)/ All types of men, women and children outwear garments, including jeans, jackets, trousers and shirts	Note (i)
2.	"Mustang"	Mustang Bekleidungswerke GmbH + Co, Kunzelsau, Germany	Topchamp	Licence Contract (Licensed to manufacture, sell and advertise apparel under the "Mustang" label in Malaysia, Singapore and Brunei)/ Apparel to include men and women's jeans and sportwear, denim shirts and blouses, T-shirts, sweat shirts and pullovers	Note (ii)

Notes:-

- (i) (a) *Fixed term duration of the licence agreement ends on 31 December 2003. Subsequently the licence agreement shall be automatically renewable, for a period of every 2 renewal terms of 2 years subject to either party giving a 4-month notice prior to the expiry of the agreement.*
- (b) *The licence agreement is subject to the clauses of termination stated in the licence agreement. Among the terms are, by mutual consent, by either parties giving 30 days prior notice in the event of any breach, which is curable, by either party in the performance of any one or more obligation or being dissolved or liquidated and subject to other clauses of termination contained in the licence agreement.*
- (ii) (a) *Fixed term duration of the licence agreement ends on 31 December 2005. Subsequently, the agreement shall run for an indefinite time and can be terminated with 6 months' notice.*
- (b) *The licence agreement is subject to the termination clauses under the licence agreement. The right to terminate the licence agreement arises, amongst others, if the licence is in arrears with royalty payment of more than 3 months, if the management or shareholder of licence or a sub-licensor change in such a way that the licensor cannot be reasonably expected to continue the present contract or if there is a fundamental breach.*

4.0 INFORMATION ON THE GA BLUE GROUP (Cont'd)

(iii) Manufacturing Licences

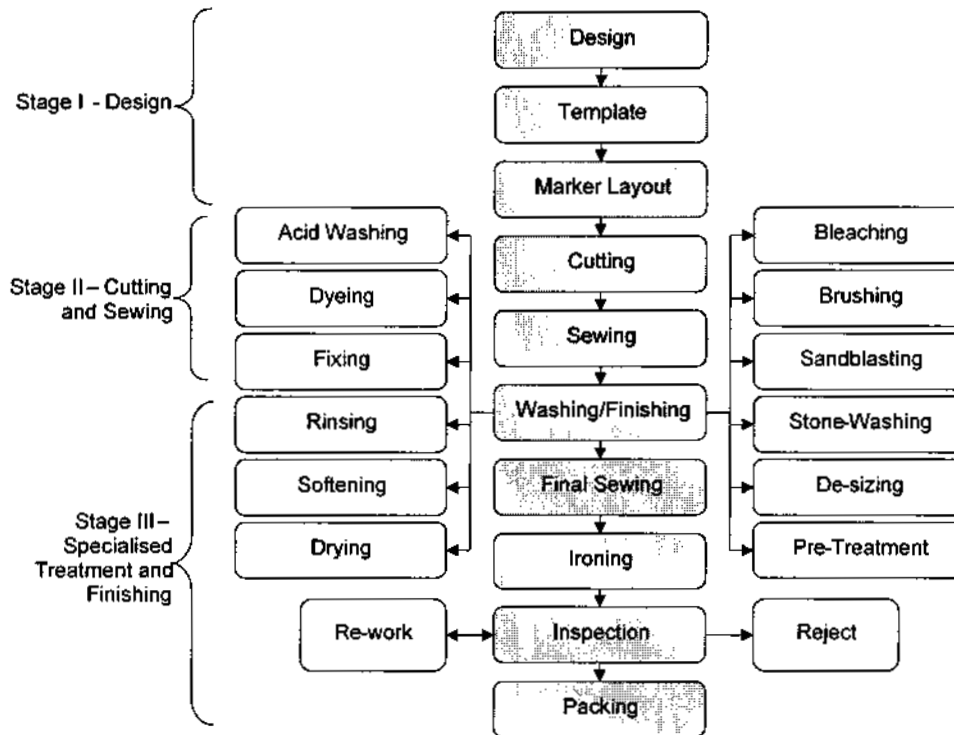
	Authority/ Type of Licence	Company	Equity Conditions Imposed	Expiry Date	Status of Compliance
1.	MITI/ Manufacturing licence of made-up garments (for example jeans, cargo pants, shirts, jackets etc.)	Evatech	<p>(i) the shares owned by non Malaysian citizens cannot be disposed of without the prior written approval from the MITI.</p> <p>(ii) the composition of the board of directors of the company must, generally, mirror the equity structure of the company and MITI must be informed of the appointment and any changes to the board of directors.</p> <p>(iii) the company must employ and train Malaysian employees to reflect the composition of the various races in the country, at all levels of employment.</p> <p>(iv) the company must as far as possible use the services from Malaysian owned companies and entrepreneurs in the context of the New Economic Policy.</p> <p>(v) the company must as far as possible appoint Malaysian owned companies to distribute its products within the country and must appoint Bumiputera agents to distribute at least 30% of the sales within the country. The selection and appointment of Bumiputera distributors must be done after consultation with MITI. The appointment of foreign firms as distributors must first have the prior approval of MITI.</p>	Not Applicable	<p>Met.</p> <p>Met.</p> <p>Met.</p> <p>Met.</p> <p>Notified MITI on 25.09.2002 of the status and is still awaiting reply as at the date of this Prospectus.</p>
2.	MITI/ Manufacturing licence for commission bleaching, dyeing and finishing of garments	Uni Jeans	Same as above excluding condition (i).	Not Applicable	Please refer to the above.

The group is not dependent on the licences and trademarks. The Group's revenue is contributed substantially from the sales of its in-house branded products such as "GA Blue", "R Twenty Two", "RJNS", ".pm" and "22:pm". The Group is also not dependent on contracts with either its customers or suppliers as the Group has a wide base of customers and suppliers.

4.0 INFORMATION ON THE GA BLUE GROUP (Cont'd)

4.4.5 Manufacturing Process

The manufacturing process for the GA Blue Group's principal product, i.e. jeanswear can be summarised as follows:-



Stage I - Design

- The process begins with the preparation of the layout pattern of a specific style designed by the Group's team of designers. Patterns are drawn according to sizes with the assistance of computer aided design (CAD) software. This process is known as 'marker layout'.
- The layout pattern is then printed by an auto-plotting machine, which optimises spaces on the paper as it plots and marks out the pattern on a large continuous roll of paper. The direction of the fabric during cutting is also taken into account at this stage.

Stage II - Cutting and Sewing

- Prior to cutting, the fabric is rolled out and neatly arranged in layers on the cutting table. A total of between 15 layers to a maximum of 100 layers can be stacked for each cutting.
- The layout pattern is then placed on top of the fabric and pinned into place in preparation for cutting. The fabric is cut mechanically according to the printed patterns.
- The cut pieces of fabric are then sent for sewing where they are sewn by a combination of machines and manual labour. Subsequently the semi-finished jeans are sent to the washing plant.

4.0 INFORMATION ON THE GA BLUE GROUP (Cont'd)

Stage III - Specialised Treatment and Finishing

- At the washing plant, the jeans are sent for brushing, sand blasting or stone washing or a combination of these processes, to acquire the desired worn-out look.
- In brushing, the jeans are brushed manually with sand paper or special brushes to obtain the classic used look.
- Sand blasting is where sand is shot by hand with a powerful spray gun to remove colour from certain areas of a garment, either all over or placed. The treatment gives the garment a used look and additional softness.
- Prior to stone washing, the garments are sent for de-sizing in an automatic washer to remove substances such as starch, gelatin, glue and wax from the fabric. Such substances were added to fabrics in the finishing state to improve touch or weight and to help fabric laying in the cutting phase. The process usually takes around 30 minutes. After de-sizing, the jeans are sent for stone washing.
- Stone washing involves the washing of garments in a large industrial machine filled with pumice stones. The friction created by the stones abrades the fabric and loosen its colour, thereby accelerating the fading and softening of the garment.
- Other finishing methods include acid washing and bleaching.
- The next stage is the pre-treatment of the garments where wetting agents are used to increase the absorbency of the fabric.
- The jeans are then sent for dyeing in an industrial dyeing washer to attain the colour desired. Upon completion, 'fixing' agents, which contain cationic polymer based chemicals, are used to firm the dyes to ensure colour fastness.
- The jeans are then given a final wash to rinse away all remaining scum and softeners are added. Finally they are placed in dryers to remove all excess water.
- Upon completion of the washing stage, the jeans are sent for trimming and sewing of accessories such as buttons and rivets. Thereafter, they are sent for industrial ironing.
- A 100% inspection is then carried out by the quality control personnel to ensure that the finished jeans meet the required quality standards. Rejects, which are repairable, are sent back to the sewing section for correction and re-inspection.
- The finished jeans are then sent to the packing department where labels and price tags are attached before they are packed. They are stored in the warehouse or delivered to customers.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

4.0 INFORMATION ON THE GA BLUE GROUP (Cont'd)

4.4.6 Principal Markets

The principal markets for the GA Blue Group's products are local as well as regional.

Locally, the Group's products are retailed through its extensive distribution network comprising its own retail outlets, outlets by its retailers, distributors and outlets of departmental chain stores throughout Malaysia. Overseas, the Group's products are channelled through its retailers in Brunei and Singapore. As at 19 January 2004 (being the latest practicable date prior to the printing of this Prospectus), the breakdown in terms of number of customers and outlets is as follows:-

	No. of Customers	No. of Outlets
Local		
Own Retail Outlets	-	9
Retailers/ Distributors	874	1,009
Departmental Stores	11	36
	<u>885</u>	<u>1,054</u>
Overseas		
Retailers/ Distributors	2	2
Total	<u>887</u>	<u>1,056</u>

Specifically, GA Blue Group's retail outlets, its local retail customers and departmental stores can be found in Perlis, Kedah, Penang, Melaka, the Federal Territory, Selangor, Pahang, Perak, Negeri Sembilan, Terengganu, Kelantan, Johor, Sarawak and Sabah.

According to the Summary Independent Business and Market Research Consultants' Report by Vital Factor updated on 19 January 2004, based on a turnover of RM43.3 million for the financial year ended 31 July 2003, which will be used as an approximation for calendar year 2002, the market share of the GA Blue Group was approximately 2% of the total Apparel Industry in Malaysia based on local expenditure in 2002.

4.4.7 Sources and Availability of Raw Materials

The principal raw materials used by the GA Blue Group in its manufacturing operations include, amongst others, fabrics (such as indigo denim, cotton and corduroy), chemicals, dyes, accessories such as buttons and rivets and other materials such as thread and leather.

The Group's fabric requirements for the manufacture of its jeanswear products are imported from overseas such as Taiwan, Indonesia, Hong Kong, China, Australia, Japan, Korea and Philippines or sourced directly from local stockists. All the Group's chemical requirements are purchased from local stockists or imported directly. Accessories such as buttons, rivets and other materials like leather, thread, zippers, labels and pocketing materials, are sourced directly from local manufacturers and suppliers.

As at 19 January 2004 (being the latest practicable date prior to the printing of this Prospectus), the Group does not face any difficulties in sourcing its major raw materials as they are readily available in the market.

4.4.8 Quality Control

The GA Blue Group places the utmost emphasis on the quality of its products and services as consistent quality of its products would ensure customer satisfaction and enhance brand loyalty among its end customers.

The Group closely monitors the various stages of its production process to ensure that the quality of the finished products meets the Group's requirements.

Prior to production, stringent checks on the quality of its raw material supplies such as fabrics, accessories, dyes and chemical are conducted. For certain low value-added areas of the manufacturing process such as cutting and sewing that are out-sourced to contract manufacturers, the Group's quality assurance personnel will perform quality checking on the garments assembled by the contract manufacturers to ensure that they consistently meet the Group's stipulated designs and stringent quality standards.

Before the finished products are shipped out, the Group's quality assurance personnel will carry out inspection checks on the finished products for defects.

To-date, the Group has not experienced any significant return of defective goods from its customers.

4.0 INFORMATION ON THE GA BLUE GROUP (Cont'd)

4.4.9 R&D

The GA Blue Group recognises the importance of R&D to ensure its business sustainability and success in the long term.

The Group's R&D team consists of four designers, a material technician and a chemist. They are supported by the Group's sales and production personnel and regularly meet to discuss trends and ideas.

The Group's R&D activities are mainly focused on catering to the tastes and preferences of its end-consumers. Some of the areas in which R&D is undertaken include:-

(i) Product Development

The R&D team continuously keep abreast with global trends and developments in the jeanswear market through various means, which include obtaining insights on the latest designs and trends from its licensors, "Mustang" and "Lois", fabric suppliers and chemical suppliers, seeking feedback from the Group's customers, and obtaining ideas from fashion magazines, trade shows and conventions. The management team and the R&D team attend international fashion and fabric exhibitions and conventions annually.

R&D in the modification of existing designs where new or different looks are created, are achieved through variations in styles and cuts, choice of chemical treatments to alter the fabric to create the desired look, variations in decorative stitching and embellishments, usage of various tools to further distress the fabric, choice of different coloured dyes and choice of other fabrics.

(ii) Maintaining Product Quality

The R&D activities also focus on fit and comfort of its products, styles and cuts, quality of its fabrics and accessories, fastness of various dyes and the finishing effects of various chemical treatments. The R&D team carries out tests on the resistance of dyes to washing and abrasion.

(iii) Experimenting with Alternative Fabrics

The Group also undertakes research in other fabrics suitable for its manufacturing activities in order to expand and diversify its existing range of products to cater to a wider market and to maintain its competitive advantage over its competitors.

Some of the alternative fabrics which the Group has used in the past include corduroy, cotton twill, polyester and knitting.

(iv) Manufacturing Processes

The Group continuously seeks ways to improve its manufacturing process, particularly in enhancing its specialised treatment and finishing processes. This is critical as it has a direct impact on the quality of its finished product. As such, the Group undertakes R&D through the selection of process flow best practices locally and abroad, research in new technologies and machineries in improving the effectiveness, efficiencies, productivity and quality and continuous evaluation and improvement of existing processes and procedures to optimise work-flow. The Group's Quality Assurance team continuously identifies areas for improvement and ensures that quality standards are complied with throughout its manufacturing processes.

For the past three (3) financial years ended 31 July 2003, the Group spent a total of RM0.41 million on R&D which was approximately 0.4% of the Group's turnover for the past three (3) financial years.

The Company plans to employ additional four (4) employees for its R&D team in the financial year ending 31 July 2004, who are expected to be involved in pattern and layout, visual merchandising and graphic design.

4.0 INFORMATION ON THE GA BLUE GROUP (Cont'd)

4.4.10 Interruptions to Operations

According to the Directors and Management of the GA Blue Group, the Group did not experience any disruption in business which has a significant effect on its operations, for the past twelve (12) months prior to 19 January 2004 (being the latest practicable date prior to the printing of this Prospectus).

4.4.11 Modes of Marketing/Distribution

The Group's distribution channel strategy is mainly focused on direct channels through its own retail outlets, indirect channels through local retailers/distributors and department chain stores as well as local and foreign distributors. The Group's customers are mainly retailers and departmental stores. GA Blue Group also directly channels its products through nine (9) of its own retail outlets located in Kedah, Penang, Selangor and Federal Territory. With this strategy, the Group can achieve faster market penetration rate and market diversification, attain higher volume sales sufficient to achieve economies of scale and be financially viable and conserve its human and financial resources. This will enable the Group to continually focus and strengthen its core competency of brand management and to leverage its products by licensing its brands for other products and accessories.

The Group promotes and markets its products through advertising and promotion campaigns such as advertising on television, radio and magazines, sponsorship of major events, promotion campaigns for its own retail outlets as well as for its customers' retail outlets and participation during the store-wide promotions of its department store customers. In 2001, the Group was the main sponsor for Radio Television Malaysia ("RTM") 1 and RTM2 during the 2001 South East Asia Games. In the same year, the Group also sponsored all the outfits of the artistes participating in the "Konsert Bergerak Selamba Aje" in Sabah whilst "Mustang" sponsored "The Best of Double Metal" concert.

The Group works in close partnership with its existing customers to ensure their requirements are satisfactorily met. It also supports its customers by subsidising the signage and display set-up in their outlets, provide stand-up posters, wall posters, calendars and promotional T-shirts.

4.4.12 Production, Facilities, Capacity and Utilisation

The GA Blue Group's manufacturing capacity as at 31 July 2003, based on a 6-day week and an 8-hourly shift is as follows:-

	Built-up Area (square feet)	No. of Machines (units)	Maximum Capacity Production (pieces per month)	Utilisation Rate Approx. %
Sewing Plant	56,815	160	49,900	63
Specialised Treatment and Finishing	9,840	24	54,000	80
	66,655	184	103,900	

4.4.13 Location of Principal Place of Business and Production Facilities

The location of principal assets, place of business and production facilities of the GA Blue Group is as follows:-

Location	Description of Usage by the GA Blue Group
Lot 9233, Hala Kampung Jawa I Kawasan Perindustrian Bayan Lepas (Fasa 3) 11900 Bayan Lepas Penang	(i) Corporate head office/ holding company (ii) Factory
23, Jalan PJS 11/8 Bandar Sunway 46150 Petaling Jaya Selangor Darul Ehsan	(i) Marketing office

4.0 INFORMATION ON THE GA BLUE GROUP (Cont'd)**4.4.14 Key Achievements/Milestones/Awards of the Group**

The Group was awarded the "Superbrand 2003/2004" by the Superbrands Council in January 2004 in recognition of the Company's achievements for its brand "GA Blue".

4.5 Subsidiary Companies

Details of the subsidiary companies of GA Blue are set out below: -

Name of Company	Date/Place of Incorporation	Authorised Share Capital	Issued and Paid-up Share Capital	Effective Equity Interest %	Principal Activity
GBC	23.11.1992/ Malaysia	RM5,000,000	RM2,200,000	100.00	Manufacturing and marketing of jeanswear and its related products.
All Denim	22.09.1997/ Malaysia	RM100,000	RM100,000	100.00	Distributing and retailing of jeanswear, footwear and other accessories.
Delison	2.04.2002/ Malaysia	RM500,000	RM250,000	100.00	Distribution of haversacks, pouch bags and travelling bags.
Evatech	24.12.1998/ Malaysia	RM100,000	RM100,000	100.00	Manufacturing and selling of garments and apparels.
Lensan	13.05.2002/ Malaysia	RM100,000	RM2	100.00	Marketing and distributing of fashion watches and eyewear.
Topchamp	19.08.1994/ Malaysia	RM100,000	RM100,000	100.00	Marketing of jeanswear and its related products.
Twin Access	26.08.1998/ Malaysia	RM100,000	RM100,000	100.00	Marketing and distributing of jeanswear and other fashion apparels.
Uni Jeans	12.08.1996/ Malaysia	RM500,000	RM200,000	100.00	Provision of services relating to specialised treatment and finishing process of jeanswear.
LKH	29.05.2002/ Malaysia	RM500,000	RM500,000	60.00	Supplier of apparels and footwear.
Starix	14.06.2002/ Malaysia	RM100,000	RM50,000	51.00	Marketing and distributing of high fashion wear.
Lu Fa #	8.02.1990/ Malaysia	RM25,000	RM2	100.00	Property investment.
Quangcin #	6.04.1988/ Malaysia	RM25,000	RM2	100.00	Property investment.

Note: -

Wholly-owned subsidiary companies of Evatech

As at 19 January 2004 (being the latest practicable date prior to the printing of this Prospectus), the GA Blue Group does not have any associated company.

4.0 INFORMATION ON THE GA BLUE GROUP (Cont'd)**4.5.1 GBC****(i) History and Business**

GBC was incorporated in Malaysia on 23 November 1992 as a private limited company under the Companies Act, 1965. The principal activities of GBC are manufacturing and marketing of jeanswear and its related products.

(ii) Share Capital

The present authorised share capital of GBC is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each of which 2,200,000 ordinary shares of RM1.00 each are issued and fully paid-up. The changes in the issued and paid-up share capital of GBC since its incorporation are as follows :-

Date of Allotment	Number of Ordinary Shares Allotted	Par Value	Consideration	Resultant Issued and Paid-up Share Capital
		RM		RM
23.11.1992	2	1.00	Subscribers' shares	2
10.05.1993	19,998	1.00	Cash	20,000
12.06.1996	980,000	1.00	Cash	1,000,000
15.12.1999	600,000	1.00	Cash	1,600,000
25.07.2000	400,000	1.00	Cash	2,000,000
1.08.2001	70,000	1.00	Issued at RM11.80 per share for the acquisition of 100% equity interest in Topchamp	2,070,000
25.06.2002	130,000	1.00	Cash	2,200,000

(iii) Subsidiary and Associated Company

As at 19 January 2004 (being the latest practicable date prior to the printing of this Prospectus), GBC does not have any subsidiary company or associated company.

(iv) Substantial Shareholders

GBC is a wholly-owned subsidiary company of GA Blue.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

4.0 INFORMATION ON THE GA BLUE GROUP (Cont'd)**4.5.2 All Denim****(i) History and Business**

All Denim was incorporated in Malaysia on 22 September 1997 as a private limited company under the Companies Act, 1965 under the name Jelas Wajib Sdn Bhd which was subsequently changed to its present name on 21 December 1998. The principal activities of All Denim are distributing and retailing of jeanswear, footwear and other accessories.

(ii) Share Capital

The present authorised share capital of All Denim is RM100,000 comprising 100,000 ordinary shares of RM1.00 each of which 100,000 ordinary shares of RM1.00 each are issued and fully paid-up. The changes in the issued and paid-up share capital of All Denim since incorporation are as follows :-

Date of Allotment	Number of ordinary Shares Allotted	Par Value	Consideration	Resultant Issued and Paid-up Share Capital
		RM		RM
22.09.1997	2	1.00	Subscribers' shares	2
29.12.1998	99,998	1.00	Cash	100,000

(iii) Subsidiary and Associated Company

As at 19 January 2004 (being the latest practicable date prior to the printing of this Prospectus), All Denim does not have any subsidiary company or associated company.

(iv) Substantial Shareholders

All Denim is a wholly-owned subsidiary of GA Blue.

4.5.3 Delison**(i) History and Business**

Delison was incorporated in Malaysia on 2 April 2002 as a private limited company under the Companies Act, 1965. The principal activity of Delison is the distribution of haversacks, pouch bags and travelling bags.

(ii) Share Capital

The present authorised share capital of Delison is RM500,000 comprising 500,000 ordinary shares of RM1.00 each of which 250,000 ordinary shares of RM1.00 each are issued and fully paid-up. The changes in the issued and paid-up share capital of Delison since incorporation are as follows :-

Date of Allotment	Number of Ordinary Shares Allotted	Par Value	Consideration	Resultant Issued and Paid-up Share Capital
		RM		RM
02.04.2002	2	1.00	Subscribers' shares	2
31.07.2002	249,998	1.00	Cash	250,000

4.0 INFORMATION ON THE GA BLUE GROUP (Cont'd)**(iii) Subsidiary and Associated Company**

As at 19 January 2004 (being the latest practicable date prior to the printing of this Prospectus), Delison does not have any subsidiary company or associated company.

(iv) Substantial Shareholders

Delison is a wholly-owned subsidiary of GA Blue.

4.5.4 Evatech**(i) History and Business**

Evatech was incorporated in Malaysia on 24 December 1998 as a private limited company under the Companies Act, 1965. The principal activity of Evatech is manufacturing and selling of garments and apparels.

(ii) Share Capital

The present authorised share capital of Evatech is RM100,000 comprising 100,000 ordinary shares of RM1.00 each of which 100,000 ordinary shares of RM1.00 each are issued and fully paid-up. The changes in the issued and paid-up share capital of Evatech since incorporation are as follows :-

Date of Allotment	Number of Ordinary Shares Allotted	Par Value	Consideration	Resultant Issued and Paid-up Share Capital
		RM		RM
24.12.1998	2	1.00	Subscribers' shares	2
05.05.1999	99,998	1.00	Cash	100,000

(iii) Subsidiary and Associated Company

Name of Company	Date/Place of Incorporation	Effective Equity Interest %	Date Acquired Equity Interest	Principal Activity
Lu Fa	23.05.2001/ Malaysia	100.00	9.04.2001	Property investment
Quangcin	23.05.2001/ Malaysia	100.00	9.04.2001	Property investment

(iv) Substantial Shareholders

Evatech is a wholly-owned subsidiary of GA Blue.

4.0 INFORMATION ON THE GA BLUE GROUP (Cont'd)**4.5.5 Lensan****(i) History and Business**

Lensan was incorporated in Malaysia on 13 May 2002 as a private limited company under the Companies Act, 1965. The principal activity of Lensan is marketing and distributing of fashion watches and eyewear.

(ii) Share Capital

The present authorised share capital of Lensan is RM100,000 comprising 100,000 ordinary shares of RM1.00 each of which 2 ordinary shares of RM1.00 each are issued and fully paid-up.

(iii) Subsidiary and Associated Company

As at 19 January 2004 (being the latest practicable date prior to the printing of this Prospectus), Lensan does not have any subsidiary company or associated company.

(iv) Substantial Shareholders

Lensan is a wholly-owned subsidiary of GA Blue.

4.5.6 Topchamp**(i) History and Business**

Topchamp was incorporated in Malaysia on 19 August 1994 as a private limited company under the Companies Act, 1965. The principal activity of Topchamp is the marketing of its own brand of jeanswear and its related products.

(ii) Share Capital

The present authorised share capital of Topchamp is RM100,000 comprising 100,000 ordinary shares of RM1.00 each of which 100,000 shares are issued and fully paid-up. The changes in the issued and paid-up share capital of Topchamp since incorporation are as follows :-

Date of Allotment	Number of Ordinary Shares Allotted	Par Value	Consideration	Resultant Issued and Paid-up Share Capital
		RM		RM
19.08.1994	2	1.00	Subscribers' shares	2
17.11.1995	5,000	1.00	Cash	5,002
20.12.1999	94,998	1.00	Bonus issue 2,374 : 125	100,000

(iii) Subsidiary and Associated Company

As at 19 January 2004 (being the latest practicable date prior to the printing of this Prospectus), Topchamp does not have any subsidiary company or associated company.

(iv) Substantial Shareholders

Topchamp is a wholly-owned subsidiary of GA Blue.

4.0 INFORMATION ON THE GA BLUE GROUP (Cont'd)**4.5.7 Twin Access****(i) History and Business**

Twin Access was incorporated in Malaysia on 26 August 1998 as a private limited company under the Companies Act, 1965. The principal activity of Twin Access is the marketing and distributing of jeanswear and other fashion apparels.

(ii) Share Capital

The present authorised share capital of Twin Access is RM100,000 comprising 100,000 ordinary shares of RM1.00 each of which 100,000 ordinary shares of RM1.00 each are issued and fully paid-up. The changes in the issued and paid-up share capital of Twin Access since incorporation are as follows :-

Date of Allotment	Number of Ordinary Shares Allotted	Par Value	Consideration	Resultant Issued and Paid-up Share Capital
		RM		RM
26.08.1998	2	1.00	Subscribers' shares	2
30.12.1998	99,998	1.00	Cash	100,000

(iii) Subsidiary and Associated Company

As at 19 January 2004 (being the latest practicable date prior to the printing of this Prospectus), Twin Access does not have any subsidiary company or associated company.

(iv) Substantial Shareholders

Twin Access is a wholly-owned subsidiary of GA Blue.

4.5.8 Uni Jeans**(i) History and Business**

Uni Jeans was incorporated in Malaysia on 12 August 1996 as a private limited company under the Companies Act, 1965. The principal activity of Uni Jeans is the provision of services relating to specialised treatment and finishing process of jeanswear.

(ii) Share Capital

The present authorised share capital of Uni Jeans is RM500,000 comprising 500,000 ordinary shares of RM1.00 each of which 200,000 ordinary shares of RM1.00 each are issued and fully paid-up. The changes in the issued and paid-up share capital of Uni Jeans since incorporation are as follows :-

Date of Allotment	Number of Ordinary Shares Allotted	Par Value	Consideration	Resultant Issued and Paid-up Share Capital
		RM		RM
12.08.1996	2	1.00	Subscribers' shares	2
24.03.1997	199,998	1.00	Cash	200,000

4.0 INFORMATION ON THE GA BLUE GROUP (Cont'd)**(iii) Subsidiary and Associated Company**

As at 19 January 2004 (being the latest practicable date prior to the printing of this Prospectus), Uni Jeans does not have any subsidiary company or associated company.

(iv) Substantial Shareholders

Uni Jeans is a wholly-owned subsidiary of GA Blue.

4.5.9 LKH**(i) History and Business**

LKH was incorporated in Malaysia on 29 May 2002 as a private limited company under the Companies Act, 1965. The principal activity of LKH is supplier of apparels and footwear.

(ii) Share Capital

The present authorised share capital of LKH is RM500,000 comprising 500,000 ordinary shares of RM1.00 each of which 500,000 ordinary shares of RM1.00 each are currently issued and fully paid-up. The changes in the issued and paid-up share capital of LKH since incorporation are as follows :-

Date of Allotment	Number of Ordinary Shares Allotted	Par Value	Consideration	Resultant Issued and Paid-up Share Capital
		RM		RM
29.05.2002	100	1.00	Subscribers' shares	100
10.06.2002	49,970	1.00	Cash	50,070
10.06.2002	449,930	1.00	Issued for the acquisition of assets	500,000

(iii) Subsidiary and Associated Company

As at 19 January 2004 (being the latest practicable date prior to the printing of this Prospectus), LKH does not have any subsidiary company or associated company.

(iv) Substantial Shareholders

Shareholder	Number of Ordinary Shares held	%
GA Blue	300,000	60.00
Len Lip Fong @ Land Lip Fong	150,000	30.00
Foong Keng Sai @ Foong Keng Sim	50,000	10.00
Total	500,000	100.00

4.0 INFORMATION ON THE GA BLUE GROUP (Cont'd)**4.5.10 Starix****(i) History and Business**

Starix was incorporated in Malaysia on 14 June 2002 as a private limited company under the Companies Act, 1965. The principal activity of Starix is the marketing and distribution of high fashion wear.

(ii) Share Capital

The present authorised share capital of Starix is RM100,000 comprising 100,000 ordinary shares of RM1.00 each of which 50,000 ordinary shares of RM1.00 each are issued and fully paid-up. The changes in the issued and paid-up share capital of Starix since incorporation are as follows :-

Date of Allotment	Number of Ordinary Shares Allotted	Par Value	Consideration	Resultant Issued and Paid-up Share Capital
		RM		RM
14.06.2002	2	1.00	Subscribers' shares	2
19.07.2002	49,998	1.00	Cash	50,000

(iii) Subsidiary and Associated Company

As at 19 January 2004 (being the latest practicable date prior to the printing of this Prospectus), Starix does not have any subsidiary company or associated company.

(iv) Substantial Shareholders

Shareholder	Number of Ordinary Shares held	%
GA Blue	25,500	51.00
Wong Kum Khow	24,500	49.00
Total	50,000	100.00

4.5.11 Lu Fa**(i) History and Business**

Lu Fa was incorporated in Malaysia on 8 February 1990 as a private limited company under the Companies Act, 1965. The principal activity of Lu Fa is property investment.

(ii) Share Capital

The present authorised share capital of Lu Fa is RM25,000 comprising 25,000 ordinary shares of RM1.00 each of which 2 ordinary shares of RM1.00 each are issued and fully paid-up.

(iii) Subsidiary and Associated Company

As at 19 January 2004 (being the latest practicable date prior to the printing of this Prospectus), Lu Fa does not have any subsidiary company or associated company.

(iv) Substantial Shareholders

Lu Fa is a wholly-owned subsidiary of Evatech.

4.0 INFORMATION ON THE GA BLUE GROUP (Cont'd)

4.5.12 Quangcin**(i) History and Business**

Quangcin was incorporated in Malaysia on 6 April 1988 as a private limited company under the Companies Act, 1965. The principal activity of Quangcin is property investment.

(ii) Share Capital

The present authorised share capital of Quangcin is RM25,000 comprising 25,000 ordinary shares of RM1.00 each of which 2 ordinary shares of RM1.00 each are issued and fully paid-up.

(iii) Subsidiary and Associated Company

As at 19 January 2004 (being the latest practicable date prior to the printing of this Prospectus), Quangcin does not have any subsidiary company or associated company.

(iv) Substantial Shareholders

Quangcin is a wholly-owned subsidiary of Evatech.

4.6 General Overview

The GA Blue Group is mainly involved in manufacturing and marketing of jeanswear and its related products; distributing and retailing of jeanswear, footwear and its related products; distribution of haversacks, pouch bags and travelling bags; manufacturing and selling of garments and apparels; marketing and distribution of fashion watches and eyewear; supplier of apparels and footwear; provision of services relating to specialised treatment and finishing process of jeanswear and property investment. Therefore, the prospects of the GA Blue Group can mainly be linked to the growth of the following:

- (a) The Malaysian Economy;
- (b) The Manufacturing Sector; and
- (c) The Malaysian Apparel Industry.

4.6.1 The Malaysian Economy

“World growth and trade are expected to improve with most economic activities returning to normalcy. Business confidence and sentiment will, however, be cautiously optimistic against the backdrop of threats from terrorist attacks. World growth is still hinged on the modest performance of the US economy with the euro area still marked by relative weakness although Japan, the world’s second largest economy, is showing signs of a more definitive path of sustained positive growth. Overall, indications point towards an improved outlook and higher optimism for 2004, despite the downside risks. Upbeat stock market activities across major bourses into the second half of 2003 should bolster optimism for a firmer global economic recovery. Thus, the world economy is expected to post a higher growth of 4% with the US, euro area and Japan registering a growth of 3.6%, 2.3% and 1%, respectively in 2004.”

“Malaysia’s sound economic fundamentals and expansionary fiscal and accommodative monetary policies, supplemented by the Government’s proactive stimulus package, have helped to sustain high growth in the real gross domestic product (GDP). After expanding 4.5% in the first half and with prospects of sustained growth in the second half, the economy is set to achieve its targetted growth of 4.5% this year, higher than the 4.1% achieved in 2002.”

“The economic outlook for 2004 is envisaged to be favourable. Real GDP growth is expected to gain momentum and register a higher rate of 5.5%-6% in 2004. Growth is expected to emanate from higher exports on account of continuing improvement in world economic prospects while domestic demand will continue to be driven by pro-growth fiscal and monetary measures. Whilst all sectors are forecast to register higher growth, services and manufacturing will continue to lead GDP growth, contributing 3.1 and 2.2 percentage points, respectively.”

(Source : Economic Report 2003/2004, Ministry of Finance, Malaysia)

4.0 INFORMATION ON THE GA BLUE GROUP *(Cont'd)*

“The Malaysian economy expanded at a more rapid pace of 5.1% in the third quarter of 2003 from 4.5% in the second quarter. The growth has been broad based, both in terms of expenditure and production components. Strong economic fundamentals and the comprehensive public sector response to uncertainties in the global economy in the early part of the year has enabled the economy to benefit from the more favourable external environment in the third quarter. The strong private sector response to the pro-active Government measures and a low interest rate environment has contributed to the strengthening of the growth momentum.”

(Source : Economic and Financial Developments in the Malaysian Economy in the Third Quarter of 2003, Bank Negara Malaysia)

4.6.2 The Manufacturing Sector

“The stronger expansion in manufacturing of 8.5% was stimulated by more buoyant domestic consumption and higher production for export. Capacity utilization remained high across both domestic- and export-oriented industries. Generally, improved business confidence and a more optimistic outlook for global growth have resulted in further inflows of new foreign direct investment into the manufacturing sector in the third quarter.”

(Source : Economic and Financial Developments in the Malaysian Economy in the Third Quarter of 2003, Bank Negara Malaysia)

“External developments and strengthening domestic economy point to stronger growth in the manufacturing sector. Growth in export-oriented industries, in particular the electronics industry, is envisaged to gain strength following higher inter-regional trade, particularly between ASEAN and East Asia. Efforts to promote domestic consumption as well as advancements into higher value-added products will further boost growth of domestic-oriented industries. Taking cognisance of the on-going development processes, the overall value added of the manufacturing sector is expected to register a stronger growth of 7.2%.”

(Source : Economic Report 2003/2004, Ministry of Finance, Malaysia)

4.6.3 The Malaysian Apparel Industry

The apparel sector falls under the total umbrella of textile and apparel industry which comprises made-up garments, under garments and fashion accessories such as scarves and handkerchiefs (“Apparel Industry”).

In 2002, the exports of textile and apparel to non-quota markets accounted for 45% of Malaysia’s total textile and apparel exports.

Between January and June 2003, the textile and Apparel Industry attracted foreign investment of RM34.9 million in textiles and textile products.

The Apparel Industry is basically export-oriented and is heavily involved in contract manufacturing. It is estimated that 90% of the exports of apparel are contributed by contract manufacturing.

(Source : Summary Independent Business and Market Research Consultants’ Report by Vital Factor updated 19 January 2004)

4.0 INFORMATION ON THE GA BLUE GROUP (Cont'd)

4.6.4 Industry Key Players

There are many major apparel operators in Malaysia. Some of the key players identified in the Vital Factor report as attached in Section 10.0 include:

- DNP Holdings Berhad;
- Prolexus Berhad;
- Padini Holdings Berhad;
- Yong Tai Berhad;
- Amtek Holdings Berhad;
- Elba Holdings Berhad;
- Oriental Garment Sdn Bhd;
- Goldtron Garment Sdn Bhd;
- Hytex Integrated Berhad.

The above companies are involved in some combination of manufacturing, marketing, distribution and retailing of textile, apparel, footwear and fashion accessories such as bags, wallets, watches and socks.

(Source : Summary Independent Business And Market Research Consultants' Report by Vital Factor updated 19 January 2004)

4.6.5 Competition

There were around 500 to 600 companies manufacturing apparel in Malaysia in 2003. Approximately 80% of all the apparel manufacturers are small to medium size enterprises and are heavily involved in contract manufacturing.

(Source : Summary Independent Business and Market Research Consultants' Report by Vital Factor updated 19 January 2004)

For further details, please refer to the Summary Independent Business and Market Research Consultants' Report prepared by Vital Factor as attached in Section 10.0 herein.

4.6.6 Government Legislation, Policies and Incentives

A manufacturing licence under the Industrial Coordination Act, 1975 is mandatory for companies with shareholders' funds of RM2.5 million or above, or engaging 75 or more full-time employees.

Apart from the normal manufacturing and business licence, there are no material government laws, regulations and policies that may impede on the performance and growth of companies in the Apparel Industry.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

4.0 INFORMATION ON THE GA BLUE GROUP (Cont'd)

Government Incentives

Generally, the Malaysian Government provides incentives for companies listed as promoted activities or products under the Promotion of Investments Act 1986 including:

- Pioneer Status;
- Investment Tax Allowance.

In addition, the Malaysian Government also provides additional incentives for manufacturers including:

- Reinvestment Allowance
- Accelerated Capital Allowance
- Tax exemption on the Value of Increased Exports

Eligibility for either the Pioneer Status or Investment Tax Allowance will be determined according to the priorities termed as "promoted activities" or "promoted products". In addition, the level of value-added, technology and industrial linkages will also be taken into consideration.

As part of the Textile Products, Apparel Products is under the list of promoted activities for knitwear, skiwear or winter outerwear.

The Government's development objectives and strategic directions for Textiles and Textile Products (including Apparel Products) are as follows:

- to strengthen the industrial and home textiles sub-sectors, including synthetic fibre-based (polyester, nylon, etc) by promoting the production of industrial webbing, geotextiles, non-woven fabrics of various applications such as laces, car seat fabrics, upholstery fabric and others;
- to promote high value-added, specialised textiles and apparel products such as spandex (lycra) fibre and yarn, stretchable fabrics, microfibre fabrics and others;
- to encourage companies to invest in human resources by providing training in production processes especially for the new technology, marketing, merchandising, designing and others;
- to encourage companies to invest in the latest technology or automation to improve their efficiency;
- to encourage the development of Malaysian Brand Apparel.

(Source : Summary Independent Business And Market Research Consultants' Report by Vital Factor updated 19 January 2004)

4.6.7 Supply and Demand of Products

Apparel manufacturers are in general dependent on consumers and their spending patterns. Consumer spending on apparel is dependent on exogenous factors, which include the state of the economy, changes in income levels, changes in demographic profiles and consumers' aspirations for individual styles and exclusivity.

Based on the Household Expenditure Survey 1998/1999 (latest available), the average monthly expenditure per household on Clothing and Footwear in Malaysia was RM55.70. A large portion of monthly expenditure per household was on shirts, dresses and blouses, which accounted for 45.38% or RM25.28 of total average monthly expenditure per household on Clothing and Footwear. This was followed by suits, jackets and trousers, accounting for RM10.23 or 18.36% of the total average monthly expenditure per household on Clothing and Footwear. RM3.76 or 6.75% of the total average monthly expenditure per household on Clothing and Footwear was spent on underwear, stockings and socks. Based on the said Survey, each household in Malaysia spent on average, a total of RM39.27 each month on shirts, dresses, blouses, suits, jackets, trousers, underwear, stockings and socks. This amount accounted for 70.49% of the total average monthly expenditure per household on Clothing and Footwear.

Therefore, apparel manufacturers and retailers such as the GA Blue Group which manufactures and distributes these types of apparel will continue to benefit from the significant portion of monthly expenditure incurred on these categories of clothing.

(Source : Summary Independent Business and Market Research Consultants' Report by Vital Factor updated 19 January 2004)

4.0 INFORMATION ON THE GA BLUE GROUP (Cont'd)**4.6.8 Substitute Products**

The threat from other types of apparel is somewhat mitigated for the Group based on the following observations:-

- (i) Jeans have retained their popularity since they were introduced in the mid-1800s because they are very versatile items of apparel as they can be practical as well as fashionable. They are considered 'core basic' garments by many and worn by all social classes, age and nationalities.
- (ii) The GA Blue Group can easily use other fabrics for its products or venture into other apparel products, when there is a business case to justify it.
- (iii) One of the strongest counter measures to substitute products is GA Blue's four established brand names, namely "GA Blue", "Mustang", "Lois" and "RJNS". With its own branding, the Group is able to create brand equity and end-consumer loyalty to sustain it against competition in the markets it operates in.

4.6.9 Future Outlook

Manufacturers of apparel face challenges from lower cost production countries. In particular, the entry of China into the World Trade Organisation (WTO) and the current high foreign direct investments into China would pose a significant threat to local apparel manufacturers. Over the last five years and in 2002, decline in some of the local productions and exports of the apparel industry was already apparent as indicated below:

	2002 compared to 2001 (% Change)	Average Annual Growth Rate 1998 to 2002 (%)
Local Production		
Production Quantity of Male Trousers	-18.6	-4.7
Production Quantity of Male Shirts	-6.1	-6.3
Production Quantity of Blouses	-10.7	6.6
Production Quantity of Dresses	-17.6	7.1
Sales Value of Clothing Factories	-8.9	-0.4
Sales Value of Knitting Mills	-5.0	-2.9
Sale Value of Natural Fibre Mills	-9.0	-4.5
Sale Value of Synthetic Textile Mills	-9.9	-4.2
Export		
Export Value of Articles of Apparel, Textile Fabrics, Whether or Not Knitted/ Crocheted	5.3	3.4
Export Value of Cotton Trousers and Jeans for Boys and Men	-12.4	2.7
Export Value of Cotton Trousers and Jeans for Girls and Women	-15.2	22.3
Export Value of Men's or Boys' Coats, Capes, Jackets, Suits, Blazers, Trousers, Underwear, etc of textile fabrics, not knitted or crocheted	-27.2	-11.3
Export Value of Women's and Girls' Coats, Capes, Jackets, Suits, Blazers, Trousers, Shorts and similar articles of textile fabrics, not knitted or crocheted	2.2	-0.7
Export Value of Men's or Boys' Coats, Capes, Jackets, Suits, Blazers, Trousers and others, of textile fabrics, knitted or crocheted	0.3	-5.5
Export Value of Women's and Girls' Coats, Capes, Jackets, Suits, Blazers, Trousers, Shorts and similar articles of textile fabrics, knitted or crocheted	-2.5	0.1

4.0 INFORMATION ON THE GA BLUE GROUP (Cont'd)

To a large extent, the poor prognosis applies to contract manufacturers in Malaysia, as overseas principals and Malaysian contract manufacturers move to lower cost countries, especially China, to meet their manufacturing needs. In contrast, brand owners that focus on developing and marketing their brands have significantly larger opportunities with a more optimistic outlook. Malaysian brand owners focusing on developing regional brands, particularly in less developed countries are likely to have a better outlook compared to contract manufacturers for other brand owners.

To some extent, the service based sector of the Apparel Industry has a more optimistic outlook and this includes, among others, marketing, distribution and retail. This is substantiated by the following figures in amongst others, the Wholesale and Retail Trade:-

Wholesale and Retail Trade, Hotels and Restaurants Year	Growth Rate Based on Constant Price %
2000	5.9
2001	2.5
2002	2.6
2003e	2.1
2004f	4.7

e= estimates; f= forecast

Nevertheless, the Ministry of Finance forecasted improvements, especially for the Clothing sub-sector of the Textile and Apparel Industry. In addition, brand owners are in a better position to compete when external demand recovers in line with improvements in global economic performance.

(Source : Independent Business and Market Research Consultants' Report by Vital Factor updated 19 January 2004)

4.7 Major Customers

For retail distribution, the Group has established a base of 887 customers comprising local and foreign retailers, distributors and departmental stores in Malaysia as at 19 January 2004. The Group is not dependent on any one customer. The Group has a wide customer base and the top ten (10) customers for the financial year ended 31 July 2003 are as follows:-

Customers	Length of Relationship (year)	% of Total Revenue
Blue Valley Fashion	7	4
Leo Men Centre	7	2
American Blue	7	2
Jaya Jeans Sdn Bhd	5	2
Ken West Sdn Bhd	4	2
Syarikat Kien Hing	7	1.5
Arena Sports & Equipment Sdn Bhd	5	1.5
Tucky Jeans & Shoes Sdn Bhd	5	1.3
Fatman Tailoring Jeans House	4	1.2
Telephone Collection Sdn Bhd	6	1.1

For more details, please refer to Section 4.4.6.

4.0 INFORMATION ON THE GA BLUE GROUP (Cont'd)**4.8 Major Suppliers**

The Group has approximately 20 suppliers. However, the Group's major supplier which contributed more than 10% of the total purchases for the financial year ended 31 July 2003 and the Group's top ten (10) suppliers for the financial year ended 31 July 2003 are as follows:-

Supplier	Length of Relationship (year)	% of Total Purchases
K Two Marketing, Malaysia	3	13
Luen Hing Lung Wholesale Co Ltd, Hong Kong	5	6
Tai Yuen Textiles Co Ltd, Taiwan	6	4
Jacson International Trading Ltd, Hong Kong	6	4
Yu Neng Chemicals Sdn Bhd	5	4
PT Apac Inti Corpora	6	3
AD Import & Export	2	3
Cheow Choon Trading	3	2
Nyat Sin Enterprise	1	2
P.T. Grand Textile Industry	3	1

4.9 Future Plans and Prospects**4.9.1 Future Plans**

For its future plans, the Board of Directors and the management team of the GA Blue Group believe in strengthening its core business which is marketing and manufacturing of jeanswear and other fashion apparel. To support this, the Board of Directors and the management team of the GA Blue Group have identified the following:-

(i) Local and Overseas Market Expansion

The Group intends to capitalise on its distribution expertise and brand management capabilities to expand its current distribution network. Currently its products are retailed through approximately 900 retail outlets throughout Malaysia. Its future plan is to increase its current distribution network by signing up new retail customers and setting up additional numbers of its fully-owned retail stores. It plans to open more retail outlets in good geographical and strategic locations where it does not have a significant presence.

The GA Blue Group plans to penetrate the department stores to target consumers who are more affluent. It will introduce new apparel and related product lines and brand names that better appeal to consumers who normally frequent shopping centres and departmental stores.

The GA Blue Group believes it is poised to tap growth potentials in other countries in the region, thus diversifying its dependence in the local market as well as tapping larger opportunities. The Group aims to expand its distribution network in its current export markets in Singapore and Brunei. In addition, it intends to expand to new overseas markets like Thailand, the United States of America, the United Kingdom, Australia, China and Indonesia over the next 2 to 3 years.

(ii) Product Expansion and Diversification

The GA Blue Group will continue to design and develop new products to expand its current product range and to better cater to its wide and diverse customer base. It believes that this is crucial in maintaining its competitive advantage in the markets it presently operates in.

The Group's plans for product expansion and diversification include continuous expansion of ladies wear line targeting female teenagers and young adults, ladies casual and career wear targeting the more matured age group and junior wear line.

4.0 INFORMATION ON THE GA BLUE GROUP (Cont'd)

(iii) ***Related Product Range Expansion***

The GA Blue Group intends to increase the contribution from the non-apparel products sector by expanding its current range of footwear and bags, and sports wear and accessories.

The Group is expanding its range of footwear such as sandals, boots and moccasins, for the GA Blue Group's label. The expansion of accessories will complement the Group's range of jeanswear products and enable the Group to provide its end-consumers with a complete range of casual wear products to meet their needs and preferences.

4.9.2 Prospects

The key difference between the Group and other apparel manufacturers in Malaysia is the fact that the Group is primarily a marketing company focusing on building its brand equity. This is in contrast to most of the operators in the apparel industry in Malaysia which are mainly contract manufacturers or contract jobbers.

As a brand owner, the Group is not subject to the full impact of competition from lower cost producing countries like China and India. In fact, these lower-cost producing countries could work to the Group's advantage in ensuring cost competitiveness of its end-products as a significant proportion of its production is outsourced. As such, the prospects of the Group is significantly more favourable than those that are focused only on contract manufacturing.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK