



VITAL FACTOR CONSULTING

Creating Winning Business Solutions

- China is the world's largest exporter of Textile and Apparel. With the entry of China to the World Trade Organisation (WTO), China's share of the United States Apparel market is expected to increase to about 18% if quotas are removed by 31 December 2004 (Source: Trade Policy Monitor dated March 2000).
- Although the majority of Apparel from China continues to be of low to medium quality, the Apparel Industry in China is becoming more quality-oriented. It is beginning to produce higher-valued goods particularly in those operations, which are guided by Hong Kong producers and designers.
- As a result, Malaysia may lose its comparative advantage to the lower-cost producing countries.

Mitigating Factors

- In the intensely competitive Apparel environment, manufacturers operating within the industry are encouraged to move up the value-chain, to develop innovative local fashion and designs with brand names, and to enhance product development through research and development in the areas of dyeing, printing and finishing.
- This would require manufacturers to focus on product development, higher value-added Apparel production and creation of more competitive products, which can cater to both the domestic and international markets.
- Manufacturers who are ready for such a shift are in a good position to command better selling prices and to counter competition from low-cost producers.

Trade Mark Infringement, Imitation and Counterfeit

- Trademark infringement, counterfeiting and imitation of popular branded Apparel are prevalent in the Apparel Industry. Any brand, which is prominent and sells well would inevitably be a target for counterfeits. Its products would be copied, imitated, modified, altered and adapted.
- Blue jeans are considered the single-most counterfeited items within the Apparel Industry. (Source: Business Knowledge Providers dated 18 April 2001).
- Counterfeit activities have a negative impact on brand owners, licensed manufacturers, the Apparel Industry, and economic and social developments. These activities pose a major threat to the profitability and viability of their businesses. Counterfeit goods cost brand owners and licensed manufacturers hundreds of billion of US dollars worldwide annually (Source: Business Knowledge Providers dated 18 April 2001).
- In addition, in some situations where counterfeit goods are passed off as genuine items, the resultant poor quality merchandise would reflect negatively on the image of the brand.

Mitigating Factors

- Some ways which brand owners and licensed manufacturers could safeguard their interests and curb counterfeiting activities, include the following:
 - Coordinating and consolidating their manufacturing bases worldwide by limiting the number of factories, which manufacture their goods. This would enable them to monitor the flow of their goods more efficiently and prevent activities such as back-door shipping;

10.0 SUMMARY INDEPENDENT BUSINESS AND MARKET RESEARCH CONSULTANTS' REPORT (Cont'd)



VITAL FACTOR CONSULTING

Creating Winning Business Solutions

- Commit to allocating their resources towards the installation of a long-term comprehensive and proactive anti-counterfeiting programme, rather than adopting a reactive one in the face of a crisis. This includes working closely with its distributors, sub-contractors and sales and marketing personnel to understand prevailing issues and finding effective ways to solve them;
- Utilise available anti-counterfeiting technology, such as special labels like holograms;
- Educate consumers on the consequences of dilution of brands resulting from the proliferation of counterfeit goods in terms of lost jobs, lost revenues and long-term harms.
- Adopt smart advertising to teach consumers on how to identify genuine labels and other verifiable markings on their products;
- Commitment to a proactive program includes the outsourcing of some of their anti-counterfeiting measures to third parties like intellectual property practitioners who have the expertise and ability in finding, stopping and prosecuting counterfeiters.
- Some of the methods employed by these prosecutors to combat counterfeiting activities include:
 - Conducting regular anti-counterfeiting retail raids and policing;
 - Adoption of highly developed technologies for tracking products, verifying authenticity and carefully monitoring documentation with factories in terms of authorisation procedures;
 - Stopping parallel trade of the clients' brands.
- Counterfeit goods can either be imported or made locally. Generally, many of the countries where these goods are being sold or produced have adequate local trademark and trade security laws and confidentiality procedures. A number of these countries are members of the World Trade Organisation and have thus passed laws to satisfy international obligations. As such, in many countries, for example Malaysia and China, the government has taken active steps to help eradicate counterfeit goods to ensure continuing compliance to the requirements of trade bodies like the World Trade Organisation.

Over-dependency on the United States and Quota Markets

- The United States remains as Malaysia's largest export market for Textile, Clothing and Footwear. In 2002, the export value of Textile, Clothing and Footwear Apparel to the United States amounted to RM2.82 billion representing around 32.8% of total exports of Textile, Clothing and Footwear (Source: Bank Negara Malaysia Annual Report 2002).
- Under the laws and the rules of the international Multifiber Arrangement (MFA) of the General Agreement on Tariffs and Trade (GATT) and North American Free Trade Agreement (NAFTA), the United States has limited the growth of Apparel imports. Since the introduction of NAFTA, Mexico has overtaken China as the top United States supplier of Apparel (Source: The Transformation of the North American Apparel Industry, May – August 2000, Volume 4, Number 11, Inter-American Development Bank, Integration and Regional Programs Department, and Institute for the Integration of Latin America and the Caribbean).



VITAL FACTOR CONSULTING

Creating Winning Business Solutions

- Before the implementation of NAFTA, most United States' clothing imports were from Asia. Today, most United States' Apparel imports are from the Americas and the imported Apparels are manufactured in Mexico, Canada and the Caribbean (*Source: The Transformation of the North American Apparel Industry, May – August 2000, Volume 4, Number 11, Inter-American Development Bank, Integration and Regional Programs Department, and Institute for the Integration of Latin America and the Caribbean*).
- The implementation of NAFTA in 1994 and a 10-year phase-out of the MFA beginning in January 1995, provide reduced duty or duty-free entry and eliminate most quotas for Apparel products from Canada and countries such as Mexico, Guatemala and Dominican Republic that meet certain rules of origin.

Mitigating Factors

- However, the share of the quota markets to the overall Malaysian export market increased to 55.0% in 2002 from 52.9% in 2001. Exports to non-quota markets, while lower, will continue to be the focus of future export destinations in order to achieve greater share within these markets (*Source: Malaysia International Trade and Industry Report 2002, Ministry of International Trade and Industry*).
- In addition, there are opportunities for Malaysian operators to actively export Apparel to non-quota markets such as Japan, Singapore, Hong Kong, Australia, Taiwan and the Philippines.
- Malaysia has achieved some success in tapping overseas markets, as demonstrated by local Apparel operators. In addition, brand owners can address opportunities in less developed Asian countries like Myanmar, Cambodia, Indonesia and Laos. This would reduce the dependency on traditional and quota markets.

Economic Slowdown

- A prolonged slowdown in the local and global economy will have a negative impact on the Apparel Industry as consumers trim their spending.

Mitigating Factors

- The Malaysian government has responded to the slowdown in the United States economy by adopting aggressive monetary and fiscal measures to stimulate domestic demand. Malaysia's trading partners have also adopted aggressive measures to stimulate demand. This will have a positive impact on the overall local and export market demand for Apparel as the economic conditions and income levels improve.
- Apparel operators with strong brand recognition, financial stability, extensive and established distribution network and a wide and diverse range of products would be better able to survive the impact of an economic slowdown.

Potential Influx of Imported Apparel

- Under the ASEAN Free Trade Area (AFTA) agreement initiated by the ASEAN countries, a comprehensive programme of regional tariff reduction has been laid out.

10.0 SUMMARY INDEPENDENT BUSINESS AND MARKET RESEARCH CONSULTANTS' REPORT
(Cont'd)



VITAL FACTOR CONSULTING

Creating Winning Business Solutions

- The Common Effective Preferential Tariff (CEPT) has been proposed for goods traded within the ASEAN region. Tariffs on such goods which meet a 40% ASEAN content requirement, have been reduced between 0% and 5% in 2003. Such tariffs will be reduced for Vietnam and Myanmar by 2006 and 2008 respectively.
- As such, local brand owners and manufacturers of Apparel will be exposed to a potential influx of imported Apparel from the other ASEAN countries.

Mitigating Factor

- New players resulting from the implementation of AFTA would need to invest significant effort and time to develop and market their products to gain acceptance from local consumers. This would provide some advantages to existing local players at least in the short to medium term. During this period, local players can learn to adapt to the new competitive environment to sustain business growth and success.
- Local players with strong brand recognition associated with their products, established integrated distribution and logistics network and wide range of products would be in a better position to face the increase competitive pressure from the potential new players in the market.

15. MARKET SIZE

- In 2002, the market size for the Apparel Industry in Malaysia was estimated at **RM2.4 billion**.

16. MARKET SHARE

- 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 G.A. Blue Group was approximately **2%** of the total Apparel Industry in Malaysia based on local expenditure in 2002.

Vital Factor Consulting Sdn Bhd has prepared this report in an independent and objective manner and has taken all reasonable consideration and care to ensure the accuracy and completeness of the report. It is our opinion that the report represents a true and fair assessment of the industry within the limitations of, among others, secondary statistics and information, and primary market research. Our assessment is for the overall industry and may not necessarily reflect the individual performance of any company. We do not take any responsibilities for the decisions or actions of the reader(s) of this document. This report should not be taken as a recommendation to buy or not to buy the shares of any company or companies.

Yours sincerely

Wong Wai Ling
Director
Vital Factor Consulting Sdn Bhd

11.0 VALUATION CERTIFICATE

(Prepared for inclusion in this Prospectus)



VALUATION CERTIFICATE

Date : **19 JAN 2004**

The Board of Directors
G. A. Blue International Bhd
51-8-B, Menara BHL Bank
Jalan Sultan Ahmad Shah
10500 Penang
Malaysia

Dear Sirs

VALUATION OF PROPERTIES BELONGING TO G. A. BLUE INTERNATIONAL BHD ("GA BLUE")

This certificate has been prepared for inclusion in the Prospectus of GA Blue to be dated **31 JAN 2004**, in relation to the Public Issue of 18,000,000 new ordinary shares of RM0.50 each at an issue price of RM0.75 per ordinary share payable in full upon application.

In accordance with your instruction, we have assessed the Market Values of the properties set out below in conjunction with the listing of GA Blue on the Second Board of the Malaysia Securities Exchange Berhad. We have valued the aforesaid properties on the respective date, the details of which are set out in their respective valuation reports bearing References as indicated.

The valuation reports have been prepared in accordance with the "Guidelines on Asset Valuation for Submission to the Securities Commission" and the Valuation Standards issued by the Board of Valuers, Appraisers and Estate Agents, Malaysia and with the necessary professional responsibility and due diligence.

A member of
FPDSavills International

Asia - Hong Kong - Beijing - Guangzhou - Shanghai -
Bangkok - Kuala Lumpur - Manila - Seoul - Singapore

Australia - Sydney - Adelaide - Brisbane - Gold Coast -
Hobart - Melbourne - Perth - Sunshine Coast

Europe - United Kingdom - Belgium - Finland - France -
Germany - Greece - Ireland - Italy - Netherlands - Spain

South Africa

USA

**Rahim & Co Chartered Surveyors
(Penang) Sdn. Bhd.** (119499-A)

Suite 3.04, 3rd Floor, Penang Plaza,
No. 126, Jalan Burma,
10050 Pulau Pinang, Malaysia Tel : 04-2299913/2299013
Tel: ~~604-227-3326~~ Fax: 604 - 227 3326
e-mail: rccspg@po.jaring.my
website: www.rahim-co.com

Kuala Lumpur - Alor Setar - Ipoh - Johor Bahru - Kota Bharu -
Kota Kinabalu - Kuala Terengganu - Kuantan - Kuching -
Malacca - Petaling Jaya - Seremban - Sungai Petani - Temerloh

Board Reg. No. VE110065/1

11.0 VALUATION CERTIFICATE (Cont'd)



We have valued the properties listed below with titles free from all encumbrance, using the Valuation Method as indicated and are of the opinion that the Market Value of the properties are as scheduled :-

a) Report Reference : 40SC2002/066

Property Address/ Property Identification/ Registered Owner	Land Area/ Category of Land Use/ Land Tenure	Description/ Building/ Existing Use/ Age of the Building/ Gross Built-up Area sq.ft./ Occupation Status	Date of Valuation/Method of Valuation/ Market Value
Factory Premises No. Lot 9233, Hala Kampung Jawa Satu(1), Bayan Lepas Industrial Park (Phase III), 11900 Bayan Lepas, Pulau Pinang Land Only 1) PT 1608 (Plot 108) held under H.S. (D) 4173, Mukim 12, South-West District, Pulau Pinang Registered owner - QUANGCIN SDN BHD	21,780 sq.ft./ Industrial/ 60 years leasehold expiring on 13/8/2050		16/9/2002 Cost Replacement Method Date of Certificate of Fitness For Occupation of building- 17/6/2003 RM9,295,000.00
2) PT 1626 (Plot 106b) held under H.S. (D) 14179, Mukim 12, South-West District, Pulau Pinang Registered owner - QUANGCIN SDN BHD	26,136 sq.ft./ Industrial/ 60 years leasehold expiring on 10/12/2050		
3) PT 1625 (Plot 106a) held under H.S. (D) 14259, Mukim 12 South-West District, Pulau Pinang Registered owner - LU FA INDUSTRIAL (M) SDN BHD	47,045 sq.ft./ Industrial/ 60 years leasehold expiring on 10/12/2050		
EVATECH SDN BHD		2-Storey Factory Office/Production Area/ Store About 1 year old 59,576 sq.ft. Reinforced concrete frameworks on piled foundation, plastered brickworks, concrete 1 st floor slab, covered with corrugated steel roofing sheets on steel purlins Property held for owner occupation	
UNIJEANS CARE SDN BHD		1-Storey Factory Production Area (Washing Area) about 1 year old 9,840 sq.ft. Reinforced concrete frameworks on piled foundation, plastered brickworks, covered with corrugated steel roofing sheets on steel purlins Property held for owner occupation	


11.0 VALUATION CERTIFICATE (Cont'd)**b) Report Reference : 40SC2002/066(A)**

Property Address/ Property Identification/ Beneficial Owner	Built-Up Area / Existing Use/ Tenure	Description/ Building/ Age of the Building/ Occupation Status	Date of Valuation/ Method of Valuation/ Market Value
<p>Shoplot Unit No.33-2-53, Prangin Mall, Jalan Dr. Lim Chwee Leong, 10100 Pulau Pinang</p> <p>Parcel No.2-53, Second Floor, Prangin Mall KOMTAR, Penang erected on Parent Lot No. PT 7 and PT 8. Section 17, George Town, North-East District, Pulau Pinang</p> <p>G.A. BLUE CORPORATION SDN BHD vide Sale and Purchase Agreement dated 27th March 2001</p>	<p>499 sq.ft.</p> <p>Commercial Retail</p> <p>99 years leasehold expiring on 9/6/2096 as per lease of Parent Lots</p>	<p>A Shoplot</p> <p>Reinforced concrete frameworks/plastered brickworks/reinforced concrete floor slab</p> <p>About 3 years old</p> <p>Property held for owner occupation</p>	<p>30/9/2002</p> <p>Comparison Method</p> <p>Date of Certificate of Fitness For Occupation of building:- 11/10/2000</p> <p>RM550,000.00</p>

c) Report Reference : 40SC2002/066(B)

Property Address/ Property Identification/ Beneficial Owner	Built-Up Area / Existing Use/ Tenure	Description/ Building/ Age of the Building/ Occupation Status/ Tenancy Details	Date of Valuation/ Date of Certificate of Fitness For Occupation/ Method of Valuation/ Market Value
<p>Flat Unit No.1236-1-5, Taman Indah, Jalan Paya Terubong, 11060 Pulau Pinang</p> <p>Developer's Unit No. Parcel No.11, Storey No.2, Taman Indah, Phase II, Pulau Pinang erected on Parent Lot No.7691.</p> <p>The property is held under Strata Title No. Grant No. HBM 188/M1/2/26, Lot No. 7691, Mukim 13, North-East District, Pulau Pinang</p> <p>Beneficial owner is G.A. BLUE CORPORATION SDN BHD vide an Agreement to Assign (Sale and Purchase Agreement) dated 11th June 1996</p> <p>Registered owner is PULAU INDAH SDN BHD.</p>	<p>1,400 sq.ft.</p> <p>Residential</p> <p>Freehold</p>	<p>A Residential Flat Unit Currently Used As Office cum Light Industrial Premises</p> <p>Reinforced concrete frameworks/plastered brickworks/reinforced concrete floor slab</p> <p>About 11 years old</p> <p>Tenanted to IMPRESSIVE EDGE (PENANG) SDN BHD at a monthly rent of RM900.00 commencing from 1/5/2002 and expiring on 30/4/2004</p>	<p>30/9/2002</p> <p>Date of Certificate of Fitness For Occupation 7/5/1992</p> <p>Comparison and Investment Method</p> <p>RM180,000.00</p>

RAHIM & CO CHARTERED SURVEYORS (PENANG) SDN BHD (119499-A) (VE(1)0065/1)


TAY LAI HEE
MRICS, IRRV, FISM
 Registered Valuer (V-171)

12.0 DIRECTORS' REPORT

(Prepared for inclusion in this Prospectus)



G.A. BLUE INTERNATIONAL BHD (570396-D)

Lot 9233, Hala Kampung Jawa 1,
Kawasan Perindustrian Bayan Lepas (Fasa 3),
11900 Bayan Lepas, Pulau Pinang,
Tel : 04-6461 600 (Hunting Line)
Fax : 04-6457 448

19 JAN 2004

Registered Office:
51-8-B, Menara BHL Bank
Jalan Sultan Ahmad Shah
10050 Penang

The Shareholders
G. A. Blue International Bhd

Dear Sirs/Madams,

On behalf of the Board of Directors of G. A. Blue International Bhd ("GA Blue" or the "Company"), I report after due inquiry that during the period from 31 July 2003 (being the date to which the last audited financial statements of the Company and its subsidiary companies have been made up) to 19 January 2004 (being a date not earlier than 14 days before the issue of this Prospectus), that:-

- (a) the business of the Company and its subsidiary companies has, in the opinion of the Directors, been satisfactorily maintained;
- (b) in the opinion of the Directors, no circumstances have arisen since the last audited financial statements of the Company and its subsidiary companies which have materially affected the business and operations or the value of the assets of the Company or any of its subsidiary companies;
- (c) the current assets of the Company and its subsidiary companies appear in the books at values which are believed to be realisable in the ordinary course of business;
- (d) there are no contingent liabilities by reason of any guarantee or indemnity given by the Company or any of its subsidiary companies;
- (e) there has been no default or any known event that could give rise to a default situation, in respect of payments of either interest and/or principal sums in relation to any borrowings in which the Directors are aware of, since the last audited financial statements of the Company and its subsidiary companies; and
- (f) save as disclosed in the Proforma Consolidated Balance Sheets in Section 8.9 and in the Accountants' Report in Section 9.0 of this Prospectus, there have been no changes in the published reserve or any unusual factors affecting the profit of the Company and its subsidiary companies since the last audited financial statements of the Company and its subsidiary companies.

Yours faithfully,
For and on behalf of the Board of
G. A. BLUE INTERNATIONAL BHD

Kai Ah Chun
Executive Chairman