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2. GENERAL INFORMATION (CONT'D)

2.4 Share capital history of the subsidiary companies (cont'd)

(a) NPT (cont'd)

The changes in the Company's issued and fully paid-up share capital since its incorporation are as follows:-

Date of allotment	No. of shares	Par value (RM)	Consideration	Cumulative total (RM)
i) Ordinary Shares				
12.12.1995	2	1	Subscribers' shares	2
05.03.1996	50,000	1	Cash	50,002
30.12.1996	50,000	1	Cash	100,002
31.12.1997	800,000	1	Transfer of technology and rights of GPRO system	900,002
15.08.1998	99,998	1	Transfer of technology and rights of GPRO system	1,000,000
15.02.2003	218,750	1	Capitalisation of loans	1,218,750
01.03.2003	20,500	1	Capitalisation of loans	1,239,250
11.04.2003	78,750	1	Capitalisation of advances	1,318,000
ii) Ordinary "A" Shares				
09.06.2003	164,765	1	Cash	164,765
23.03.2004	187,735	1	Conversion of Redeemable Convertible Preference Shares	352,500
iii)Redeemable Convertible Preference Shares				
09.06.2003	38,023	0.01	Cash	380
05.09.2003	126,742	0.01	Cash	1,648
23.03.2004	(164,765)	0.01	Converted into Ordinary "A" Shares	-

2. GENERAL INFORMATION (CONT'D)

2.4 Share capital history of the subsidiary companies (cont'd)

(b) GPRO (Hang Zhou)

The registered capital as at 31 December 2003 is USD 100,000 and the paid up capital as at 31 December 2003 is made up of USD 14,970 which is equivalent to China Yuan Renminbi ("CNY") 123,719.56.

(c) GPRO (Vietnam)

As at 31 December 2003, the total investment capital of GPRO (Vietnam) is USD500,000. The shareholders of GPRO (Vietnam) have committed a legal capital of USD150,000 for GPRO (Vietnam) and as at 31 December 2003, the shareholders of GPRO (Vietnam) have contributed USD 81,463.91 which is equivalent to Vietnam Dong ("VND") 1,271,748,093 to GPRO (Vietnam)'s legal capital.

3. FINANCIAL STATEMENTS AND AUDITORS

We have been appointed as auditors for GPRO since the date of incorporation and have reported on the financial statements without qualification. In addition, our Auditors' Report did not include any emphasis of matter.

The financial statements of NPT for all the years under review were audited by us except for years ended 31 December 1998 and 31 December 1999 which were audited by other firm of auditors and were all reported without qualification. The Auditors' Report did not include any emphasis of matter.

The financial statements of GPRO (Hang Zhou) and GPRO (Vietnam) since their respective date of incorporation were audited by other auditors and were reported on without qualification. Their Auditors' Report did not include any emphasis of matter.

4. ACCOUNTING POLICIES AND STANDARDS

This report is prepared on a basis consistent with the accounting policies normally adopted by GPRO and in accordance with applicable approved accounting standards in Malaysia.

5. HISTORICAL FINANCIAL INFORMATION OF GPRO GROUP

(a) Summarised income statement

(i) GPRO Proforma Group

The proforma consolidated financial results of GPRO Group for the five (5) years ended 31 December 1999, 2000, 2001, 2002 and 2003 are provided for illustrative purposes based on the audited financial statements of its subsidiary companies, assuming that the GPRO Group has been in existence since the beginning of the financial year ended 31 December 1999.

Years ended	31/12/99 RM'000	31/12/00 RM'000	31/12/01 RM'000	31/12/02 RM'000	31/12/03 RM'000
Revenue	2,590	2,305	1,898	4,558	9,295
Gross profit	1,086	997	1,356	3,006	7,112
Profit/(loss) before depreciation, amortisation, interest and taxation	485	(431)	(456)	1,261	4,073
Depreciation	(44)	(207)	(314)	(313)	(409)
Amortisation of research and development expenditure	-	(4)	(18)	(83)	(554)
Interest expenses	(23)	(47)	(47)	(37)	(32)
Profit /(loss) before taxation but after depreciation, amortisation and interest	418	(689)	(835)	828	3,078
Taxation	-	-	-	-	-
Profit/(loss) after taxation	418	(689)	(835)	828	3,078
Minority interest	-	-	-	-	81
Net profit/(loss) for the year	418	(689)	(835)	828	3,159
Number of ordinary share of RM0.10 each assumed to be issued ('000)	187,500	187,500	187,500	187,500	187,500
Net earnings/(loss) per share (sen)	0.22	(0.37)	(0.45)	0.44	1.68

(1) GPRO Group's consolidated financial statements reflect external transaction only and all significant inter-company transactions are eliminated on consolidation.

(2) The net earnings/(loss) per share has been calculated based on the profit/(loss) after taxation and minority interest and on the assumption that the issued and paid up capital of GPRO of 187,500,000 ordinary shares of RM0.10 each in issue after the acquisition of NPT but before public issue.

5. **HISTORICAL FINANCIAL INFORMATION OF GPRO GROUP (CONT'D)**

(a) **Summarised income statement (cont'd)**

(i) **GPRO Proforma Group (cont'd)**

(3) For the financial year ended 31 December 1999, revenue increased by 160.83% to RM2.59 million due to existing GPRO customers increasing their application of GPRO products by installing GPRO system into their other production lines and sales to new customers. Profit before taxation increased significantly due to significant contribution from GPRO sales. No provision for taxation was made as taxation for the year has been waived under the Income Tax (Amendment) Act, 1999.

(4) For the financial year ended 31 December 2000, revenue decreased by 11.00% to RM2.3 million as the Group started to promote its product abroad which resulted in lower focus on the domestic market. Additional cost incurred from the Group's effort in the exploration of overseas market resulted in the Group incurring a loss before tax of approximately RM0.69 million for the year. No provision for taxation was made as the Group was in a tax loss position.

(5) For the financial year ended 31 December 2001, revenue decreased by 17.66% to RM1.9 million as the Group was affected by its tight cash flow position that affected its procurements and consequently deliveries to customers were delayed. A lower level of revenue and further cost incurred for business development and in the recruitment of staff for the research and development department, sales department and project management department resulted in a pre-tax loss of approximately RM0.84 million for the year. No provision for taxation was made as the Group was in a tax loss position.

(6) For the financial year ended 31 December 2002, increase in revenue by 140.15% to RM4.56 million resulted from the increased demand from the overseas market derived from past promotion efforts. Increased revenue and more stringent controls in the Group's expenses, such as traveling, advertising, exhibition, promotion and staff costs, enabled the Group to make a pre-tax profit of RM0.83 million. No provision for taxation was made for the year due to utilisation of unabsorbed tax losses and unutilised capital allowances.

(7) For the financial year ended 31 December 2003, revenue increased by 103.93% to RM9.3 million due to the increase in revenue generated from export sales, mainly from China and Vietnam, which are new markets to the Group. Profit before taxation increased by 271.74% which was mainly due to the fact that GPRO is now an established product in the market resulting in higher volume and revenue. No provision for taxation was made for the year as NPT, a wholly owned subsidiary company of the Company was granted pioneer status by the Ministry of International Trade and Industry under the Promotion of Investment Act, 1986 for a period of five years commencing 1 January 2003.

(8) There were no exceptional or extraordinary items in all the financial years under review.

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5. **HISTORICAL FINANCIAL INFORMATION OF GPRO GROUP (CONT'D)**

(a) **Summarised income statement (cont'd)**

(ii) **GPRO**

The following table set out the summary of the results of GPRO based on the audited financial statements of GPRO.

Period ended	**6 Months Period Ended 31/12/03 RM'000**
Revenue	-
Gross profit	-
Loss before depreciation, amortisation, interest and taxation	(10)
Depreciation	-
Amortisation of research and development expenditure	-
Interest expenses	-
Loss before taxation but after depreciation, amortisation and interest	(10)
Taxation	-
Loss after taxation	(10)
Weighted average number of ordinary shares in issued (shares)	20
Gross loss per share (RM)	(1,000)*
Net loss per share (RM)	(1,000)*

There were no exceptional or extraordinary items in the financial period under review

* Annualised

5. **HISTORICAL FINANCIAL INFORMATION OF GPRO GROUP (CONT'D)**

(a) **Summarised income statement (cont'd)**

(iii) **NPT**

The following table set out the summary of the results of NPT based on the audited financial statements of NPT.

Years ended	31/12/99 RM'000	31/12/00 RM'000	31/12/01 RM'000	31/12/02 RM'000	31/12/03 RM'000
Revenue	2,590	2,305	1,898	4,558	9,295
Gross profit	1,086	997	1,356	3,006	7,112
Profit/(loss) before depreciation, amortisation, interest and taxation	485	(431)	(456)	1,261	4,288
Depreciation	(44)	(207)	(314)	(313)	(407)
Amortisation of research and development expenditure	-	(4)	(18)	(83)	(554)
Interest expenses	(23)	(47)	(47)	(37)	(32)
Profit/(loss) before taxation but after depreciation, amortisation and interest	418	(689)	(835)	828	3,295
Taxation	-	-	-	-	-
Profit/(loss) after taxation	418	(689)	(835)	828	3,295
Weighted average number of ordinary shares in issued (shares) ('000)	1,000	1,000	1,000	1,000	1,359
Gross earnings/(loss) per share (RM)	0.42	(0.69)	(0.83)	0.83	2.42
Net earnings/(loss) per share (RM)	0.42	(0.69)	(0.83)	0.83	2.42

There were no extraordinary items in all the financial years under review.

(iv) The summarised income statements for GPRO (Hang Zhou) and GPRO (Vietnam) were not prepared as they are immaterial to the Group.

(v) No dividend has been paid or declared by GPRO, NPT, GPRO (Hang Zhou) and GPRO (Vietnam) during the relevant financial years under review.

5. **HISTORICAL FINANCIAL INFORMATION OF GPRO GROUP (CONT'D)**

(b) **Summarised balance sheets**

(i) **PROFORMA GPRO GROUP**

	As at 31 December				
	1999 RM'000	**2000 RM'000**	**2001 RM'000**	**2002 RM'000**	**2003 RM'000**
Share capital	18,750	18,750	18,750	18,750	18,750
Unappropriated profit/ (accumulated loss)	418	(272)	(1,107)	(279)	2,879
Grants from MTDC	-	170	85	-	-
Total shareholders' funds	19,168	18,648	17,728	18,471	21,629
Redeemable Convertible Preference Shares	-	-	-	-	2
Share premium for Redeemable Convertible Preference Shares	-	-	-	-	2,598
Minority interest	-	-	-	-	42
Amount due to Directors	-	-	500	500	-
Finance creditors	78	247	186	120	180
	19,246	18,895	18,414	19,091	24,451
Property, plant and equipment	238	631	904	715	931
Expenditure carried forward	7	-	-	-	-
Research and development expenditure	1,440	2,113	2,933	3,785	4,533
Goodwill on consolidation	17,918	17,918	17,918	17,918	10,860
Current assets	1,400	2,074	1,921	3,756	10,394^
Current liabilities	(1,757)	(3,841)	(5,262)	(7,083)	(2,267)
Net current (liabilities)/assets	(357)	(1,767)	(3,341)	(3,327)	8,127
	19,246	18,895	18,414	19,091	24,451
Net tangible (liabilities)/assets	(197)	(1,383)	(3,123)	(3,232)	6,017
Net tangible (liabilities)/assets per share (sen)	(0.11)	(0.74)	(1.67)	(1.72)	3.21

^ Included in current assets is an amount of RM219,048 for deferred expenditure pertaining to listing expenses incurred for the Initial Public Offerings exercise of the Company on the MESDAQ Market of the Bursa Malaysia Securities Berhad.

5. HISTORICAL FINANCIAL INFORMATION OF GPRO GROUP (CONT'D)

(b) Summarised balance sheets (cont'd)

(ii) GPRO

As at	31/12/03 RM'000
Share capital	*
Accumulated loss	(10)
Total shareholders' funds	(10)
Current assets	219
Current liabilities	(229)
Net current liabilities	(10)
Net tangible liabilities	(229)
Net tangible liabilities per share (RM)	(11,450)

* RM2

5. **HISTORICAL FINANCIAL INFORMATION OF GPRO GROUP (CONT'D)**

(b) **Summarised balance sheets (cont'd)**

(ii) **NPT**

	As at 31 December				
	1999	**2000**	**2001**	**2002**	**2003**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Share capital	1,000	1,000	1,000	1,000	1,483
Share premium	-	-	-	-	6,575
Unappropriated profit/(accumulated loss)	250	(440)	(1,275)	(447)	2,847
Grants from MTDC	-	170	85	-	-
Total shareholders' funds	1,250	730	(190)	553	10,905
Redeemable Convertible Preference Shares	-	-	-	-	2
Share premium for Redeemable Convertible Preference Shares	-	-	-	-	2,598
Amount due to Directors	-	-	500	500	-
Finance creditors	78	247	186	120	180
	1,328	977	496	1,173	13,685
Property, plant and Equipment	238	631	904	715	903
Expenditure carried forward	7	-	-	-	-
Research and development expenditure	1,440	2,113	2,933	3,785	4,533
Investment in subsidiary company	-	-	-	-	183
Current assets	1,400	2,074	1,921	3,756	10,019
Current liabilities	(1,757)	(3,841)	(5,262)	(7,083)	(1,953)
Net current (liabilities)/assets	(357)	(1,767)	(3,341)	(3,327)	8,066
	1,328	977	496	1,173	13,685
Net tangible (liabilities)/ assets	(197)	(1,383)	(3,123)	(3,232)	6,372
Net tangible (liabilities)/assets per share (RM)	(0.20)	(1.38)	(3.12)	(3.23)	4.30

(iii) The summarised balance sheets for GPRO (Hang Zhou) and GPRO (Vietnam) were not prepared as they are immaterial to the Group.

6. STATEMENTS OF ASSETS AND LIABILITIES

The following are the statements of assets and liabilities of GPRO and GPRO Group prepared based on the audited financial statements of GPRO, NPT, GPRO (Hang Zhou) and GPRO (Vietnam) as at 31 December 2003.

The Proforma GPRO Group's statement of assets and liabilities have been prepared for illustrative purposes, based on the balance sheets as at 31 December 2003 incorporating the effects of the acquisition of NPT, dividend payment and initial public offerings on the assumption that these transactions had been effected on 31 December 2003.

	Note	GPRO RM'000	Proforma Group RM' 000
PROPERTY, PLANT AND EQUIPMENT	6.3	-	931
RESEARCH AND DEVELOPMENT EXPENDITURE	6.4	-	4,533
GOODWILL ON CONSOLIDATION		-	6,356
CURRENT ASSETS			
Inventories	6.5	-	644
Receivables	6.6	-	7,551
Deferred expenditure	6.2(m)	219	-
Cash and bank balances		-	24,285
		219	32,480
CURRENT LIABILITIES			
Payables	6.7	229	1,938
Finance creditors	6.8	-	99
		229	2,037
NET CURRENT (LIABILITIES) / ASSETS		(10)	30,443
DEFERRED AND LONG TERM LIABILITIES			
Minority interest		-	(43)
Finance creditors	6.8	-	(180)
		(10)	42,040
SHARE CAPITAL	6.9	*	25,000
RESERVES	6.10	(10)	17,040
SHAREHOLDERS' FUNDS		(10)	42,040

* RM2

6.1 **FINANCIAL RISK MANAGEMENT POLICIES**

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its risks. The Group operates within practices that are approved by the Board and the Company's policy is not to engage in speculative transactions.

The main areas of financial risks faced by the Group and the policy in respect of the major areas of treasury activity are set out as follows:-

(a) Foreign currency risk

The Group is exposed to foreign currency risk as a result of its normal trading activities, where the currency denomination differs from the local currency, Ringgit Malaysia (RM). The Group's policy is to minimise the exposure to foreign currency risk by monitoring and approving requisition which involves foreign currencies.

(b) Interest rate risk

The Group's policy is to borrow principally on the floating rate basis but to retain a proportion of fixed rate debts. The objectives of the mix between fixed and floating rate borrowings are set to reduce the impact of an upward change in interest rates while enabling benefits to be enjoyed if interest rates fall.

(c) Market risk

For key product purchases, the Group establishing floating and fixed priced levels that the Group considers acceptable and enters physical supply agreements, where necessary, to achieve these level. The Group does not face significant exposure from the risk of change in price levels.

(d) Credit risk

Credit risk is the potential for loss arising from failure of a debtor or counterparty to meet their contractual obligations.

The credit risk is controlled by the application of credit approvals, limits and monitoring procedures. An internal credit review is conducted to evaluate for any significant credit risk.

(e) Liquidity and cash flow risks

To manage liquidity and cash flow risk, the Group relies on its management of working capital to ensure that the cash flows within the operating cycle are sustainable.

6.2 **SIGNIFICANT ACCOUNTING POLICIES**

(a) Accounting convention

The financial statements of the Company have been prepared under the historical cost convention, unless otherwise indicated in the other significant accounting policies.

6.2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Basis of consolidation

The consolidated financial statements incorporated the financial statements of the Company and its subsidiary companies made up to the end of the year. The subsidiary companies are consolidated using the acquisition method of accounting.

Under the acquisition method of accounting, the results of the subsidiary companies acquired or disposed during the year are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the Group financial statements. The differences between the acquisition cost and the fair value of the subsidiaries' net assets is reflected as goodwill or reserve on consolidation as appropriate.

Intragroup transactions, balances and the resulting unrealised profits are eliminated on consolidation. Unrealised losses resulting from intragroup transactions are also eliminated unless cost cannot be recovered.

(c) Subsidiary companies

Subsidiary companies are those companies in which the Group has a long term interest of more than 50% of the equity capital and in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from its activities.

Investment in subsidiary companies is stated at cost less impairment losses. The policy for recognition and measurement of impairment losses is in accordance with Note 3(r). On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is recognised in the income statement.

(d) Goodwill

Capitalised goodwill is amortised using the straight line method over its estimated useful life of 20 years. Where an indication of impairment exists, the carrying amount of the goodwill is assessed and written down immediately to their recoverable amount.

(e) Minority interest

Minority interest is measured at the minorities' share of the post acquisition fair values of the identifiable assets and liabilities of the acquiree. Separate disclosure is made of minority interest.

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6.2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Depreciation is computed on the straight line basis to write off the cost of property, plant and equipment over their estimated economic lives.

The annual depreciation rates used are as follow:-

Electrical installation	15%
Furniture and fittings	10%
Machinery	10%
Motor vehicles	20%
Office equipment	10%
Computer software and equipment	25%
Renovation	33 1/3%
Tools and equipment	10%

(g) Receivables

Known bad debts are written off and specific provision is made for debts which are considered doubtful of collection.

(h) Deferred taxation

Deferred taxation is provided for under the liability method at the current tax rate in respect of all temporary differences between the carrying amount of an asset and liability in the balance sheet and its tax base including unused tax losses and capital allowances.

A deferred tax asset is recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. The carrying amount of a deferred tax asset is reviewed at each balance sheet date. If it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised, the carrying amount of the deferred tax asset will be reduced accordingly. When it becomes probable that sufficient taxable profit will be available, such reductions will be reversed to the extent of the taxable profit.

(i) Research and development expenditure

Research and development expenditure comprises of direct cost and overhead costs incurred in the development of computerised data collection and feedback systems (GPRO and EMS system) and ERP (Enterprise Resource Planning) system for the apparel/garment industry.

Research and development expenditure is charged to income statement in the year in which it is incurred, except in so far as it relates to a clearly defined project where the benefits therefrom can reasonably be regarded as assured. Expenditure so deferred is limited to the value of the future benefit and is stated at cost. The deferred expenditure is amortised by reference to the number of units sale of the related product over the total estimated unit sale for a period of 5 years.

6.2 **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

(j) Inventories

Parts and components, work in progress and finished goods are valued at the lower of cost and net realisable value. Cost is determined on a first-in, first-out basis. Cost of finished goods and work in progress includes cost of raw materials and direct labour.

(k) Employee benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the period in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans

Obligations for contributions to defined contribution plans such as Employees Provident Fund ("EPF") are recognised as an expense in the income statement as incurred.

(l) Property, plant and equipment acquired under hire purchase arrangements

The cost of property, plant and equipment acquired under hire purchase arrangements are capitalised. The depreciation policy on these property, plant and equipment is similar to that of the Group's property, plant and equipment depreciation policy. Outstanding obligation due under the hire purchase agreements after deducting finance expenses are included as liabilities in the financial statements. Finance charges on hire purchase agreements are allocated to income statement over the period of the respective agreements.

(m) Deferred expenditure

All expenses incurred for the Initial Public Offering exercise of the Company on the MESDAQ market of the Bursa Malaysia Securities Berhad have been deferred and capitalised as deferred expenditure. Deferred Initial Public Offering exercise expenditure will be written off against share premium upon completion of the Initial Public Offering exercise. If the Initial Public Offering is unsuccessful, the deferred expenditure will be written off immediately.

(n) Cash and cash equivalents

Cash comprise of cash on hand and demand deposits. Cash equivalents are short term and highly liquid investments which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

6.2 **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

(o) Foreign currency transactions

Foreign currency transactions are translated into Ringgit Malaysia at rates of exchange approximating those ruling at the transaction dates. Foreign currency monetary assets and liabilities are translated into Ringgit Malaysia at rates of exchange ruling at the balance sheet date. All exchange gains or losses are dealt with in the income statement.

(p) Revenue recognition

(i) Revenue from sale of computer systems is recognised upon performance of services.

(ii) Revenue from sale of computer hardware is recognised upon delivery of products.

(q) Financial instruments

Financial instruments carried on the balance sheet include cash and bank balances, receivables and payables. The particular recognition methods adopted are disclosed in the individual accounting policy statements associated with each item.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Company has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(r) Impairment of assets

The carrying values of assets are reviewed for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount is the higher of net realisable value and value in use, which is measured by reference to discounted future cash flows. Recoverable amounts are estimated for individual assets, or if it is not possible, for the cash-generating unit.

An impairment loss is charged to the income statement immediately.

Subsequent increase in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately.

6.3. PROPERTY, PLANT AND EQUIPMENT

Proforma Group

Cost	Office equipment RM'000	Computer software and equipment RM'000	Tools and equipment RM'000	Furniture and fittings RM'000	Renovation RM'000	Machinery RM'000	Motor vehicles RM'000	Electrical installation RM'000	Total 31.12.2003 RM'000
Addition through acquisition of subsidiary companies/ At 31 December 2003	196	611	136	157	377	16	428	160	2,081
Accumulated depreciation									
Addition through acquisition of subsidiary companies/ At 31 December 2003	56	402	41	41	314	7	227	62	1,150
Net book value									
At 31 December 2003	140	209	95	116	63	9	201	98	931

6.4 RESEARCH AND DEVELOPMENT EXPENDITURE

	Proforma Group RM'000
Total research and development cost	5,087
Less: Accumulated amortisation	(554)
At end of year	4,533

6.5 INVENTORIES

	Proforma Group RM'000
At cost:-	
Parts and components	336
Work in progress	30
Finished goods	278
	644

6.6 RECEIVABLES

	Proforma Group RM'000
Trade receivables	6,693
Other receivables	858
	7,551

6.7 PAYABLES

	Company RM'000	Proforma Group RM'000
Trade payables	-	388
Other payables	229	1,251
Amount due to Directors	-	297
Amount due to related party	-	2
	229	1,938

6.8 FINANCE CREDITORS

	Proforma Group RM'000
Finance creditors	321
Less : Interest in suspense	(42)
	279
Present value of hire purchase	
- within 1 year	99
- after 1 year but not later than 5 years	180
	279

6.9 SHARE CAPITAL

	Proforma Group RM'000
Authorised:-	
Ordinary share of RM0.10 each	50,000
Issued and fully paid:-	
Ordinary share of RM0.10 each	
On incorporation/ As at 31 December 2003	*
Acquisition of NPT	18,750
Before public issue	18,750
Public issue	6,250
After public issue	25,000

* RM2

6.10 RESERVES

	Company RM'000	Proforma Group RM'000
Distributable:-		
Accumulated loss	(10)	(10)
Non-distributable:-		
Share premium	-	17,050
	(10)	17,040

6.11 **FINANCIAL INSTRUMENTS**

(a) Interest rate risk

The interest rate risk that financial instruments' values will fluctuate as a result of changes in market interest rates and the effective interest rates on classes of financial assets and financial liabilities are as follows :-

	Less than 1 year RM'000	1 to 5 years RM'000	Total RM'000	Effective interest rate during the year
31.12.2003 Financial liabilities				
Finance creditors	99	180	279	4.5% - 4.6%

(b) Credit risk

2003

The maximum credit risk associated with recognised financial assets is the carrying amount shown in the balance sheet.

Significant concentration of credit risk of the Group is as follow:

Trade receivables :-	RM'000
Elegance Industrial Co. Ltd	2,200
Maxlin Garments Sdn Bhd	1,014
Ocean Sky Textile Pte Ltd	1,179

Other than the above, the Group has no significant concentration of credit risk with any single counterparty.

(c) Fair values

The carrying amounts of financial assets and liabilities of the Group at the balance sheet date approximated their fair values.

6.12 **NET TANGIBLE ASSETS PER ORDINARY SHARE**

Based on the statements of assets and liabilities of GPRO Group as at 31 December 2003, the net tangible assets per share is calculated as follows: -

	Proforma Group RM'000
Net tangible assets as per statements of assets and liabilities	31,151
Total number of fully issued and paid-up ordinary shares of RM0.10 each	250,000
NTA per ordinary share of RM0.10 each (sen)	12.46

7. **SUBSEQUENT EVENTS**

(i) On 9 March 2004, BMSB had conditionally approved the Initial Public Offer ("IPO") scheme of GPRO. Among the salient terms of the scheme were as follows:-

(a) acquisition of the entire equity interest of NPT comprising 1,670,500 ordinary shares of RM1.00 each for a total consideration of RM18,749,998 to be fully satisfied by the issuance of 187,499,980 new ordinary shares of RM0.10 each in GPRO at par;

(b) dividend payment to the existing shareholders of NPT to be paid from its retained earnings generated for the period between 1 August 2003 and prior to completion of acquisition;

(c) public issue of 62,500,000 new ordinary shares of RM0.10 each in GPRO at an indicative issue price of RM0.40 per share to the public, eligible employees and business associates of the GPRO Group;

(d) ESOS of a maximum of 12,500,000 ordinary shares or 5% of the enlarged share capital after the public issue for the benefit of all employees and directors of GPRO Group; and

(e) listing and quotation of the entire enlarged issued and paid-up share capital of GPRO of RM25,000,000 comprising of 250,000,000 ordinary shares of RM0.10 each and any new ordinary shares of RM0.10 each in GPRO to be issued pursuant to the exercise of options granted under the ESOS on the MESDAQ market.

(ii) On 30 March 2004, the Company increased its authorised share capital from 20 ordinary shares of RM0.10 each to 500,000,000 ordinary shares of RM0.10 each.

(iii) On 5 April 2004, the Company acquires the entire issued and paid-up share capital of New Paradigm Technologies Sdn Bhd ("NPT") comprising 1,318,000 ordinary shares of RM1.00 each and 352,500 ordinary "A" shares of RM1.00 each for a total consideration of RM18,749,998 satisfied by the issuance of 187,499,980 new GPRO ordinary shares of RM0.10 each at par value.

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8. PROFORMA CONSOLIDATED CASH FLOW STATEMENT

The following is a cash flow statement of the Proforma GPRO Group prepared for illustrative purposes based on the audited financial statements of GPRO, NPT, GPRO (Hang Zhou) and GPRO (Vietnam) for the financial year ended 31 December 2003, assuming that the GPRO Group has been in existence since the beginning of the financial year ended 31 December 2003.

	2003 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES	
Profit before taxation	3,280
Adjustments for:-	
Depreciation	409
Amortisation of research and development expenditure	554
Allowance for doubtful debts	262
Gain on disposal of property, plant and equipment	(43)
Interest expenses	32
Interest income	(26)
Operating profit before working capital changes	4,468
Changes in working capital:-	
Inventories	(22)
Receivables	(1,080)
Payables	(4,951)
Cash used in operations	(1,585)
Interest received	25
Interest paid	(22)
Net cash used in operating activities	(1,582)
CASH FLOW FROM INVESTING ACTIVITIES	
Purchase of property, plant and equipment	(457)
Proceeds from disposal of property, plant and equipment	52
Deferred expenditure paid	(219)
Research and development expenditure incurred	(1,302)
Net cash used in investing activities	(1,926)
CASH FLOW FROM FINANCING ACTIVITIES	
Repayment of finance creditors	(91)
Issuance of shares to minority shareholders	2,716
Issuance of redeemable convertible preference shares by NPT	2,600
Net cash from financing activities	5,225
CASH AND CASH EQUIVALENTS	
Net changes	1,717
At beginning of year	35
At end of year	1,752

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9. **AUDITED FINANCIAL STATEMENTS**

No audited financial statements have been prepared in respect of any period subsequent to 31 December 2003.

Yours faithfully,

SHAMSIR JASANI GRANT THORNTON
Firm Number: AF-737
Chartered Accountants

DATO' N K JASANI
Partner
NO: 708/03/06(J/PH)