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**2 PARTICULARS OF THE PUBLIC ISSUE**


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**2.1 OPENING AND CLOSING OF APPLICATION**

Applications will be accepted from 10.00 a.m. on 13 May 2004 and will remain open until 5.00 p.m. on 20 May 2004 or for such other later date or dates as the Directors of the Company and the Underwriter may in their absolute discretion mutually decide. Late applications will not be accepted.

**2.2 IMPORTANT DATES**

The indicative timing of events leading up to the listing of and quotation for the Company's entire enlarged issued and paid-up share capital on the MESDAQ Market is set out below: -

<b>Event</b>	<b>Tentative Date</b>
Opening of Application for the Public Issue	13 May 2004
Closing of Application for the Public Issue	20 May 2004
Balloting Date	24 May 2004
Despatch of Notices of Allotment of the Issue Shares to successful applicants	1 June 2004
Listing of the Company's entire enlarged issued and paid-up share capital on the MESDAQ Market	2 June 2004

These dates are tentative and subject to changes which may be necessary to facilitate implementation procedures. The Application will close at the date stated above or such later date as the Board and Kenanga at their absolute discretion may jointly decide.

Any changes to the application period will also affect the allotment and listing dates for the Public Issue and will be notified to the public via advertisements in widely circulated English and Bahasa Malaysia newspapers.

**2.3 SHARE CAPITAL**

<i>Authorised:-</i>	
500,000,000 GPRO Shares	<u>RM50,000,000</u>
<i>Issued and paid-up:-</i>	
187,500,000 GPRO Shares credited as fully paid-up	RM18,750,000
<i>To be issued pursuant to the Public Issue:-</i>	
62,500,000 GPRO Shares credited as fully paid-up	RM6,250,000
	<u>RM25,000,000</u>
Enlarged issued and paid-up share capital	<u>RM25,000,000</u>
Issue Price per GPRO Share	RM0.40

There is only one (1) class of shares in the Company namely GPRO Shares. The Issue Shares will upon allotment rank pari passu in all respects with one another and all other existing issued and fully paid-up GPRO Shares including voting rights and the right to all dividends and other distributions that may be declared subsequent to the date of allotment of the Issue Shares.

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**2 PARTICULARS OF THE PUBLIC ISSUE (Cont'd)**


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Subject to any special rights attaching to any shares which may be issued by the Company in the future, the holders of GPRO Shares shall, in proportion to the amount paid-up on the GPRO Shares held by them, be entitled to share in the whole of the profits paid out by the Company as dividends and other distributions and in the event of liquidation of the Company, any surplus shall be distributed amongst the members in proportion to the capital paid-up at the commencement of the liquidation, in accordance with the Company's Articles of Association.

Each shareholder shall be entitled to vote at any general meeting of the Company in person or by proxy or by attorney, and, on a show of hands, every person present who is a shareholder or authorised representative or proxy or attorney of a shareholder shall have one vote, and on poll, every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have one vote for each GPRO Share held. A proxy may but need not be a member of the Company.

**2.4 PARTICULARS OF THE PUBLIC ISSUE**

The Public Issue is an invitation by GPRO to the public to subscribe for the Issue Shares at an issue price of RM0.40 per share subject to the terms and conditions in this Prospectus.

The Issue Shares are made available for subscription by individuals, companies, societies, co-operatives and institutions by way of private placement and public offer as follows:-

		No of Issue Shares to be allocated
(i)	Eligible employees, directors and business associates of the Group	9,000,000
(ii)	General Public:	
	(a) by way of private placement	50,000,000
	(b) by way of public offer	3,500,000
Total		62,500,000

The basis of allocation to be determined shall take into account the desirability of distributing the Issue Shares to a reasonable number of applicants with a view of broadening the shareholding base of the Company to meet the public spread requirements and to establish a liquid and an adequate market in the GPRO Shares. To meet shareholding spread requirements, the final allocation to any single applicant shall not breach 5% or more of the enlarged issued and paid-up share capital of the Company upon Listing, regardless of the amount of Issue Shares applied for.

The Issue Shares in respect of Section 2.4(i) above are allocated to eligible employees, directors and business associates of the Group. Based on the criteria, there are 150 employees, directors and business associates who are eligible and are interested in taking up the reserved Issue Shares. All of the 12,500,000 Issue Shares have been allocated to eligible and interested employees, directors and business associates based on their respective position, number of years of service and number of years of relationship with the Group. Save as disclosed below, none of the Directors of GPRO have been allocated the Issue Shares in respect of Section 2.4(i) above:-

## 2 PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

Name	Designation	Number of Issue Shares allocated
Quek Kar Piaw	Executive Director	1,000,000

In the event any of the Issue Shares under Section 2.4(i) above is not taken up by the eligible employees, directors and business associates of the GPRO Group, such Issue Shares will be made available for application by investing public under Section 2.4(ii)(b) by way of a public offer or allocated by way of private placement.

In the event of an under-subscription of the public offer under Section 2.4(ii)(b) above, such unsubscribed Issue Shares may be transferred from the public offer tranche and allocated by way of private placement, and vice versa.

The minimum number of GPRO Shares to be subscribed for the purpose of the Public Issue is 62,500,000 GPRO Shares being 100% of the GPRO Shares available under the Public Issue.

The Issue Shares under Sections 2.4(i) and (ii)(b) above will be underwritten by the underwriter in compliance with BMSB Listing Requirements for the MESDAQ Market. The Placement Agents have received irrevocable undertakings from selected investors to take up the Issue Shares under Section 2.4(ii)(a) above and hence will not be underwritten.

### 2.5 PURPOSE OF THE PUBLIC ISSUE

The purposes of the Public Issue are as follows:-

- (i) To obtain a listing of and quotation for the entire enlarged issued and paid-up share capital of GPRO onto the MESDAQ Market;
- (ii) To provide GPRO with access to the capital market to raise funds for future expansion and growth;
- (iii) To provide an opportunity for Malaysian investors and institutions, eligible employees, directors and business associates of the Group and the public to participate in the continuing growth of the Company; and
- (iv) To enhance the stature of the Company in marketing its products and services and to maintain its existing work force and attract new skilled IT professionals.

### 2.6 PRICING OF THE PUBLIC ISSUE

The Issue Price of RM0.40 per GPRO Share was determined and agreed upon by the Company and Kenanga as Adviser and Underwriter, after taking into account, inter-alia, the following:-

- (i) The Company's financial and operating history and conditions as described in Sections 4 and 6 of this Prospectus;
- (ii) The forecast net PE multiple of 9.30 times after taking into consideration the provision for trade receivable made in compliance with BMSB's condition in approving the Listing as described in Sections 1.7 and 6.5.1 of this Prospectus;
- (iii) The industry overview, future plans and strategies and outlook of the Company as described in Sections 1.7 and 7 of this Prospectus; and

## 2 PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

- (iv) The Company's proforma audited NTA and NAV per GPRO Share as at 31 December 2003 (after adjustment for the Public Issue and deduction of estimated listing expenses thereof) of RM0.12 and RM0.17 respectively.

**Investors should form their own views on the valuation of the Issue Shares before deciding to invest in the Issue Shares.**

### 2.7 PROCEEDS OF THE PUBLIC ISSUE AND PROPOSED UTILISATION

The gross proceeds from the Public Issue amounting to RM25,000,000 will accrue entirely to the Company and the Company shall bear all expenses relating to the listing of and quotation for the entire enlarged issue and paid-up share capital on the MESDAQ Market. The proceeds are proposed to be utilised as follows:-

	Notes	RM'000	Expected time frame for utilisation
R&D expenses	(i)	8,000	By end 2007
Business expansion & market development overseas	(ii)	10,000	By end 2006
Working capital	(iii)	5,300	By end 2006
Estimated listing expenses	(iv)	1,700	First half 2004
		25,000	

#### (i) R&D expenses

The GPRO group would require approximately RM8.0 million for the specialty software and dedicated hardware development expenditure to be incurred in the FYE 31 December 2004, 2005, 2006 and 2007. The specialty software and dedicated hardware development expenditure will entail staff salaries, hardware and development tools. The GPRO Group would benefit from an expansion of product range under the "GPRO" brandname for the textile and apparel industry. The GPRO Group is constantly looking into the development of new applications and products with the existing products and technologies. This is to ensure continuous growth in sales and in line with the Group's strategy towards achieving a multi-products company.

#### (ii) Business expansion & market development overseas

The Company proposes to allocate approximately RM10.0 million for business expansion and market development overseas. The Group has via its G.PRO System penetrated into ten (10) foreign countries namely Sri Lanka, Vietnam, the PRC, Hong Kong, Brunei, United Arab Emirates, Indonesia, Thailand, Cambodia and Singapore. Underscored by the abovementioned achievements, the Group has now firmly set its sight on expanding worldwide with the aim of becoming a leading IT solutions provider for the textile and apparel manufacturing industry worldwide. The Group intends to expand and penetrate into major textile and apparel producing countries such as India, Pakistan, Bangladesh, Mexico, Tunisia, Turkey and Philippines. The allocated proceeds is expected mainly to be applied towards meeting the costs for the setting up the Group's regional business centres in certain of its overseas markets and the corresponding working capital requirements. The main role of the regional business centres is to promote the Group's products in the respective overseas markets.

In addition, the Group has a newly-incorporated subsidiary in the PRC and Vietnam respectively. The Company would require RM380,000 and RM350,000 for the subscription of share capital in the aforesaid subsidiaries in the PRC and Vietnam respectively and their initial set-up cost and operating expenses in the next 24 months.

## **2 PARTICULARS OF THE PUBLIC ISSUE (Cont'd)**

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### **(iii) Working capital**

The Company proposes to allocate RM5.3 million to meet its working capital requirements. The working capital portion will be used to defray operating expenses such as staff salaries, marketing, advertisement and promotion, travelling, rental of premises, purchase of direct materials and etc.

### **(iv) Estimated listing expenses**

Please refer to Section 2.8.5 of this Prospectus for the estimated listing expenses.

### **2.7.1 Financial Impact from the Utilisation of Proceeds**

The financial impact and benefits from the proceeds of the Public Issue include, inter-alia, the following:-

- (i) Enhancement of the existing products, development and launching of more products to expand the earnings of the Group; and
- (ii) Expansion of the Group's presence to overseas markets such as:-
  - (a) India;
  - (b) Pakistan;
  - (c) Bangladesh;
  - (d) Mexico;
  - (e) Tunisia;
  - (f) Turkey; and
  - (g) Philippines.

Items (i) and (ii) above are expected to enhance the earnings of the Group in the future. In addition, the Public Issue will raise RM5.3 million for working capital which is expected to improve the liquidity and cash flow position of the Group.

## **2.8 BROKERAGE, UNDERWRITING AND PLACEMENT COMMISSION AND LISTING EXPENSES**

### **2.8.1 BROKERAGE FEE**

Brokerage fee relating to the Issue Shares will be paid by the Company at the rate of 1.0% of the Issue Price of RM0.40 per Issue Share in respect of successful applications which bear the stamps of Kenanga, a participating organisation of BMSB, or the Issuing House.

### **2.8.2 UNDERWRITING COMMISSION**

Kenanga as the Underwriter has agreed to underwrite 12,500,000 of the Issue Shares which will be made available for application under the public offer. Underwriting commission is payable by the Company at the rate of 1.5% of the Issue Price of RM0.40 per Issue Share.

## 2 PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

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### 2.8.2 PLACEMENT COMMISSION

The placement agents will arrange for the placement of the Issue Shares at a rate of 1.5% of the Issue Price of RM0.40 per Issue Share. The Company shall bear the placement commission.

### 2.8.3 SALIENT PROVISIONS OF THE UNDERWRITING AGREEMENT

An extract of the salient provisions of the Underwriting Agreement are as follows:-

- (A) Kenanga may by notice in writing to the Company given at any time before the closing date, terminate and cancel and withdraw its commitment. The termination events are as follows:-
- (i) breach by the Company of any of the representations, warranties or undertakings contained in the Underwriting Agreement which is not capable of remedy or, if capable of remedy, is not remedied within such number of days as stipulated in the notice given to the Company; or
  - (ii) failure on the part of the Company to perform any of its obligations contained in the Underwriting Agreement; or
  - (iii) withholding of information of a material nature from Kenanga which is required to be disclosed pursuant to the Underwriting Agreement which, in the opinion of Kenanga, would have or can reasonably be expected to have, a material adverse effect on the business or operations of the Company, the success of the Public Issue, or the distribution or sale of the Issue Shares; or
  - (iv) any material and adverse change in the business or financial condition of the Company; or
  - (v) any of the following circumstances:-
    - (a) any material change, or any development involving a prospective change, in national or international monetary, financial, economic or political conditions (including but not limited to conditions on the stock market, in Malaysia or overseas, foreign exchange market or money market or with regard to inter-bank offer or interest rates both in Malaysia and overseas) or foreign exchange controls or the occurrence of any combination of any of the foregoing;
    - (b) any change in law, regulation, directive, policy or ruling in any jurisdiction or any event or series of events beyond the reasonable control of Kenanga (including without limitation, acts of God, acts of terrorism, strikes, lock-outs, fire, explosion, flooding, civil commotion, sabotage, acts of war or accidents);

**2 PARTICULARS OF THE PUBLIC ISSUE (Cont'd)**

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which, would have or can reasonably be expected to have, a material adverse effect on, and/or materially prejudice the business or the operations of the Company or the Group, the success of the Public Issue, or the distribution or sale of the Issue Shares, or which has or is likely to have the effect of making any material part of the Underwriting Agreement incapable of performance in accordance with its terms; or

- (vi) in the event the Company is not listed on the MESDAQ Market within three (3) months from the date of the Underwriting Agreement for any reason whatsoever.

Upon any such notice(s) being given, Kenanga shall be released and discharged from its obligations whereupon the Underwriting Agreement shall be of no further force or effect and no party shall be under any liability to any other in respect of the Underwriting Agreement, save and except that the Company shall remain liable for the payment of the underwriting commission and in respect of its obligations and liabilities for the payment of costs and expenses already incurred prior to or in connection with such termination and for the payment of any taxes, duties or levies, and for any antecedent breach.

(B) The obligations of Kenanga shall be conditional upon:

- (i) the Company's application, the SC having approved the Prospectus and BMSB having agreed in principle on or prior to the Closing Date to the listing of and quotation for all the issued ordinary share capital of the Company on the MESDAQ Market of BMSB on terms satisfactory to Kenanga and Kenanga being reasonably satisfied that such listing and quotation will be granted three (3) business days (or such other period as BMSB may permit) after BMSB has received all the necessary supporting documents and receipt of confirmation from MCD that all CDS accounts of the successful applicants have been duly credited and notices of allotment have been despatched to all successful applicants;
- (ii) there not having been, on or prior to the Closing Date, in the opinion of Kenanga (whose opinion is final and binding) any material adverse change or any development reasonably likely to involve a prospective material adverse change in the condition (financial or otherwise) of the Company from that set forth in the Prospectus which in the opinion of Kenanga (whose opinion is final and binding) is material in the context of the issuance of the Issue Shares or the occurrence of any event rendering untrue or incorrect to an extent which is material as aforesaid any representations, warranties or undertakings contained in the Underwriting Agreement as though they had been given or made on such date;
- (iii) upon the Company's application, the registration with the SC and lodgment with the ROC of the Prospectus together with copies of all documents required by the Securities Commission Act, 1993 and the issue by the SC of the relevant certificate of registration;

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**2 PARTICULARS OF THE PUBLIC ISSUE (Cont'd)**

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- (iv) all agreements in relation to the private placement in a form acceptable to Kenanga have been duly executed before the issuance of the Prospectus and the successful placement of all such Issue Shares under the private placement;
- (v) the issuance of the Prospectus within two (2) months from the date of the Underwriting Agreement or such other date as the parties may mutually agree upon in writing;
- (vi) the delivery to Kenanga prior to the date of issuance of the Prospectus of a certified true copy by an authorized officer of the Company of all the resolutions of the directors of the Company and the shareholders in general meeting approving the Underwriting Agreement, the Prospectus, the Public Issue and authorizing the execution of the Underwriting Agreement and the issuance of the Prospectus;
- (vii) Kenanga having been satisfied that adequate arrangements have been made by the Company to ensure payment of the expenses referred to in the Underwriting Agreement;
- (viii) the Public Issue is not being prohibited by any statute, order rule, regulation or directive promulgated or issued by any legislative, executive or regulatory body or authority in Malaysia;
- (ix) Kenanga having been satisfied that the company has complied and that the Public Issue is in compliance with the policies, guidelines and requirements of the SC and all revisions, amendments and/or supplements thereto;
- (x) the acceptance for registration by the SC of the Prospectus and such other documents as may be required in accordance with the Securities Commission Act, 1993 in relation to the Public Issue and the lodgement of the Prospectus with the ROC on or before its release;
- (xi) the offering of the Issue Shares having been approved by the SC and BMSB (approval as regards the listing of the entire issued and paid up share capital of the Company) and or any other relevant authority or authorities; and
- (xii) the Underwriting Agreement having been duly executed and stamped.

If any of the conditions stipulated above are not satisfied on or before the Closing Date and if after the Closing Date it shall become apparent to Kenanga that the public shareholding spread has not been met, Kenanga shall thereupon be entitled, to terminate the Underwriting Agreement by notice in writing to the Company and in that event the parties hereto shall be released and discharged from their respective obligations provided that the Company shall remain liable for the payment of the underwriting commission and of all other costs and expenses as stated in the Underwriting Agreement.



**2 PARTICULARS OF THE PUBLIC ISSUE (Cont'd)**

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(C) Force Majeure

Notwithstanding anything contained in the Underwriting Agreement, Kenanga may at any time be entitled to terminate its obligations under the Underwriting Agreement with a notice in writing delivered to the Company on the occurrence of all or any of the matters stated below on or before the Closing Date if the success of the Public Issue is, in the opinion of Kenanga (whose opinion is final and binding), seriously jeopardised by:

- (i) any Government requisition or other occurrence of any nature whatsoever which in the opinion of Kenanga (whose opinion is final and binding) seriously affects or will seriously affect the business and/or financial position of the Company;
- (ii) any change or any development involving a prospective change in national or international monetary, financial (including stock market conditions and interest rates), political or economic conditions or exchange control or currency exchange rates as would in the reasonable opinion of the Underwriter prejudice materially the success of the Public Issue and its distribution or sale (whether in the primary or in respect of dealings on the secondary market); or
- (iii) any breach of the representations, warranties and undertakings referred to in Clause 3 of the Underwriting Agreement or withholding of information of a material nature from the Underwriter; or
- (iv) any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority, which in the opinion of Kenanga has or is likely to have a material adverse effect on the condition, financial or otherwise, or the earnings, business affairs or business prospects (whether or not arising in the ordinary course of business) of the Company; or
- (v) any event or series of events beyond the reasonable control of Kenanga (including without limitation acts of government, strikes, lockouts, fire, explosion, flooding, civil commotion, acts of war, sabotage, terrorist attacks, acts of God or accidents) which has or is likely to have the effect of making any material part of the Underwriting Agreement incapable of performance with its terms or which prevents the processing of application, crediting of accounts and/or payments pursuant to the Public Issue or pursuant to the underwriting hereof; or
- (vi) the imposition of any moratorium, suspension or material restriction on trading in securities generally in BMSB due to exceptional financial circumstances or otherwise.

On delivery of such a notice by Kenanga to the Company and confirmation of such a notice by facsimile or by hand, the Underwriting Agreement shall be terminated and the obligations of the Underwriter under the Underwriting Agreement shall be discharged accordingly. In the event of any such termination, the Company shall bear all the cost and expenses incurred.

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**2 PARTICULARS OF THE PUBLIC ISSUE (Cont'd)**

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(D) The Closing Date means the date on which the application list for the subscription of the Issue Shares will be closed.

**2.8.4 ESTIMATED LISTING EXPENSES**

	<b>RM</b>
Professional fees	550,000
Advertising & promotional costs	100,000
Printing of Prospectus	100,000
Underwriting, placement and brokerage	750,000
BMSB's perusal and listing fee	35,000
SC's Prospectus registration fee	5,000
Issuing House	50,000
Miscellaneous & Contingencies	110,000
Total	<u>1,700,000</u>

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### 3 RISK FACTORS

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**NOTWITHSTANDING THE PROSPECTS OF THE COMPANY AS OUTLINED IN THIS PROSPECTUS, APPLICANTS FOR THE ISSUE SHARES SHOULD CAREFULLY CONSIDER THE FOLLOWING FACTORS (WHICH MAY NOT BE EXHAUSTIVE) THAT MAY HAVE A SIGNIFICANT IMPACT ON THE FUTURE PERFORMANCE OF THE COMPANY IN ADDITION TO OTHER INFORMATION CONTAINED ELSEWHERE HEREIN, BEFORE APPLYING FOR THE ISSUE SHARES.**

#### **(A) BUSINESS RISKS**

##### **(i) Limited operating history**

Although the GPRO Group started business operations in January 1996, the Group was heavily involved in R&D for the first three (3) years since commencement of its operation. As the Group has a limited operating history, its prospects must be assessed in the light of the risk and difficulties normally encountered by any new company with a limited operating history. Notwithstanding its short operating history, the Group has been managed by an experienced senior management team. Their experiences will be critical to ensure the success of the Group.

The historical financial records of the Group are included under Sections 6 and 13.3 of this Prospectus.

##### **(ii) Dependence on key personnel**

The Group's continued success will depend substantially upon the abilities and continued efforts of Quek Kar Loon and Tang Tiong Seng, its Managing Director and Executive Chairman and its senior management team. The Group relies heavily on Quek Kar Loon and Tang Tiong Seng as they bring along their extensive knowledge and experience in IT for the textile and apparel industry. The loss of the Managing Director, Executive Chairman or senior management staff may adversely affect the Group's performance.

The Group's future success will also depend upon its ability to attract and retain a sufficient number of highly skilled employees. The Group mitigates this by continuing to hire personnel as and when necessary to accommodate any increase in the size of the Group's operations. The Board believes that by offering a competitive salary package, training and conducive working environment should mitigate this risk further. Recognising the importance of its human resource, efforts have been taken to groom younger members of the senior management team to ensure smooth transition in the management team.

##### **(iii) No prior market for the Company's shares**

Prior to the Public Issue, there was no public market for the GPRO Shares. There can be no assurance that an active market can develop for the GPRO Shares upon its listing on the MESDAQ Market or if developed, that such a market can be sustained. The Issue Price of RM0.40 per Issue Share has been determined after taking into consideration a number of factors, including but not limited to, the Company's financial and operating history and conditions, the prospects of the industry in which the Company operates, the Company's R&D capability and technology, the management of the Company and prevailing economic and market conditions. There can be no assurance that the Issue Price will correspond to the price at which GPRO Shares will trade on the MESDAQ Market upon or subsequent to its listing.

### **3 RISK FACTORS (Cont'd)**

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#### **(iv) Expansion to foreign markets and its related risk thereon**

The Group intends to expand its operation to countries such as India, Pakistan, Bangladesh, Mexico, the Philippines and other foreign markets. However, there can be no assurance that the Group will be able to successfully penetrate the aforementioned new markets. Furthermore, such future expansion could expose the Group to foreign economic, political, legislative and other risks. Any failure to accurately assess these issues could affect the Group's business, financial condition and operating results. However, from the Group's brick and mortar philosophy, prudence and careful planning have always been exercised by the Board to ensure that there would not be an over expansion.

#### **(v) Brand name**

An important element of the Group's business strategy is to establish and maintain widespread recognition of the "GPRO" brandname locally and overseas in relation to its products. As the Group is a new entrant to the PRC, Vietnam and other new markets which the Group plans to penetrate, it would require extensive marketing and promotional efforts to penetrate these markets and to create market acceptance.

The Board believes that establishing and maintaining a good brand reputation and recognition is critical for attracting and expanding the Group's targeted client base. The success of the "GPRO" brandname will depend largely on the provision of high quality IT solutions, provision of support and training to its clients and continuous advertising and promotions. If customers do not perceive the Group's IT solutions as meeting their needs, or if the IT solutions are not marketed effectively, the Group will be unsuccessful in maintaining and strengthening its brandname. Failure to do so will affect the results of operations, financial conditions and prospects of the Group.

Since introducing the Group's first product called G.PRO System into the market, the response has been very encouraging. The name G.PRO has begun to be a household name in the apparel industry, especially in Asia. G.PRO System won the PIKOM-Computimes ICT (Hardware of the Year) Award 2002. It was also a finalist in MSC-APICTA 2003 under the Best Industrial Application & Manufacturing Design Category and under the Best of R&D Category for its GPRO EMS System. On 4 March 2004 the Export Excellence Award 2003 (Merchandise) was presented by the Minister of International Trade and Industry, YB Dato' Seri Rafidah Aziz to NPT, a wholly-owned subsidiary of GPRO, in recognition of its efforts in penetrating export markets and its excellent performance in this pursuit.

The Group believes that it will be able to develop its brandname effectively with sufficient financial resources and stringent product and services quality requirements.

#### **(vi) MSC Status**

GPRO was granted MSC status on 15 August 2003 by MDC and concurrently awarded pioneer status under Section 4A of the Promotion of Investments Act 1986. As such, it is entitled to enjoy certain financial and non-financial incentives like 100% income tax exemption on all profits derived from its MSC-qualifying activities.

MDC is the body responsible for monitoring all MSC status companies. MDC has the right to revoke any company's MSC status at any time if it does not comply with the conditions of grant of MSC status as imposed by the MDC. As such, there can be no assurance that the Company will continue to retain its MSC and pioneer status or that the Company will continue to enjoy or not experience delays in enjoying the MSC incentives, all of which could materially and adversely affect the Group's business, operating results and financial condition. There can also be no assurance that the MSC incentives will not be changed or modified in any way in the future.

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**3 RISK FACTORS (Cont'd)**

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**(vii) Management of future growth**

The Group is currently experiencing a period of growth and has projected in its 5-year development plan rapid expansion and further growth. The Group's ability to manage its growth will depend on its ability to improve its operational, financial and other internal systems and to train, recruit, motivate and manage its employees. If the Group's is unable to achieve the anticipated performance levels, its business and financial performance may be adversely affected.

**(viii) Protection of IP Rights**

The Group has on 18 October 2000 filed a patent application for the Smart Tag in Malaysia. To-date, the Smart Tag is the only patent the Group has filed for registration in Malaysia. The Group has also filed applications to register the "G.PRO" mark as a trade mark under Class 7 and Class 9 of the Trade Mark Regulations 1997. To date, both the patent application and the trade mark applications filed by the Group are still pending approval by the Intellectual Property Corporation of Malaysia. On 15 March 2004, the Group applied to the National Office of Intellectual Property in Vietnam to register the "G.PRO" mark as a trademark under Class 7 and 9 in Vietnam. On 17 November 2003, the Group applied to the China State Administration for Industry and Commerce, Trademark Bureau to register the "G.PRO" mark (in Mandarin) mark as a trademark under Class 35 in the PRC. The applications in Vietnam and the PRC are both pending as at 27 April 2004.

However, existing IP laws afford only limited protection. As such, there can be no assurance that the Group will be able to protect its IP rights against unauthorised third party copying, use or exploitation, any of which could have a material adverse effect on the Group's business, operating results and financial condition. Furthermore, there can be no assurance that the Group's patent application for the Smart Tag will be successful. In the event the Group's patent application for the Smart Tag in Malaysia is rejected by the Registrar of Patents, the Smart Tag will not enjoy patent protection under the Patents Act 1983, and the Group will have to rely on other forms of intellectual property protection, such as copyright, to protect its IP rights in the Smart Tag. Copyright affords limited protection to the Group's rights in the Smart Tag and only extends to protect the drawings and technical specifications for the SmartTag, if the same are reduced into material form.

As such, there can be no assurance that the Group will be able to protect its IP rights against unauthorised third party copying, use or exploitation of its IP rights, any of which could have a material adverse effect on the Group's business, operating results and financial condition.

**(ix) Limited operating period of GPRO (Hang Zhou) and GPRO (Vietnam)**

GPRO (Hang Zhou), a wholly owned subsidiary of GPRO, has an operational period of 30 years which will expire on 20 August 2033 based on its Business License issued by Hang Zhou Municipal Administrative Bureau of Industry and Commerce. GPRO (Hang Zhou) may apply to the relevant authorities in the PRC to renew its Business License before the expiry date. Notwithstanding the above, there is no assurance that GPRO (Hang Zhou) will be able to successfully renew such license upon its expiry which in turn may adversely affect the future financial performance of the Group.

GPRO (Vietnam), a 60.0% owned subsidiary of GPRO, has an operational period of 30 years which will expire on 24 August 2033 based on its investment licence issued by the People's Committee of Ho Chi Minh City pursuant to the Law on Foreign Investment in Vietnam. GPRO (Vietnam) may apply to the relevant authorities in Vietnam to renew its investment license before the expiry date. Notwithstanding the above, there is no assurance that GPRO (Vietnam) will be able to successfully renew such license upon its expiry which in turn may adversely affect the future financial performance of the Group.

### **3 RISK FACTORS (Cont'd)**

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#### **(x) Defects Liability**

The IT solutions which the GPRO Group develops and provides to its customers are important to the smooth operations of its customers' business. Any defects or errors in the product could result in lost client revenues, adverse customer reaction towards the GPRO Group and its products, negative publicity, additional expenditures to remedy the problems and legal claims against the GPRO Group. The GPRO Group does not maintain any product liability insurance, nor has it taken out any third party liability insurance. Nevertheless, the Group does provide its customers with a limited product warranty. However, the effectiveness of the said product warranty is subject to the determination of a court of competent jurisdiction and/or the existence of consumer protection statutes which may differ from country to country. As such, there is no assurance that the said product warranty and the limitations of liability provisions therein may be sufficient to protect the Group from product liability claims arising from defects or errors in its products.

Although the GPRO Group has not experienced any claims against it in respect of its products, any significant claim against the Group in future may have a material adverse effect on the Group's results and prospects.

#### **(xi) Dependence on key products**

Presently, the G.PRO System contributes approximately 92.6% of the total Group revenue. It is expected that this product will continue to contribute substantially to the Group's sales for the next five (5) years.

In order to reduce dependency on this product and to diversify the Group's income base, the Group has developed and marketed the following products:-

- (i) G.PRO Embroidery Machine Monitoring System; and
- (ii) Garmate ERP.

The Group intends to develop a broad based product line as set out in Section 7 of this Prospectus.

#### **(B) RISKS RELATING TO INDUSTRY**

##### **(i) Barriers to entry and Competition**

There are currently not many players specialising in providing memory-chip-tag-based real time production control system for the textile and apparel industry worldwide. The Board is of the opinion that GPRO's possession of the domain knowledge in the textile and apparel manufacturing industry as well as IT industry is a critical success factor of the Group. Tang Tiong Seng and Quek Kar Loon, the Group's Executive Chairman and Managing Director have been devoting themselves in the IT industry for the apparel and textile industry since 1990. They have the requisite in-depth experience and domain knowledge in the textile and apparel industry. Their experience and domain knowledge in the IT industry for the textile and apparel manufacturing industry is shared with the senior management of the Group. In this respect, the domain knowledge in the textile and apparel manufacturing industry and IT industry which has been accumulated over time poses a major barrier to entry for other competitors to gain entry into the IT industry for the textile and apparel industry in which the GPRO Group operates.

### 3 RISK FACTORS (Cont'd)

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Notwithstanding the above, there can be no assurance that there will not be many competitors emerging in the market in the future which in turn may affect the financial performance of the Group accordingly. In this respect, the Group always emphasises on the importance of R&D to develop new and innovative IT solution and improve on its existing products in response to changes in technological development to enhance its competitiveness at all times.

Going forward, by listing on the MESDAQ Market, the Group would be able to tap into the capital market for additional funds to strengthen its competitive edge.

#### (ii) Technology

A strong R&D capability is important for the continued development of new products that meet the demand of its customers. However, there are inherent risks involved, given that R&D efforts may require long lead-times. Such risks include the uncertainties with regards to the outcome of its R&D efforts, delays in development of potential products and general uncertainties due to the rapid changes in technology know-how.

The delay in the completion of the development of its hardware and software solutions and the consequent delay in the launch of these products in the market place may adversely affect its competitive position. The introduction of a new competing products may also affect its product's appeal to its prospective customers.

In addition, the IT industry is dynamic, characterised by rapid changes in technology and frequent introduction of new and more advanced IT products, changes in customer demands and evolving industry standards. Hence, the Group would need to keep abreast with the latest technologies in order to compete successfully with its competitors. The Group will be subject to the risks, uncertainties and problems frequently encountered by companies in the IT industry which include, amongst others, the following:-

- (a) failure to keep abreast with changing technological standards and requirements;
- (b) failure to anticipate and adapt to developing market trends and requirements;
- (c) inability to maintain, upgrade and develop its systems and infrastructure to cater to rapidly expanding operations.

Recognising this, the Group's R&D team constantly keeps abreast with new technologies and market trends wherein the business development team works closely with the R&D team to provide feedback on market trends and client requirements. The Group also focuses on its human resource development by investing in external and in-house training sessions to update and educate its employees.

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**3 RISK FACTORS (Cont'd)**

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**(C) SPECIFIC RISKS RELATING TO THE PRC MARKET**

The Group has a major market in the PRC which is also subject to the following risks:-

**(i) Political, economic and social considerations in the PRC**

The Board is of the view that the general economic, political, legal and social conditions prevailing in the PRC may directly or indirectly affect the Group's financial performance and operations since one of its subsidiary, GPRO (Hang Zhou), is located in the PRC. The PRC economy is in the process of changing from a planned economy to a market economy. Over the years, the PRC government has introduced substantial economic and political reforms. However, many laws and regulations governing economic matters implemented by the PRC government are at an early stage of development and their interpretation and enforcement involve more uncertainties than in most western countries. There is no assurance that GPRO (Hang Zhou)'s future performance and profitability may not be adversely affected by changes in political, economic and social conditions in the PRC and by changes in the PRC government policies.

**(ii) The evolving nature of the PRC legal system**

As the Group has operations in the PRC, it is also exposed to the risk of the PRC legal system. In recent years, the PRC government has been developing a set of comprehensive system of commercial laws, and considerable progress has been made in introducing laws and regulations dealing with economic matters such as foreign investment, corporate organization and governance, commerce, taxation and trade. However, as these laws and regulations are relatively new, precedents on the interpretation, implementation and enforcement of the PRC laws and regulations are limited. Hence, interpretation and enforcement of these laws and regulations involve uncertainties. Accordingly, the outcome of dispute resolutions may not be as consistent or predictable as in other more developed jurisdictions and it may be difficult to obtain swift and equitable enforcement of the laws in the PRC, or to obtain enforcement of judgement by a court of another jurisdiction.

**(iii) Government control of currency conversion and exchange rate in the PRC**

The PRC government has adopted a unified floating exchange rate system under which the exchange rate is subject to a certain extent by market demand and supply. The Chinese Renminbi is not freely exchangeable into foreign currencies. Under the Regulations on the Administration of Settlement, Sale and Payment of the PRC, foreign investment enterprises are permitted to repatriate or distribute its profits or dividends in foreign currencies out of its foreign exchange accounts or exchange Chinese Renminbi for foreign currencies through banks authorised to conduct foreign exchange business. To exchange Chinese Renminbi into foreign currencies by foreign investment enterprises for the use of recurring items, including the distribution of dividends to foreign investors, is permissible. However, the exchange of Chinese Renminbi into foreign currencies for capital items, such as direct investment, loans and security investment, is subject to more stringent control. GPRO (Hang Zhou) is subject to the above regulations. If new laws or regulations prohibit or further restrict the exchangeability of Chinese Renminbi into foreign currencies, the Group's operations and profitability may be affected in the future.



### 3 RISK FACTORS (Cont'd)

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Notwithstanding the specific risks relating to the PRC market above, with the recent accession of the PRC into the World Trade Organisation, it has helped to promote reform in the PRC which include, inter-alia, the following:-

- (a) Deepening market reforms and empowering leaders who want their country to move further and faster toward economic freedom. The accession to World Trade Organisation will expose to global competition and thereby bring the PRC to privatise its state-owned industries and expand the role of the market in the PRC economy. Chinese as well as foreign businessmen will gain the right to import and export on their own, and to sell their products without going through government middlemen; and
- (b) Strengthens the rule of law in PRC. It obliges the PRC government to publish laws and regulations and subjects pertinent decisions to review of an international body. That will begin to strengthen the rule of law in PRC and increase the likelihood that it will conform with global rules.

#### **(D) OTHER RISKS**

##### **(i) Shareholding of Promoters**

The Promoters will collectively hold approximately 61.06% of the Company's issued and paid-up share capital after the Public Issue. As a result, the Promoters will be able to effectively influence the outcome of certain corporate actions in a manner that could cause conflict with the interests of minority shareholders.

However in the event of related party transactions involving any of the Promoters of the Company, such Promoters would be required to abstain from voting. In addition, GPRO has appointed two (2) independent non-executive directors, as a step towards good corporate governance and protecting the interests of minority shareholders.

##### **(ii) Political, economic and legislative considerations**

Development in political and economic conditions in Malaysia and other countries where the Group is currently operating or where the Company may undertake projects or market its products in the future could materially affect the financial prospects of the Group. Political and economic uncertainties include but are not limited to the risks of war, riots, expropriation, nationalisation, renegotiations or nullification of existing contracts, fluctuations in foreign exchange rates, inflation, changes in interest rates and methods of taxation.

##### **(iii) Forward looking statements**

This Prospectus includes forward-looking statements, which are statements other than statements of historical facts that are based on assumptions that are subject to uncertainties and contingencies. The words "anticipates", "believe", "intends", "plans", "expects", "forecast", "predicts" and similar expressions as they relate to the Group or its business are intended to identify such forward-looking statements. The Group believes that, barring any unforeseen circumstances the expectations reflected in such forward-looking statements are reasonable at this point of time. There can be no assurance that such expectations will prove to have been correct. Any deviation from the expectations may have adverse effect on the Group's financial and business performance.

### **3 RISK FACTORS (Cont'd)**

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#### **(iv) Delay in or abortion of the Public Issue**

The occurrence of any one (1) or more of the following events may cause a delay in or abortion of the Public Issue:-

- (a) the identified investors fail to subscribe for the portion of Issue Shares to be placed to them;
- (b) the Underwriter exercise its rights pursuant to the Underwriting Agreement and discharges itself from their obligations thereunder; or
- (c) the Company is unable to meet the public spread requirements, that is, at least 25% but not more than 49% of the issued and paid-up share capital of the Company be held by a minimum number of 200 public shareholders (including employees).

Although the Board will endeavour to ensure compliance by GPRO of the various Listing Requirements, including, inter-alia, the public spread requirement imposed by BMSB for the successful Public Issue, no assurance can be given that the abovementioned events will not occur and cause a delay in or abortion of the Public Issue.

#### **(v) Termination of Underwriting Agreement**

The Underwriting Agreement is terminable by the Underwriter if the Underwriter is of the reasonable opinion that the success of the Public Issue is seriously jeopardised by certain events, details of which are set out in Section 2.8.4 of this Prospectus.

No assurance can be given that the Underwriter will not terminate the Underwriting Agreement if the events detailed in Section 2.8.4 have occurred. In the event the Public Issue could not be completed, all monies paid in respect of all applications will be returned without any interest.

#### **(vi) Profit Forecast**

This Prospectus contains a consolidated profit forecast of GPRO that is based on bases and assumptions, which the Board believes at the time of this Prospectus to be reasonable, but which nevertheless are subject to uncertainties and are contingent in nature. Due to the subjective judgements included and inherent uncertainty of consolidated profit forecast, and as events and circumstances may not occur as expected, there can be no assurance that the consolidated profit forecast contained herein will be realised and actual results may be materially different from those shown. Investors will be deemed to have read and understood the bases and assumptions underlying the consolidated profit forecast that is contained herein.

#### **(vii) Foreign Exchange Risk**

The sales revenue of the Group is currently denominated in RM and USD. Given that the reporting currency of the financial statements is in RM, it is exposed to foreign currency fluctuations, especially if the RM peg to USD is revised or removed. The Group will, as a mitigating factor, attempt to use various hedging techniques to mitigate this risk. In addition, some of the Group's purchase is also generated in USD, which provides a natural hedge to some degree for any adverse movements in foreign exchange rates. However, there can be no assurance that any future significant fluctuations in exchange rates and financial crisis will not impact on the revenue and earnings of the Group.

**3 RISK FACTORS (Cont'd)**

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**(viii) Impact of Severe Acute Respiratory Syndrome (“SARS”)**

The impact of SARS on the Malaysian economy is not as severe as compared to the other countries in the region. The Government has taken immediate steps in containing the spread of the virus. However, until a permanent cure is found or the authorities are able to effectively contain the spread of the virus, there can be no assurance that the Malaysian economy will remain relatively unaffected by the crisis affecting the airline and tourism industries which will have spillover effect on other industries, including the IT industry which the Group is a part of.

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