
5 INDUSTRY OVERVIEW

5.1 THE WORLD AND MALAYSIAN ECONOMIES OVERVIEW

The global economy strengthened considerably in 2003, led by the United States (“US”). Growth in 2003 was characterised by two distinct phases, with the first half-year dampened by uncertainties related to the Iraq war and the Severe Acute Respiratory Syndrome (“SARS”) outbreak in Asia. Since mid-2003, however, revival of growth in Japan and euro zone and stronger growth in the US led to a better-than-expected global growth of 3.2% for the year. The global recovery was accompanied and supported by improvements in international trade and financial markets. World trade grew by 3.5-4.5% in 2003, largely attributable to import demand from developing countries.

In the Asian region, despite geopolitical uncertainties and the negative impact of SARS in the first half of 2003, regional growth was sustained at 6.2%, twice the global average. The main impetus to growth emanated from exports, driven mainly by the upturn in the global electronics cycle and sustained favourable prices for non-oil primary commodities reinforced by strong domestic demand supported by accommodative monetary and fiscal policies. In tandem with improvements in the global economic environment, the trade momentum accelerated in the second half, resulting in a doubling of the export growth rate to 18.6% for the year (2002: 9.5%). Among regional countries, growth continued to be led by People’s Republic of China (“PRC”), with a strong expansion of 9.1%, followed by Thailand and Malaysia at 6.7% and 5.2%, respectively.

The Malaysian economy demonstrated greater resilience in the face of uncertainties to expand by 5.2% in 2003 (2002: 4.1%), more rapidly than the official forecast of 4.5%. The dampening impact on growth by the emergence of the SARS and geopolitical concerns in the first half of the year was overcome by the mutually reinforcing effect of strong economic fundamentals, supportive monetary and financial policies and an economic stimulus package in May 2003. The GDP growth in 2003 was private sector-driven. Private expenditure increased by 5.1%, contributed 2.5 percentage points of the 5.2% growth rate. Both households and the corporate sector benefited from rising disposable incomes, the improving terms of trade for commodities and strengthening external demand. While household incomes increased as a result of growth in wages and higher commodity prices, the corporate sector generated higher profits and cash flows from rising productivity and higher export earnings.

(Source : Bank Negara Malaysia Annual Report 2003)

5.2 THE MALAYSIAN IT INDUSTRY

The IT industry in Malaysia has shown signs of recovery from the economic downturn that has been affecting its performance since the contagion effect spread to the country in 1998. Market billings have stabilised and are expected to grow again in tandem with economic revival in a number of service-centric sectors. The revenue growth for the Malaysian IT industry from 1997 to 2002 is set out in below:-

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5 INDUSTRY OVERVIEW (Cont'd)

Malaysian IT Industry's Domestic Billings

Year	RM' millions
1997	5,380
1998	4,840
1999	5,230
2000	5,910
2001	6,510
2002	7,151

(Source: PIKOM)

Knowledge-based Economy ("K-based economy")

Cognisance of the role of a knowledge-based economy in promoting growth and productivity, the Government has implemented the Knowledge-based or K-based Economy Master Plan. The Master Plan, launched in September 2001, outlines seven strategic thrusts comprising recommendations to accelerate the shift towards the knowledge-based economy. The strategic thrusts focus on areas that are salient to the transformation to the new economy, encompassing human resource development, institutional framework, info-structure and infrastructure, science and technology capacity, role of the private sector, a knowledge-based civil service as well as bridging the knowledge and digital divides. In providing the infrastructural support for the development of a K-based economy and ICT industries, the development of the MSC has covered further grounds. As at July 2002, 745 companies (2001: 621 companies) have been awarded MSC status. Investment in the MSC has reached RM9.7 billion, an increase of 42% compared with 2001, and has provided employment to 18,550 workers, out of whom 84% or 15,594 are knowledge workers. Thus far, there are 53 world-class companies operating in the MSC.

Skilled and knowledge workers are prerequisites for the country to propel itself into the K-based economy as well as enhance competitiveness. In this regard, education and training programmes continue to be given emphasis to address the issue of manpower shortage in ICT and related areas. In promoting computer literacy and improving students' accessibility to ICT, a sum of RM441.8 million was provided for the construction of 2,874 computer laboratories and facilities in both urban and rural areas. By mid-2002, a total of 1,977 projects or 68.8% were completed. In addition, as a brain-gain strategy, incentives were offered to attract highly skilled Malaysians working abroad to return. As of August 2002, 474 applications were received and 171 were approved covering expertise in the fields of accounting and finance, medicine, IT, industry as well as science and technology.

(Source: Economic Report 2002/2003)

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5 INDUSTRY OVERVIEW (Cont'd)

5.3 THE TEXTILE AND APPAREL INDUSTRY

Based on the experience of the Directors of GPRO, the textile and apparel industry is one of the largest industries in the world. The textile and apparel industry has the following characteristics:-

- (i) Labour intensive;
- (ii) A growing industry;
- (iii) Very global; and
- (iv) Practices incentive-based wage system.

Untapped IT industry in the textile and apparel manufacturing industry

The textile and apparel manufacturing industry is labour intensive. There is a tremendous amount of data to collect from production floor to compile production and wage related information for production planning and management control purposes. Currently, data collection is generally done manually using job ticket systems which require the employment of administrative personnel to handle the said task. The job ticket system is also prone to error and subject to delay and fraud. In relying on such systems, production supervisors and managers may lack timely and accurate information for effective production planning and management controls, which ultimately may result in late deliveries and low productivity. In addition, the job ticket system handling takes up productive time of the workers which could otherwise be used for sewing (productive activities).

Having timely production status and accurate work-in-process information is critical for production planning and control. The current way of data collection through job ticket systems may not produce critical production data on time for decision making by the management.

In view of the above, there is a need to improve the workflows of the textile and apparel manufacturing industry. The application of IT in the textile and apparel manufacturing industry, for example, a realtime production control system may assist to address the abovementioned inefficiencies in the current textile and apparel manufacturing operating environment. A realtime production control system is a mechanism for getting complete control of apparel manufacturing unit. It operates on the basis of putting the emphasis of information collection systems where it matters, at the needlepoint. Using realtime means collecting and accessing labour cost and work in progress information at the time it is most relevant, when it happens.

G.PRO System, a key product of the Group has the potential of changing the way production is carried out for textile and apparel manufacturers. In this respect, the Board is of the opinion that there is a significant untapped potential for IT solutions in the textile and apparel manufacturing industry worldwide.

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5 INDUSTRY OVERVIEW (Cont'd)

5.4 INDUSTRY GROWTH AND PROSPECTS

The GPRO Group serves the textile and apparel industry worldwide. The solutions that the GPRO Group develop are IT related and are geared towards improvement in productivity and efficiency of textile and apparel manufacturers. The textile and apparel manufacturing industry in the world is still currently heavily reliant on the traditional manual job ticket or recording systems which cannot produce critical production data on time and are laborious and error-prone. In this respect, the Board is of the opinion that there is a promising untapped potential for the IT solutions industry to service the textile and apparel manufacturing industry. Accordingly, the growth of the GPRO Group is dependent upon the massive size of the global textile and apparel manufacturing industry.

Already, many textile and apparel manufacturers are facing cost competition from newly developing economies. Increasingly, segmented consumer markets in the USA and Europe are leading to smaller and smaller order lot sizes, shorter lead-times and greater demand on delivery accuracy. Under such circumstances, established manufacturers will be all pressured to improve in productivity, handled more orders with greater complexities, and to deliver better quality products and services to their buyers. To survive, the textile and apparel manufacturers will be looking for better production techniques, technologies and management approaches.

The future will require entirely new manufacturing processes that can switch from product to product with minimal waste. Success of textile and apparel manufacturers will require technologies that enable companies to make small quantities of apparel, even custom apparels, at the cost of bulk-produced items. In addition, the characteristic of the textile and apparel manufacturing industry is global in nature. Established apparel and textile manufacturers usually have different manufacturing operations located at different countries due to cost competitiveness. This similarly calls for better production techniques, technologies and management approaches. The G.PRO System can enable such established manufacturers to monitor their production status of each manufacturing operation located at different countries real time by accessing to the Internet since G.PRO System is web-based.

The expiry of the 30-year-old Multi-Fibre Agreement at the end of 2004, will end strict quotas imposed by major importing countries on big producers such as the PRC and India. The senior management of GPRO is of the opinion that the PRC will increase its share of world apparel exports significantly. The Group is poised to capitalise on this opportunity as the Board estimates that the sales from the PRC market is expected to contribute significantly to the Group's turnover in future especially with the removal of the apparel quotas at the end of 2004.

Outlook of the world and Malaysian economies

The outlook for the global economy has become increasingly optimistic, following the strong upturn in the second half of 2003. Amidst improved prospects, most growth projections have been revised upwards. For 2004, world output and world trade are projected to grow at a faster pace of 4.1% and 5-6%, respectively. The growth momentum in the US is expected to be supported by expansionary monetary and fiscal policy that have been in place for some time, as well as productivity gains, investment and inventory rebuilding. Growth in the euro area is expected to recover gradually as expansionary fiscal policies continue to be adopted in major euro area economies. While the economic recovery in Japan is affected by long-term structural problems, deflationary pressures have begun to ease and signs of sustainable recovery have emerged since the second half of 2003.

5 INDUSTRY OVERVIEW (Cont'd)

Prospects are for growth in the Asian region to be stronger between 6.6-6.8% in 2004. The majority of regional countries are expected to register faster growth, with PRC leading growth in the region. Overall, regional growth is expected to be broad based, with both external and domestic demand providing the impetus to faster growth. With capacity utilisation above 90% in 2003, investment in equipment and machinery is forecast to increase by 36-42% on an annual basis in 2004 (2003: 12.4%). The rise in investment activity during the year is envisaged to emanate from stronger foreign direct investment inflows and the further strengthening of regional products networks. Therefore, inter regional trade is expected to continue expanding.

The Malaysian economy is expected to strengthen further in 2004, building on the strong growth momentum in the second half of 2003 and brighter prospects for global growth in 2004. Real GDP is expected to expand by 6-6.5% (2003: 5.2%), underpinned by stronger domestic demand and reinforced by more favourable external demand. Growth will mainly be private sector driven, while the public sector gradually consolidates. The growing consumer and business confidence since the second quarter of 2003, strengthened economic fundamentals and the positive impact of pro-growth fiscal and monetary measures are expected to mutually reinforce robust consumer spending and the upturn in private investment activities.

Premised on the above, the GPRO Group sets its sight to capitalise on these opportunities.

5.5 INDUSTRY PLAYERS AND COMPETITION

There are currently not many players providing memory-chip-tag-based real time production control system for the textile and apparel industry worldwide. The Board is of the opinion that 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 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 is 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.

5.6 RELEVANT LAWS AND REGULATIONS GOVERNING THE INDUSTRY AND PECULIARITIES OF THE INDUSTRY

There are currently no specific regulations governing the business application software and hardware industry in Malaysia nor is the Board currently aware of any specific material peculiarity in the said industry.

Recognising the importance of IT as the foundation of national development in the future, the Government has introduced various policies and incentives to encourage the growth of the IT industry. The most important milestone of the IT development programme is the MSC. The MSC will provide the catalyst for the synergistic expansion of related IT industries/products and create the enabling environment for orderly development of IT in the country. The MSC has led to the emergence of new service-based industry clusters, including software development, telecommunications, animation, production and broadcasting, provision of on-line services, education and training, R&D, and networks and broadband applications. In order to promote the MSC, several flagship applications have been identified such as electronic government, smart schools, multipurpose card and telemedicine. The flagship applications for multimedia environment development are R&D clusters, worldwide manufacturing webs and borderless marketing.

5 INDUSTRY OVERVIEW (Cont'd)

5.7 DEMAND AND SUPPLY CONDITIONS AND DEPENDENCE ON OTHER INDUSTRIES

The Board believes that the demand for the Group's IT solutions (both specialty software and dedicated hardware) is expected to achieve promising growth due to various factors such as the following:-

- (i) the untapped IT industry for the textile and apparel industry worldwide as set in Section 5.3 of this Prospectus;
- (ii) intensifying competition among the textile and apparel manufacturers in the industry with the removal of apparel quotas at end 2004 will call for better production techniques, technologies and management approaches as set out in Section 5.4 of this Prospectus;
- (iii) increased market awareness among the textile and apparel manufacturers of the importance of IT application in their manufacturing processes to enhance efficiency, thereby improve their competitive edge.

Supply of solutions (both specialty software and dedicated hardware) for the textile and apparel industry would be provided by mainly companies having proven product track records and domain knowledge in the industry.

5.8 SUBSTITUTE PRODUCTS AND SERVICES

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. Notwithstanding the above, the IT industry for the textile and apparel industry is largely untapped currently. In addition, 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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6 FINANCIAL INFORMATION

6.1 FINANCIAL HIGHLIGHTS

The following table has been extracted from the Accountants' Report in Section 13.3 of this Prospectus and should be read in conjunction with the notes thereto. The summarised proforma results of the GPRO Group for the five (5) FYE 31 December 2003 are as follows:-

	← FYE 31 December →				
	1999	2000	2001	2002	2003
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	2,590	2,305	1,898	4,558	9,295
Earnings/(loss) before interest, tax, depreciation & amortisation	485	(431)	(456)	1,261	4,073
Depreciation	(44)	(207)	(314)	(313)	(409)
Amortisation of R&D expenditure	-	(4)	(18)	(83)	(554)
Interest expenses	(23)	(47)	(47)	(37)	(32)
Profit/(Loss) before taxation	418	(689)	(835)	828	3,078
Taxation	-	-	-	-	-
Profit/(Loss) after taxation	418	(689)	(835)	828	3,078
MI	-	-	-	-	81
Profit/(Loss) after taxation and MI	418	(689)	(835)	828	3,159
Number of GPRO Shares in issue (based on enlarged share capital of GPRO after Acquisition and before Public Issue) ('000)	187,500	187,500	187,500	187,500	187,500
Net earnings/(loss) per GPRO Share based on (based on enlarged share capital of GPRO after Acquisition and before Public Issue) (sen)	0.22	(0.37)	(0.45)	0.44	1.68

Notes:-

- (i) *GPRO Group's consolidated financial statements reflect external transactions only and all significant inter-company transactions are eliminated on consolidation.*
- (ii) *The net earnings/(loss) per share has been calculated based on the profit/(loss) after taxation and MI and on the assumption that the issued and paid up capital of GPRO of 187,500,000 GPRO Shares in issue after the acquisition of NPT but before Public Issue.*
- (iii) *There were no extraordinary or exceptional items in respect of all the financial years under review.*
- (iv) *There were no audit qualifications for the financial years under review.*

For more details on the financial information, please refer to Sections 6 and 13.3 of this Prospectus.

6 FINANCIAL INFORMATION (Cont'd)

6.2 ANALYSIS AND COMMENTARY ON FINANCIAL INFORMATION

THE FOLLOWING DISCUSSION AND ANALYSIS SHOULD BE READ IN CONJUNCTION WITH THE COMPANY'S FINANCIAL HIGHLIGHTS INCLUDED IN SECTION 6.1 OF THIS PROSPECTUS.

6.2.1 SEGMENTAL ANALYSIS**Segmental analysis of the revenue and Gross Profit**

The following tables show the breakdown of the Group's revenue and gross profit contribution by products and geographical categories:-

By Product**(i) Revenue**

FYE 31 December	1999	2000	2001	2002	2003
	RM'000	RM'000	RM'000	RM'000	RM'000
Sales of G.PRO systems	2,188	1,894	1,654	3,738	8,611
Sales of computer hardware	383	379	78	450	49
Programming and system maintenance services	19	32	166	370	635
	2,590	2,305	1,898	4,558	9,295

(ii) Gross Profit

FYE 31 December	1999	2000	2001	2002	2003
	RM'000	RM'000	RM'000	RM'000	RM'000
Sales of G.PRO systems	1,025	937	1,172	2,537	6,474
Sales of computer hardware	42	28	18	98	3
Programming and system maintenance services	19	32	165	370	635
	1,086	997	1,355	3,005	7,112

By Geographical**(i) Revenue**

FYE 31 December	1999	2000	2001	2002	2003
	RM'000	RM'000	RM'000	RM'000	RM'000
Domestic	2,590	1,890	1,643	2,338	1,302
Export	-	415	255	2,220	7,993
	2,590	2,305	1,898	4,558	9,295

6 FINANCIAL INFORMATION (Cont'd)

(ii) Gross Profit

FYE 31 December	1999	2000	2001	2002	2003
	RM'000	RM'000	RM'000	RM'000	RM'000
Domestic	1,086	815	1,165	1,514	1,009
Export	-	182	191	1,492	6,103
	1,086	997	1,356	3,006	7,112

6.2.2 OVERVIEW OF REVENUE AND OPERATING PROFITS GROWTH AND FACTORS CONTRIBUTING THERETO**FYE 31 December 1999**

For the FYE 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.

FYE 31 December 2000

For the FYE 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.

FYE 31 December 2001

For the FYE 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.

FYE 31 December 2002

For the FYE 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.

6 FINANCIAL INFORMATION (Cont'd)

FYE 31 December 2003

For the FYE 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.

6.2.3 TRADE DEBTORS AGEING ANALYSIS AND COMMENTARY ON RECOVERABILITY OF TRADE DEBTS EXCEEDING CREDIT PERIOD

BMSB vide its letter dated 9 March 2004 approved the listing of GPRO on the MESDAQ Market.

The conditions imposed by BMSB in approving the Listing include, inter-alia, the following:-

- (i) GPRO to include in the prospectus the ageing analysis based on the Group's latest audited trade receivables including measures taken to recover the long overdue balances and other credit control measures undertaken to mitigate the risk of bad and doubtful debts;
- (ii) GPRO to make full provision for trade receivables outstanding that has exceeded the normal credit period granted of 60 days but less than 180 days, unless it can be justified that the outstanding amount can be collected and supported by an independent opinion from the Auditors; and
- (iii) GPRO to collect or make full provision for all trade receivables that have been outstanding for more than 180 days.

Debtors ageing as at 31 December 2003

The Group's trade receivables balances ageing analysis as at 31 December 2003 are as follows:-

	0-60 days	61 – 90 days	91-180 days	>180 days
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
As at 31 December 2003	1,864	1,177	676	2,977
Less: settlements subsequent to 31 December 2003	(23)	(4)	(340)	(1,315)
Less: Expected settlement from a debtor	-	(658)	(321)	-
Less: Provision for doubtful debts, as required under Section 6.2.3 above, in the profit forecast for FYE 31 December 2004	-			(1,662)
Balance	1,841	515	15	-

6 FINANCIAL INFORMATION (Cont'd)

Trade receivables outstanding between 61 days but less than 180 days

The trade receivables outstanding that has exceeded the normal credit period granted of 60 days but less than 180 days is approximately RM1.85 million. Subsequent to 31 December 2003, settlement of these trade receivables amounted to approximately RM0.34 million. In addition, the Company is currently awaiting the settlement of trade receivables outstanding between 61 days but less than 180 days of approximately RM0.98 million from a major customer. The aforesaid customer is currently finalising its internal documentations for the settlement of the trade receivables. The Company expects the payment from the aforesaid customer soon.

The Company has not made any provision in respect of the remaining trade debtors with ageing exceeding 60 days but less than 180 days of approximately RM0.53 million since the senior management of the Company is of the opinion that those trade receivables are collectible in the near future based on the trade records of those debtors, the long term relationship with these customers and the existing credit control measures implemented by the Group to monitor the collectibility of those outstanding trade receivables. The reason for the non-provision is supported by an independent opinion from the Auditors of the Company, Messrs. Shamsir Jasani Grant Thornton, an extract of which is set out below:-

“Our review has been undertaken to enable us to form an opinion as to whether the trade receivables, in all material respects, has been properly stated at their anticipated realisable basis on a basis consistent with their accounting policies adopted and disclosed by NPT in the audited financial statements for the year ended 31 December 2003. The Directors of NPT are solely responsible for the preparation and presentation of the said management accounts.

Based on our review, nothing has come to our attention which causes us to believe that:-

- (i) the trade receivables, as stated in the financial statements, is not recoverable; and
- (ii) additional provision of doubtful debts on the trade receivables is required in the financial statements of NPT.”

Trade receivables outstanding more than 180 days and undertakings from Tang Tiong Seng and Quek Kar Loon

The trade receivables outstanding that has exceeded 180 days is approximately RM2.98 million. Subsequent to 31 December 2003, settlement of these trade receivables amounted to approximately RM1.32 million. The Company has made a full provision of approximately RM1.66 million in respect of the remaining trade receivables in April 2004. Accordingly, the Group’s consolidated profit forecast for FYE 31 December 2004 has taken the provision into account.

Notwithstanding the provision for doubtful debts of RM1.66 million, certain directors of GPRO, i.e. Tang Tiong Seng and Quek Kar Loon, have additionally agreed to jointly and severally undertake to bear and pay to the Group all sums owing to the Group by its debtors for which the trade receivables are provided for (“Payment”) should the debtors not settle the said sums by 28 May 2004 (“Undertaking”). The Undertaking was given on 2 April 2004 and the Company has notified the BMSB of the Undertaking on 28 April 2004. The Payment will be due and payable within thirty (30) days from 28 May 2004.

6 FINANCIAL INFORMATION (Cont'd)

Measures taken to recover long overdue balances

The senior management of the Company have met their major trade debtors with long overdue balances to collect debts. Certain of the aforementioned major trade debtors have indicated that they will settle the trade debts owed to the Company.

Credit control measures to mitigate risk of bad and doubtful debts

GPRO has been growing at a rapid pace in the last two years and during the period, the Company was highly focusing on securing more sales orders and adopted a more flexible approach in its payment terms to its customers. As the business of the Company continues to grow, its senior management has decided to review its credit policy to impose more stringent payment terms to the customers.

The Group has put in place a more stringent payment terms in its sales agreements such as the use of irrevocable Letters of Credit as a mode of payment and also to cover with relevant insurance.

The Group has also engaged a credit control executive to specifically manage trade receivables. The role of the credit control executive is essentially to ensure the credit policy is adhered to and to take appropriate actions to collect trade receivables with ageing exceeding credit limits.

The Company will focus on potential customers with bigger manufacturing operations and better financial standing in future. This can mitigate risk of bad and doubtful debts.

6.2.4 IMPACT OF FOREIGN EXCHANGE DIFFERENCES

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

6.2.5 TAXATION

The Company has been accorded MSC status and was granted pioneer status effective 15 August 2003, which exempts 100% of the statutory business income from taxation.

6.2.6 DIRECTORS' DECLARATION ON FINANCIAL PERFORMANCE

As at 27 April 2004, being the latest practicable date prior to the printing of this Prospectus, and save for the risk factors disclosed in Section 3 of this Prospectus, the financial conditions and operations of the Group are not affected by any of the following:-

- (a) known trends, demands, commitments, events or uncertainties that have had or that GPRO reasonably expects to have a material favourable or unfavourable impact on the financial performance, position and operations of the Group;

6 FINANCIAL INFORMATION (Cont'd)

- (b) unusual, infrequent events or transactions or any significant economic changes that materially affected the financial performance, position and operations of the Group;
- (c) known events, circumstances, trends, uncertainties and commitments that are reasonably likely to make the historical financial statements not indicative of future financial performance and position; and
- (d) pending and threatened litigation and arbitration proceedings having an impact on the financial position of the Group.

6.3 CAPITAL COMMITMENT

As at 27 April 2004, being the last practicable date prior to the printing of this Prospectus, GPRO has no capital commitments.

6.4 WORKING CAPITAL, BORROWINGS AND CONTINGENT LIABILITIES

The Board is of the opinion that after taking into account the gross proceeds from the Public Issue, the Company will have adequate working capital for the foreseeable requirements.

As at 27 April 2004 (being the last practicable date prior to the printing of this Prospectus): -

- (i) The Group has no outstanding material contingent liabilities;
- (ii) The Group's total borrowings amounted to RM255,946 consisting of hire purchase obligations, of which RM76,116 is short term and RM179,830 is long term. The hire purchase obligations interest rates range from 4.75% to 5.35% per annum;
- (iii) The Group has no contracted capital commitments not provided for in the accounts in respect of purchase of land, building and plant machinery and construction of factory buildings; and
- (iv) The Group is not engaged in any material litigation or arbitration proceedings either as plaintiff or defendant and the Board has no knowledge of any proceedings pending or threatened against the Group or any facts likely to give rise to any proceedings which might materially effect the position and business of the Group.

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6 FINANCIAL INFORMATION (Cont'd)

6.5 FUTURE FINANCIAL INFORMATION**6.5.1 Consolidated Profit Forecast FYE 31 December 2004**

Based on the bases and assumptions stated in Section 13.1 of this Prospectus, the Board forecasts that barring unforeseen circumstances, the Group's profit for the FYE 31 December 2004 is as follows:-

	Forecast FYE 31 December 2004 RM'000
Revenue	30,383
Consolidated profit before taxation	8,119
Less: Taxation	-
Consolidated profit after taxation but before MI	8,119
Less: MI	(167)
Consolidated profit after taxation and MI but before pre-acquisition profit	7,952
Less: Pre-acquisition profit	(346)
Consolidated profit attributable to shareholders	7,606
Weighted average number of GPRO Shares in issue ('000) *1	177,083
Gross EPS *2	4.58
Net EPS (sen) *3	4.30
Gross PE multiple (times) *4	8.73
Net PE multiple (times) *4	9.30

Notes:-

- *1 *The 177,083,320 weighted average numbers of shares in issue is calculated based on the completion of acquisition of NPT on 5 April 2004 and on the assumption that the Public Issue will be completed in the end of May 2004.*
- *2 *Computed based on the consolidated profit before taxation divided by the weighted average number of GPRO Shares in issue.*
- *3 *Computed based on the consolidated profit attributable to shareholders divided by the weighted average number of GPRO Shares in issue.*
- *4 *The gross/ net PE multiples are based on the Issue Price of RM0.40 per GPRO Share over the gross/net earnings per GPRO Share.*

Important note: Basis of fixing the issue price at RM0.40 per GPRO Share

The consolidated profit forecast for the FYE 31 December 2004 takes into account the provision made in compliance with BMSB's condition in approving the Listing that GPRO is to collect or make full provision for all trade receivables as at 31 December 2003 which have been outstanding for more than 180 days ("Provision"). The Provision amounted to RM1.66 million. Notwithstanding the Provision, certain directors of GPRO, i.e. Tang Tiong Seng and Quek Kar Loon, have jointly and severally undertaken that they shall bear and pay to the Group all sums owing to the Group by its debtors for which the trade receivables are provided for, i.e. the Provision ("Payment") should the debtors not settle the said sums by 28 May 2004 ("Undertaking"). The Payment will be due and payable within thirty (30) days from 28 May 2004.

6 FINANCIAL INFORMATION (Cont'd)

Directors' Opinion

The Board confirms that the consolidated profit forecast of GPRO for the FYE 31 December 2004 has been prepared on the bases and accounting principles consistent with those previously adopted in the preparation of the audited financial statements. The Board also confirms that the underlying bases and assumptions stated in Section 13.1 of this Prospectus have been reviewed by them after due and careful enquiry based on the current prevailing economic and operating conditions, and are of the opinion that the consolidated profit forecast of GPRO are achievable and the assumptions made are reasonable in light of the future prospects of the industry and the future plans of the GPRO Group and after taking into account the forecast level of gearing, liquidity and working capital requirements of the GPRO Group.

6.5.2 Dividend Forecast

It is the policy of the Board in recommending dividends to allow shareholders to participate in the profits of GPRO while maintaining adequate reserves for the future growth of the Group.

Investors should note that future dividends may be waived if:-

- (a) the Group is in a loss position for the relevant financial period; or
- (b) the Group has insufficient cashflow to meet any dividend payments.

Based on the consolidated profit forecast for the FYE 31 December 2004, the Board anticipates that, in the absence of unforeseen circumstances, the Company will be in a position to propose a dividend of 1.0 sen or 10.0% per GPRO Share for the said FYE 31 December 2004 based on the enlarged issued and paid-up share capital of 250,000,000 GPRO Shares.

The intended appropriation for the forecast consolidated profit forecast for the FYE 31 December 2004 will be as follows:-

	Forecast 2004 RM'000
Consolidated PBT	8,119
Less: Taxation	-
Consolidated profit after taxation and MI	<u>8,119</u>
Less: Dividend	<u>(2,500)</u>
	<u>5,619</u>
Enlarged issued and paid-up share capital ('000)	250,000
Net dividend per GPRO Share (sen)	1.0
Net dividend yield based on the Issue Price of RM0.40 per GPRO Share (%)	2.5
Net dividend cover (times)	4.3

Notwithstanding the above, the Board has full discretion not to propose any future dividend payment as and when deemed necessary, if it is in the best interests of the Company.

7 SUMMARY OF THE BUSINESS DEVELOPMENT PLAN

(A) DIRECTION OF THE GROUP AND DEVELOPMENT OF NEW PRODUCTS

The Board believes that R&D is crucial to the GPRO Group to become a leading technology-based company providing innovative proprietary IT solutions to the textile and apparel industry worldwide and the possession of strong R&D capabilities is important to the GPRO Group's continued success and its ability to develop new and innovative IT solutions and to improve on its existing products in response to changes in technological development.

The Group is continuously enhancing the existing products and technologies. The first generation G.PRO System has been launched into the domestic and international market with considerable success since 1998 and 2001 respectively. While fine-tuning of the first generation G.PRO System is being continued, development of the second generation G.PRO System has also begun. The second generation G.PRO System will employ RFID contactless and wireless technologies.

The 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. The new applications and products will be introduced to the same customer-base and new customers over time.

The IT industry is characterised by rapid changes in technology and frequent introduction of new and more advanced products and services, changes in client demands and evolving industry standards. Hence, the Group would need to keep abreast of the latest technologies in order to maintain its competitive edge in the market. Recognising this, the Company's R&D team constantly keeps abreast of 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 GPRO Group has spent a total of RM5.19 million in R&D expenses over the past 6 years to 31 December 2003. The GPRO Group is expected to incur an estimated RM2.3 million on R&D expenses in the FYE 31 December 2004. The Board of GPRO envisages that the investment in R&D will fuel the GPRO Group's development of new products in the coming years and that R&D will continue to be an essential focus of the GPRO Group in the future.

(B) NEW OVERSEAS MARKETS

As at 27 April 2004, the GPRO Group has via the G.PRO System penetrated into the textile and apparel following ten (10) foreign countries:-

- (i) Sri Lanka;
- (ii) Vietnam;
- (iii) PRC;
- (iv) Hong Kong;
- (v) Brunei;
- (vi) United Arab Emirates;
- (vii) Indonesia;
- (viii) Thailand;
- (ix) Cambodia; and
- (x) Singapore

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7 SUMMARY OF THE BUSINESS DEVELOPMENT PLAN (Cont')

The Group has established the regional business centres in Vietnam and the PRC. The regional business centres will provide the support functions necessary to develop and support technopreneur group of the GPRO Group in the foreign markets. In addition, the Group intends to expand and penetrate into the following major textile and apparel producing countries:-

- (i) India;
- (ii) Pakistan;
- (iii) Bangladesh;
- (iv) Mexico;
- (v) Tunisia;
- (vi) Turkey; and
- (vii) Philippines.

(C) STRATEGIC ALLIANCE

The GPRO Group intends to invest in companies or businesses with new technologies or R&D that can support the business of the GPRO Group should such opportunities arise. As a product development cycle is generally long (normally from 12 months to 15 months to develop a solution, depending on the complexity and features of the solution), the GPRO Group has to reduce its solution development cycle to keep abreast with or to stay ahead of its competitors.

GPRO Group also intends to acquire companies that have developed or are in the late stage of development of products that are in-line with the GPRO Group's R&D product development plan. Technically, the solution that is sourced should have the same technology platform as the current GPRO Group's solution or a higher level of technology, as this would allow for faster integration and technology transfer, that may further enhance and upgrade the Group's technology.

Alternatively, the Group may form strategic alliance with other companies.

(D) HUMAN RESOURCES

The GPRO Group intends to employ additional experienced R&D staff. This would enable the GPRO Group to further enhance its ability to develop new products and shorten the product development cycle and hence increases the speed of introducing a product to market. Continuous staff training and development would be emphasised to update the technical knowledge of employees.

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