

4 INFORMATION ON THE COMPANY

4.1 HISTORY

4.1.1 BACKGROUND

Incorporation

GPRO was incorporated on 18 July 2003 in Malaysia under the Act under the name of GPRO Technologies Sdn Bhd. The Company was converted into a public limited company on 22 October 2003 and assumed its present name. On 15 August 2003, GPRO was granted MSC status by MDC and concurrently awarded Pioneer Status under Section 4A of the Promotion of Investments Act 1986.

History and principal activities

The GPRO Group is a leading technology-based group of companies providing innovative proprietary IT solutions for the textile and apparel industry in Malaysia and Asia under the GPRO brandname. The Group specialises in designing, developing and marketing its innovative IT solutions (both specialty software and dedicated hardware) to textile and apparel companies.

The history of the business of the Group goes back to 1996 when Tang Tiong Seng and Quek Kar Loon founded the software and hardware businesses under NPT. The founders noted that the textile and apparel manufacturing factories worldwide were heavily reliant on traditional manual job tickets or recording systems are unable to produce critical production data on time and which are laborious and error prone to operate. With their business acumen in the area, the founders recognised the strong untapped potential for the textile and apparel manufacturing industry to computerise data collection by using electronic data collection and feedback systems for implementation in factories in order to increase efficiency.

The Group's flagship application, the G.PRO System, is a real-time shop floor data collection and feedback system designed specifically to meet the production control and management needs of the apparel manufacturing industry. G.PRO System automates data collection and enables real-time production status feedback and online analysis. The majority of the existing clients using the G.PRO System have reported efficiency gains ranging from 10% to 25%. NPT is now one of the few established system solution providers for the textile and apparel manufacturing industry in Malaysia and Asia.

The GPRO Group aims to be a leading technology-based company providing innovative proprietary IT solutions to the textile and apparel industry worldwide. The IT solutions developed by the Group are highly scalable and are not limited by geographical barriers in its application.

In order to achieve the aforesaid objective, NPT focused mainly on R&D for the initial 3 years after its incorporation. In 1999, MTDC granted CRDF (Commercialisation of R&D Fund) to NPT in recognition of NPT's effort in R&D. Additionally, in 1997 MIDA approved NPT's application for pioneer status under the Promotion of Investments Act 1986 for high-technology industry in respect of its key product, the G.PRO System.

4 INFORMATION ON THE COMPANY (Cont'd)

In 2002, G.PRO System won the PIKOM-Computimes ICT (Hardware of the Year) Award and was a finalist in the MSC-APICTA 2003 under the Best Industrial Application & Manufacturing Design Category in 2003. 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.

NPT has via its G.PRO System penetrated into the following ten (10) foreign countries:-

Country	No. of installation sites
Sri Lanka	3
Vietnam	4
The PRC	6
Hong Kong*	-
Brunei	2
United Arab Emirates	1
Indonesia	1
Thailand	2
Cambodia	2
Singapore	1

* *The GPRO Group's customer in Hong Kong is the Crystal Group of Companies, a major international manufacturer and trader in garments. The Crystal Group of Companies has its headquarters in Hong Kong with various manufacturing operations in the PRC, Malaysia, Sri Lanka, Madagascar and Mauritius etc. It does not have any manufacturing operations in Hong Kong and as such, there is no installation of G.PRO System in Hong Kong.*

Overseas sales for the FYE 31 December 2003, amounted to approximately RM8.0 million, representing 86% of the Group's total sales for that financial year.

Underscored by the abovementioned achievements, the Group has now firmly set its sight on expanding worldwide with the aim of becoming a leading IT solution provider for the textile and apparel manufacturing industry worldwide. 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.

4 INFORMATION ON THE COMPANY (Cont'd)

Venture Capital Investment

In order to fund the fast growing business operations of NPT, the Group received funding from venture capital companies. On 30 June 2001, a venture capital company from Switzerland, Prosperco (Guernsey), entered into a subscription and shareholders agreement with the shareholders of NPT for the injection of RM3.8 million into NPT. The money was fully injected into NPT in 2002. On 25 March 2003, MAVCAP entered into a subscription agreement and a shareholders agreement with the shareholders of NPT for the injection of RM5.2 million into NPT. The money was fully injected into NPT by August 2003. The investment by these venture capital companies are testimony of the potential of the G.PRO System.

New Foreign Ventures

On 20 June 2003, NPT entered into an arrangement with Binh Duong, a state-owned Vietnam company, to incorporate GPRO (Vietnam), whereby NPT will hold a 60% equity interest in GPRO (Vietnam). GPRO (Vietnam) was subsequently incorporated on 25 August 2003. On 21 August 2003, GPRO (Hang Zhou) was incorporated as a wholly-owned subsidiary of NPT. The setting up of the foreign subsidiaries is part of the strategy of the Group to become a leading IT solutions provider for the textile and apparel manufacturing industry worldwide.

The GPRO Group consists of GPRO and its following subsidiaries:-

Name of company	Date and place of incorporation	Equity interest (%)	Paid-up capital as at 27 April 2004	Principal Activities
NPT	12 December 1995/ Malaysia	100.0	RM1,670,500	Marketing and sale of innovative proprietary IT solutions for the textile and apparel manufacturing industry worldwide
NPT's subsidiaries				
GPRO (Hang Zhou)	21 August 2003/ PRC	100.0	USD14,970	Marketing and sale of innovative proprietary IT solutions for the textile and apparel manufacturing industry in PRC
GPRO (Vietnam)	25 August 2003/ Vietnam	60.0	USD116,190	Marketing and sale of innovative proprietary IT solutions for the textile and apparel manufacturing industry in Vietnam

GPRO has no associated companies.

4 INFORMATION ON THE COMPANY (Cont'd)

4.1.2 RESTRUCTURING AND LISTING SCHEME

As an integral part of the listing of and quotation for the entire issued and paid-up capital of the Company on the MESDAQ Market, the Company undertook a restructuring exercise that was approved by the SC and BMSB on 8 March 2004 and 9 March 2004 respectively. The restructuring exercise involved the following steps:-

(i) **Dividend Declaration**

NPT declared a tax exempt dividend of 59 sen per NPT share amounting to RM985,595 on 26 March 2004 for the FYE 31 December 2003 to the shareholders of NPT as at 23 March 2004.

(ii) **Acquisition of NPT**

Pursuant to the conditional Share Sale Agreement between GPRO and the shareholders of NPT dated 29 September 2003, GPRO acquired a 100.0% equity interest in NPT comprising 1,318,000 ordinary shares of RM1.00 each and 352,500 class A shares of RM1.00 each for a purchase consideration of RM18,749,998 satisfied entirely by the issuance of 187,499,980 new GPRO Shares. The purchase consideration of RM18,749,998 was based on a willing buyer willing seller basis after taking into consideration, inter-alia, the adjusted NTA of NPT as at 31 July 2003 of RM7.85 million and the profit forecast of NPT for FYE 31 December 2004.

The purchase consideration for the Acquisition of RM18,749,998 represents:-

- (a) a price to NTA ratio of approximately 2.39 times NPT's adjusted NTA as at 31 July 2003 of approximately RM7.85 million; and
- (b) a PE multiple of approximately 1.95 times based on NPT Group's forecast PAT for the FYE 31 December 2004 of approximately RM9.6 million (before adjusting for the provision of doubtful debts with ageing exceeding 180 days as imposed by BMSB, the details of which are set out in Section 6.2.3 of this Prospectus).

The purchase consideration for the Acquisition can be justified as the price to NTA ratio and the PE to earning multiples for the Acquisition is below the average price to NTA ratio and PE multiple of the selected software companies already listed on the MESDAQ Market of 3.51 times and 20.32 times respectively.

The entire issued and paid-up share capital of NPT was acquired free from all charges or liens or any other encumbrances and with all rights attaching thereto including but without limitation to all bonuses, rights, dividends and distributions declared paid or made in respect thereof as from the date of the Share Sale Agreement.

The new GPRO Shares issued pursuant to the Acquisition rank pari passu in all respects with the then existing issued shares of the Company including voting rights and rights to all dividends and distributions that may be declared, paid or made subsequent to the date of allotment thereof.

4 INFORMATION ON THE COMPANY (Cont'd)

The Acquisition was completed on 5 April 2004.

Upon completion of the Acquisition, NPT became a wholly-owned subsidiary of GPRO and the issued and paid-up share capital of GPRO increased from RM2 comprising 20 GPRO Shares to RM18,750,000 comprising 187,500,000 GPRO Shares credited as fully paid-up.

(iii) Public Issue

In conjunction with the listing of and quotation for its entire issued and paid-up share capital on the MESDAQ Market, GPRO will issue 62,500,000 new GPRO Shares at an issue price of RM0.40 per share to individuals, companies, societies, co-operatives and institutions by way of private placement and public offer, subject to the terms and conditions of this Prospectus.

Upon completion of the Public Issue, the issued and paid-up share capital of GPRO will increase from RM18,750,000 comprising 187,500,000 GPRO Shares to RM25,000,000 comprising 250,000,000 GPRO Shares credited as fully paid-up.

(iv) Listing and Quotation on MESDAQ Market

Upon completion of the Public Issue, the entire issued and paid-up share capital of GPRO of RM25,000,000 comprising 250,000,000 GPRO Shares will be listed on the MESDAQ Market.

(v) ESOS

In conjunction with the Listing, the Company proposes to implement an ESOS involving up to 5% of the Company's issued and paid-up share capital at any time during the existence of the ESOS, to be issued pursuant to the options to be granted under the ESOS to the executive directors and eligible employees of the Group.

Prior to the date of the listing of the Company on the MESDAQ Market, the directors of the Company propose to grant up to 8,000,000 options to the executive directors and eligible employees of GPRO Group ("Initial Grant"). The exercise price of the options which are the subject matter of the Initial Grant is the Issue Price of the GPRO Shares.

4.2 SHARE CAPITAL

The authorised share capital of GPRO is RM50,000,000 comprising 500,000,000 GPRO Shares. As at the date of this Prospectus, the issued and paid-up share capital of GPRO is RM18,750,000 comprising 187,500,000 GPRO Shares credited as fully paid-up. Upon completion of the Public Issue, the issued and paid-up share capital of GPRO will increase to RM25,000,000 comprising 250,000,000 GPRO Shares credited as fully paid-up.

Details of the changes in the issued and paid-up share capital of the Company since its incorporation are as follows:-

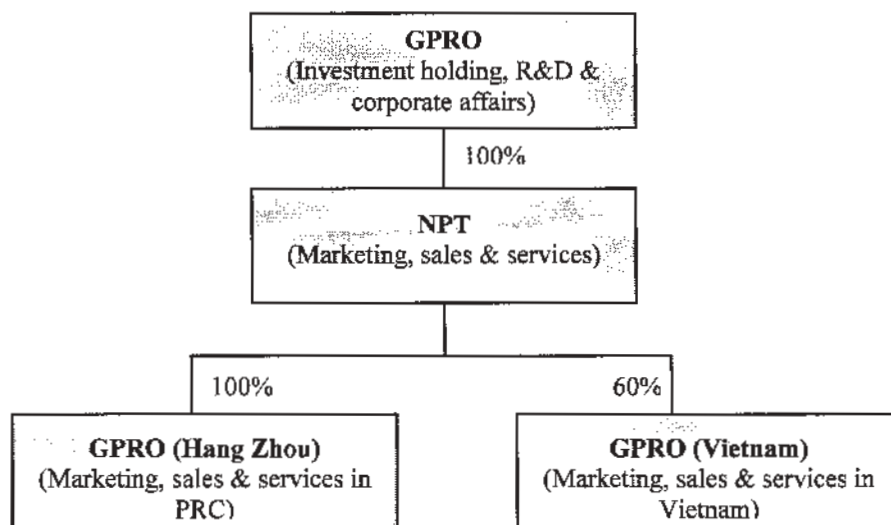
4 INFORMATION ON THE COMPANY (Cont'd)

Date of allotment	No. of ordinary shares allotted	Par Value RM	Consideration	Resultant issued and paid-up share capital (cumulative) RM	Resultant issued and paid-up share capital (cumulative)
18.07.2003	2	1.00	Subscribers' shares	2	2
29.09.2003	-	0.10	Subdivision of RM1.00 par value shares to RM0.10 par value shares	2	20
05.04.2004	187,499,980	0.10	Consideration shares for the acquisition of NPT	18,750,000	187,500,000

4.3 BUSINESS OVERVIEW

4.3.1 PRINCIPAL ACTIVITIES

The business divisions of the GPRO Group are as follows:-



	GPRO	NPT	GPRO (Hang Zhou) and GPRO (Vietnam)
Principal activities	Investment holding company and undertake R&D activities & corporate affairs of the Group.	Marketing and sale of innovative proprietary IT solutions for the textile and apparel manufacturing industry worldwide.	Marketing and sale of innovative proprietary IT solutions for the textile and apparel manufacturing industry in PRC and Vietnam respectively.

4 INFORMATION ON THE COMPANY (Cont'd)

4.3.2 EXISTING AND NEW PRODUCTS

The Group's existing products consist of the following three (3) products, all of which are designed in-house by the Group:-

- (a) the G.PRO System;
- (b) G.PRO Embroidery Machine Monitoring System; and
- (c) ERP.

(a) G.PRO System

The crucial sewing production data is the backbone of having a balance production, but gathering data on a sewing floor is a difficult task. Traditional manual job ticket or recording systems cannot produce critical production-related data on time. Manual data collection is also laborious and error-prone.

G.PRO System is the Group's flagship application offers a real time production control systems to manufacturers of textile and apparels. 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. The system has hardware and software components which are designed and developed by NPT.

G.PRO System was the first product developed and marketed by the Group. It currently contributes more than 85% of the revenue of the Group.

The majority of the existing clients using the G.PRO System have reported efficiency gains ranging from 10% to 25%. This translates into significant cost savings and contributions to profitability for the clients. G.PRO System has been installed in Malaysia, Thailand, Indonesia, Cambodia, Brunei, Sri Lanka, Singapore, United Arab Emirates, Vietnam and the PRC.

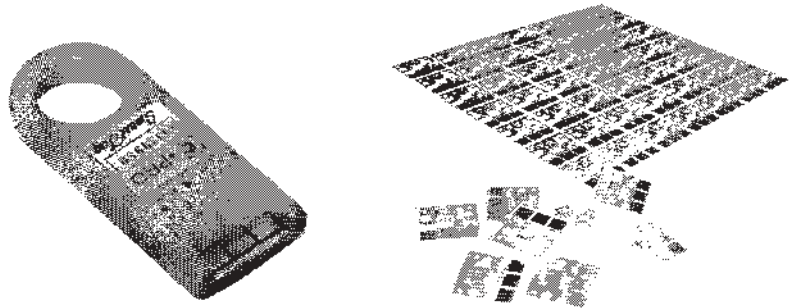
(a) Components of the G.PRO System developed by the GPRO Group

The development of the G.PRO System's proprietary hardware components involves the combination of various processes including micro-processor-based embedded programming, PCB (printed circuit board) design, and communications protocol development. This involved over 3 years of R&D. The hardware components of the system are specially designed and developed in-house. The G.PRO System comprised the following components:-

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4 INFORMATION ON THE COMPANY (Cont'd)

Smart Tag (Patent pending)



Smart Tag is an industrial grade reusable read/write tag with memory which now replaces the traditional job ticket in factories which have adopted the G.PRO System. It stores the relevant cut piece/bundle information and operation status. The Smart Tag is proprietary technology for GPRO. The Group has on 18 October 2000 filed with the Ministry of Domestic Trade and Consumers Affairs the patent application for the Smart Tag.

This technology relates to an electronic tagging system comprising an electronic tag and a data terminal writing data to and reading data from the electronic tag. An electronic tag is a tag that may be secured to, or otherwise associated with, an item or group of items for identification purposes. The tag includes an electronic memory chip in which data is stored in digital form. The relatively low cost, low power requirement and miniature size of modern memory chips has enabled them to replace more conventional visual labels such as machine-readable bar codes. The advantages of an electronic tag lie primarily in the amount of data that can be stored and the ease with which the stored data may be changed or updated, allowing the tags to be re-used almost indefinitely.

Tagging systems find numerous applications in manufacturing industry and commerce generally. In manufacturing, a tagging system may be used, for example, to monitor and control the production process by keeping track of components, assemblies and/or sub-assemblies of a final product. The tagging system can also be made integral to a larger computer system that controls not only actual production but also related processes such as material resources planning, purchasing and inventory control of raw materials. Other applications for tagging systems include inventory control of stock in a retail or wholesale warehouse, and the baggage handling system of an airport.

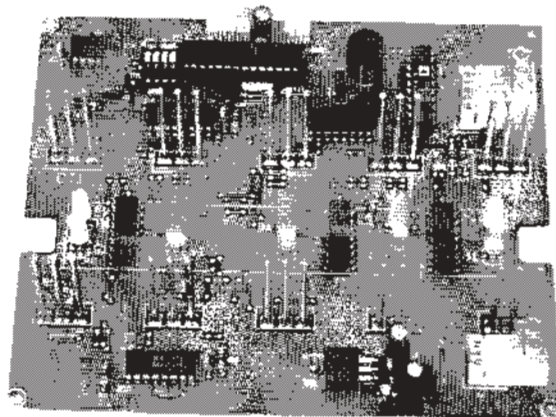
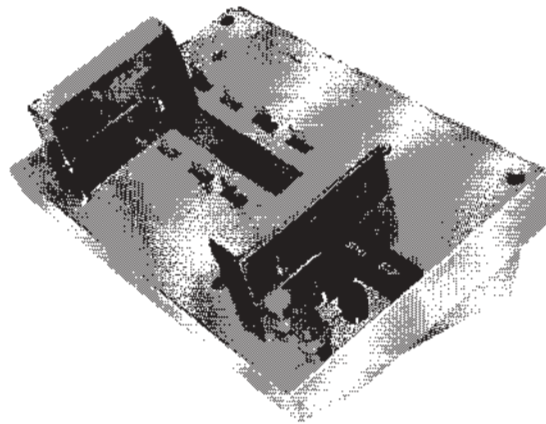
An electronic tagging system will normally comprise a large number of electronic tags and at least one, and more usually a plurality, of data terminals for exchanging data with the tags.

4 INFORMATION ON THE COMPANY (Cont'd)

(ii) Smart Base & Smart Tray

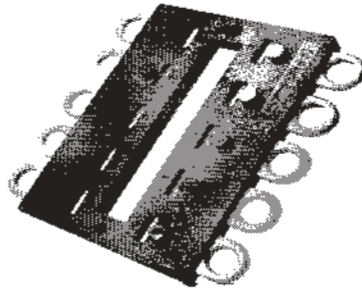
Semi-automated devices used by the cutting department of the factory to download new cut lot bundle information into Smart Tag. Smart Tray holds ten Smart Tags at a time to expedite the data downloading process. The layout/design of Smart Base & Smart Tray is designed in-house by the Group.

Smart Base



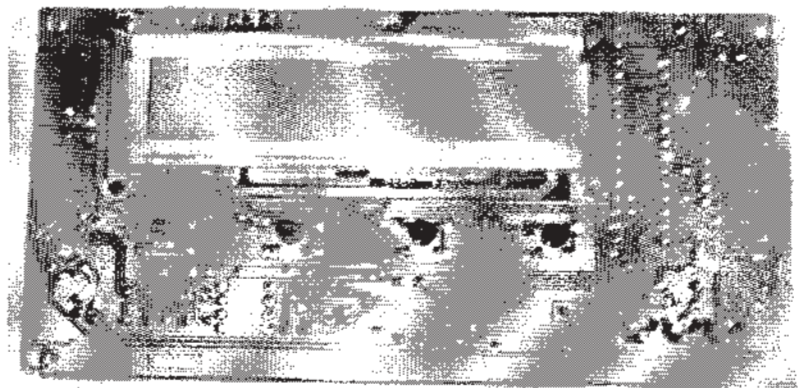
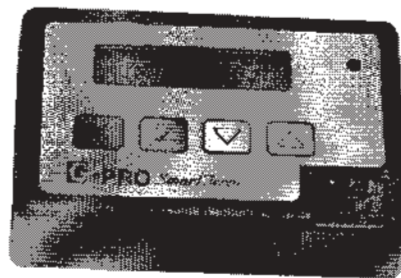
4 INFORMATION ON THE COMPANY (Cont'd)

Smart Tray



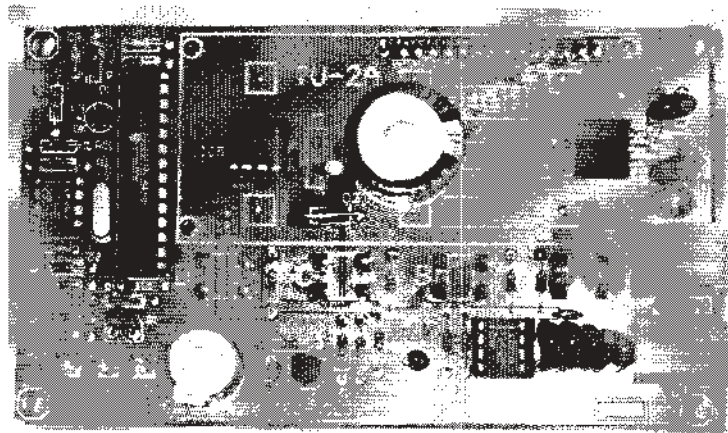
(iii) Smart Term

A microprocessor based terminal mounted on every sewing workstation to capture job flow data. It reads and validates job claim on Smart Tag and transmits real time job transaction to G.PRO server for real time monitoring of the production process. Smart Term memory buffer stores approximately up to two (2) days transactions.



4 INFORMATION ON THE COMPANY (Cont'd)

Smart Term PCB front view



(iv) GPRO Infomaster Software Suite

This is a suite of software modules for the G.PRO System as follows:-

- (a) Cutting Module which takes care of all fabric cutting information and cut-piece bundle information;
- (b) Production Tracking Module which provides facilities for tracking of cut-piece in shop floor and reporting on production status;
- (c) Payroll Support Module which handles wage related data collection and computation;
- (d) Employee Time Utilisation;
- (e) Employee Performance Analysis;
- (f) Employee Skill Database;
- (g) Production Status Analysis;
- (h) Work In Progress;
- (i) Quality Analysis;
- (j) Activity-Based Costing;
- (k) Material Movement Tracking;
- (l) Production Capacity Planning;
- (m) Machine Tracking;
- (n) Remote Operations Monitoring; and
- (o) Industrial Engineering Support.

(b) Linkages between components of G.PRO System

G.PRO System automates data collection and enables real-time production status feedback and online analysis. G.PRO is marketed as a total costs savings and efficiency enhancing solution package. The G.PRO System replaces conventional job tickets with the SmartTag (more robust and holds more memory at lower cost), a read/write tag.

4 INFORMATION ON THE COMPANY (Cont'd)

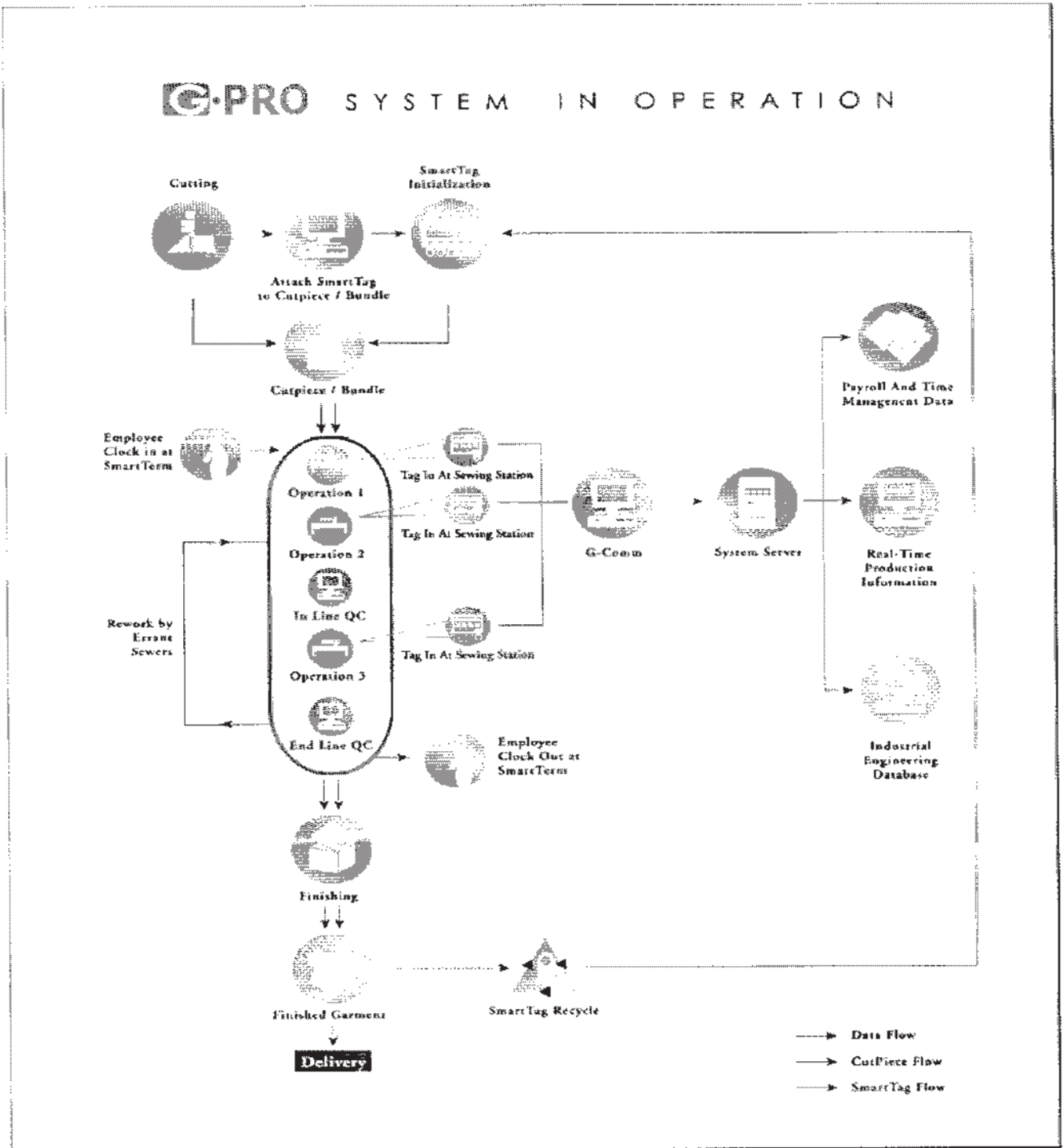
The G.PRO System allows users to have real-time information at their fingertips. Every operator has a SmartTerm terminal that captures vital production data at source in real-time and transmits the data through the computer network. Data can then be accessed through the G.PRO Infomaster Software suite, which presents live production data on demand in the form of user-friendly and customisable graphics and reports.

G.PRO System can be used to monitor geographically remote/distributed production centres. G.PRO System keeps the production related personnel informed and enables them to be in control of situation.

The application of the G.PRO System in a textile and apparel manufacturing company can be illustrated diagrammatically as follows:-

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4 INFORMATION ON THE COMPANY (Cont'd)



4 INFORMATION ON THE COMPANY (Cont'd)

(c) Strengths of G.PRO System

The strengths of G.PRO System are as follows:-

(i) Proven increase in productivity of customers

Most of the G.PRO System users have experienced 10% to 25% efficiency gains.

(ii) On-line Production Status

G.PRO System collects and sums up latest order completion status from all branches. It provides instant information on production status.

(iii) Real-time Information for management and control

Data are captured as and when events take place. Therefore, real-time information is available for management and control. This is not possible under job ticket system.

(iv) Worker Skill Database

G.PRO System can be used to compile a skill database of all the operators, which can prove to be useful for future job assignment.

(v) Activity Based Costing

G.PRO System helps to set more objective piece rate through tracking of actual time taken for each and every operation.

(vi) Cut Piece Tracking

G.PRO System provides exact information on work-in-progress/cut piece quantities from cutting to shipping. The system monitors closely the movement of semi-finished and finished products between production locations.

(vii) Quality Control

G.PRO System enables on-line identification of machine operators who commit defects and thereby enable the customers to save rework costs. It also provides quality related analytical reports, such as reject and rework rates.

(viii) Cost Control

G.PRO System saves time and labour costs as well as eliminates computation error. Easy monitoring of overtime claims.

4 INFORMATION ON THE COMPANY (Cont'd)

(ix) Machine Operators' Time Management

G.PRO System keeps track of attendance and total work hours of each employee. It eliminates time wastage of clocking in or out.

(x) Machine Operators' Performance Feedback

On-line performance and earnings display helps to pace and motivate machine operators. Ensures cut quantities tally with total sewn/paid quantities.

(xi) Fast Pay Back Time

The Return-On-Investment (ROI) of G.PRO System is usually less than twelve (12) months.

b) G.PRO Embroidery Machine Monitoring System (EMS)

G.PRO EMS was launched in July 2003. G.PRO EMS is basically a specialised SCADA (Supervisory Control and Data Acquisition) system that is designed and developed specifically for the textile and apparel manufacturing industry.

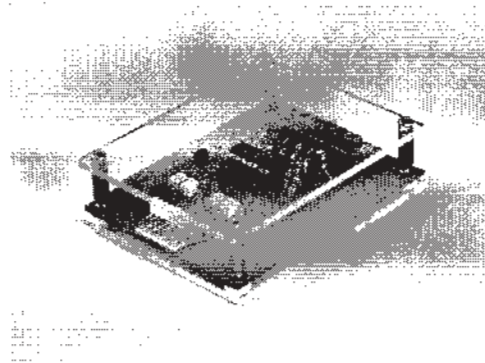
Embroidering is one of the numerous processes involved in textile and apparel manufacturing industry, especially for children's clothing. The embroidering work in commercial scale production is done by electronically controlled embroidery machines. Each of these machines may have different number of heads and can permit different number of colour threads to be used at each single run. The embroidery machine is expensive. The machine can cost up to RM0.5 million. It is therefore important to maximize usage of the machine time. Normally, embroidery machines are run 24 hours a day to maximize return-on-investment. A sizable embroidery company may have 20 to 50 embroidery machines in one location and the total capital investment on the machines can reach RM25 million. As such, monitoring of the performance of the embroidery machines becomes critical.

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4 INFORMATION ON THE COMPANY (Cont'd)

G.PRO EMS functions as a supervisory and control tool for management. It captures data and carries out analysis on the operation performance of each embroidery machine. The system comprises the following hardware:-

(i) Hi-Z Card



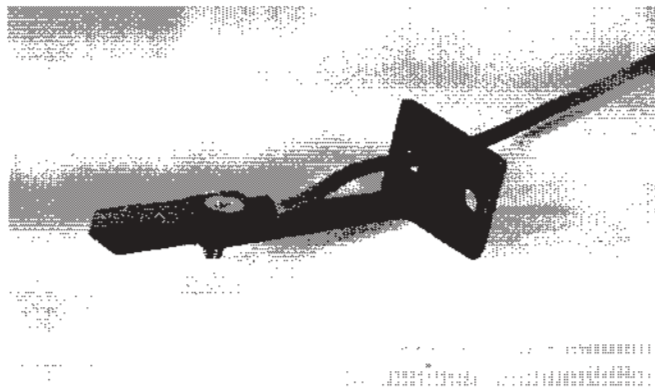
Hi-Z Card collects data on machine operation status and sends it to DDCT unit.

(ii) MUX



MUX collects data on thread breaks signal from embroidery heads and sends it to DDCT unit.

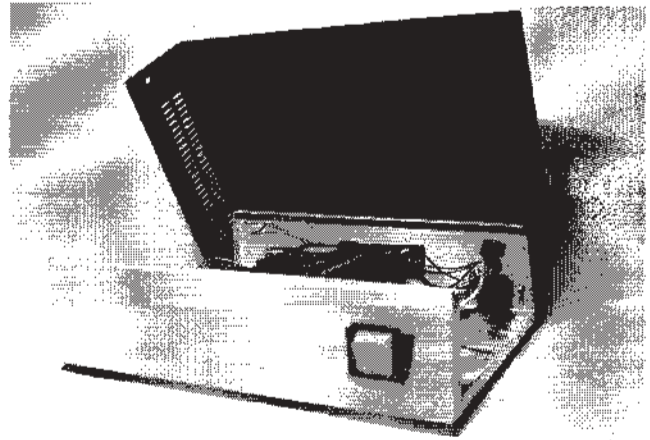
(iii) Sensor



Sensor detects the speed of machines.

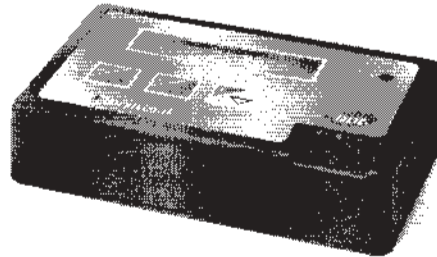
5 INDUSTRY OVERVIEW

(iv) DDCT



DDCT collects data and signal from MUX, Hi-Z Card and sensor and transmits to EMS terminal.

(v) EMS Terminal



EMS Terminal is the communication unit between DDCT and system server. It collects data from DDCT and transmits to server via RS-485 connection.

(vi) Server

Server stores and processes data from EMS terminal. Factory personnel who have PC linking to the server will have access to the machine status information.

The development of the above G.PRO EMS system hardware involves micro-processor-based embedded programming, PCB design, and communication protocol development. The software is web-based allowing remote access via web-browser. As such, one can monitor the embroidery machines from a remote site. In addition, the software is developed under Visual Basic environment together with Crystal Report. Both hardware and software components of the system are designed and developed in-house. This is the only one of its kind of product servicing the embroidery sector in the world.