GPRO TECHNOLOGIES BERHAD ("GPRO" OR "COMPANY")

NOTES TO THE FINANCAL STATEMENTS

1. Basis of Preparation

The interim financial report is unaudited and is prepared in accordance with the requirements of the Financial Reporting Standard ("FRS") 134: Interim Financial Reporting and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") for the MESDAQ Market which was issued on 8 May 2006.

The interim financial report should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 December 2005.

2. Changes in Accounting policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the financial year ended 31 December 2005 except for the adoption of the following new/revised Financial Reporting Standards ("FRS") effective for financial period beginning 1 January 2006:

FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 5	Non-Current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

The adoption of FRS 2, 5, 102, 108, 110, 116, 121, 127, 128,131, 132, 133,138 and 140 does not have significant financial impact on the Group. The principal effects of the changes in accounting policies resulting from the adoption of the other new/revised FRSs are discussed below:

(a) FRS 3: Business Combinations and FRS 136: Impairment of Assets

The adoption of these new FRSs has resulted in the Group ceasing annual goodwill amortisation. Goodwill is carried at cost less accumulated impairment losses and is now tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired. Any impairment loss is recognised in profit or loss and subsequent reversal is not allowed. Prior to 1 January 2006, goodwill was amortised on a straight-line basis over its estimated useful life of 20 years. This change in accounting policy has been accounted for prospectively for business combinations where the agreement date is on or after 1 January 2006. The transitional provisions of FRS 3, however, have required the Group to eliminate at 1 January 2006 the carrying amount of the accumulated amortisation of RM405,090 with a corresponding decrease in goodwill. The carrying amount of goodwill as at 1 January 2006 of RM4,224,471 ceased to be amortised.

2. Changes in Accounting Policies (Cont'd)

(b) FRS 101: Presentation of Financial Statements

The adoption of the revised FRS 101 has affected the presentation of minority interest. In the consolidated balance sheets, minority interests are now presented within total equity. In the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the period. A similar requirement is also applicable to the statement of changes in equity. FRS 101 also requires disclosure, on the face of the statement of changes in equity, total recognised income and expenses for the period, showing separately the amounts attributable to equity holders of the parent and to minority interest.

The current period's presentation of the Group's financial statements is based on the revised requirements of FRS 101, with the comparatives restated to conform with the current period's presentation.

3. Qualification of Financial Statements

The audit report on the preceding annual financial statements was not subject to any qualification.

4. Nature and Amount of Exceptional and Extraordinary Items

There were no unusual items in the financial statements under review.

5. Valuation of Plant and Equipment

The Company did not revalue any of its plant and equipment during the quarter.

6. Taxation

The Company has been accorded Multimedia Super Corridor ("MSC") Status on 15 August 2003. The financial incentive awarded together with the MSC status is Pioneer Status which exempts 100% of the statutory business income from taxation for a period of 5 years. The company has applied for the activation of the Pioneer Status. New Paradigm Technologies Sdn Bhd ("NPT"), a wholly-owned subsidiary of GPRO, was granted the pioneer status on 1 January 2003 which entitled NPT to enjoy tax exemption in respect of its profit until 31 December 2007. In addition, GPRO Technologies (Hang Zhou) Co. Ltd. (a wholly-owned subsidiary of NPT) and G.PRO Technologies (Vietnam) Co. Ltd. (a 60% owned subsidiary of NPT) are also enjoying the relevant tax incentives in the respective countries in which they operate.

There was no provision for taxation as the Company has no chargeable income and the taxes of its subsidiaries were exempted under the tax structure of the respective jurisdictions.

7. Profit on sale of Unquoted Investments and/or Properties

There was no disposal of unquoted investment and properties in the quarter ended 31 December 2006 and during the current financial period to date.

8. Purchase or Disposal of Quoted Securities

There was no acquisition or disposal of quoted securities for the current quarter and financial period to date.

9. Changes in the Composition of the Group

There is no change in the composition of the Group including business combinations, acquisition or disposal of subsidiaries and long term investments, restructuring and discontinuing operations for the current financial period to date.

10. Corporate Proposals

There were no corporate proposals announced but not completed as at the date of this announcement.

11. Seasonal or Cyclical Factors

The business of the Company is not affected by any significant seasonal or cyclical factors.

12. Issuance and Repayment of Debt and Equity Securities

There were no issuance and repayment of debt and equity securities, share buy-back, share cancellation, shares held as treasury shares and resale of treasury shares during the current financial period to date.

13. Company Borrowings and Debt Securities

The borrowing of the Company as at 31 December 2006 represents secured hire-purchase loans for the Company's motor vehicles and Banker Acceptance

	As at 31 December 2006 **RM**
Secured short-term (due within 12 months):	
Finance creditors	94,342
Banker Acceptance	349,000
Secured short-term (due after 12 months):	
Finance creditors	84,168
Total Borrowings	527,510

14. Contingent Liabilities and Contingent Assets

There were no contingent liabilities and contingent assets as at 21 February 2007 (being the latest practicable date not earlier than 7 days from date of issue of this financial results).

15. Off Balance Sheet Financial Instruments

The Company does not have any financial instrument with off balance sheet risk as at 21 February 2007 (being the latest practicable date which is not earlier than 7 days from the date of issue of this financial results), save for the 5,880,800 employees' share option scheme ("ESOS") options granted to the directors and eligible employees of the Company.

16. Review of Performance

For the current quarter ended 31 December 2006, the Group recorded a revenue and loss after tax and minority interest of RM2.46 million and RM2.92 million respectively. Revenue in the 4th quarter has increased by RM2.01 million as compared to RM0.45 million in the immediate preceding quarter ended 30 September 2006. The loss of RM2.92 million was mainly due to the provisions for doubtful debts and slow moving stock amounting to a total RM2.38 million for the 4th quarter ended 31 December 2006.

As for the financial year ended 31 December 2006, the Group recorded a revenue of RM9.96 million and loss after tax and minority interest of RM6.76 million respectively. This represents a decrease of 20.9% as compared to the previous financial year ended 31 December 2005. The decrease in revenue was due to the tighter credit control measures adopted by the Group during the year which resulted in delays in concluding sales and deliveries of the Company's products. The management expects this reduction in revenue will be temporary and is expected to bounce back in year 2007.

The overseas business expansion programs did not result in corresponding increase in revenues at the desired pace. This has led to significant reduction in profit margin because of the increase in overhead. The management views this as a temporary set-back.

In addition, the Group recorded losses in the financial year ended 31 December 2006 mainly due to the provisions for doubtful debts and slow moving stock amounting to a total RM3.89 million.

17. Current Year's Prospects

The global textile and apparel industry is still experiencing healthy growth. With the Research & Development ("R&D") programs in full swing to bring more products to the market, the Group is no longer dependent on a single revenue stream. Three (3) more products are now beginning to contribute to the revenues of the Group. This is expected to greatly enhance the performance of the Group for year 2007 and onward. Also, the Group's two (2) major accounts, Crystal Group and Esquel Group are expected to roll out more RFID Shop floor Data Tracking (SDT) stations in their existing and new factories.

The Group will intensify its marketing activities in both China and India, the two largest potential markets.

The GPRO Brand has also gained much recognition as a regional brand in Asia. This, together with the already established Regional Business Centers (RBC) in Vietnam, China and Singapore are also beginning to facilitate the sales process more effectively.

The Group expects the revenue to improve for financial year ending 31 December 2007 as compared to the current financial year ended 31 December 2006. And every effort is taken to reduce cost and improve profit margin. Barring any unforeseen circumstances, the Group expects to be profitable in financial year 2007.

18. Profit Forecast and Profit Guarantee

Not applicable.

19. Changes In Estimates

There were no changes in estimates of amounts reported during this quarter.

20. Segmental Information

The segmental revenue and results for the current quarter and the cumulative ended 31 December 2006 are as follows:-

Segment Revenue	**Three months ended 31 December 2006 RM'000**	**Twelve months ended 31 December 2006 RM'000**
Domestic	344	863
Overseas	2,120	9,097
Total Revenue	2,464	9,960
Segment Earnings/(Loss)		
Domestic	(221)	(1,393)
Overseas	(2,739)	(5,482)
Total (loss)/profit from operations	(2,960)	(6,875)

21. Subsequent Events

There were no material event between 31 December 2006 and 21 February 2007 (being the latest practicable date which is not earlier than 7 days from the date of issue of this financial results).

22. Capital Commitments

There are no material commitments which require disclosure during the quarter.

23. Material Litigation

The Company is not engaged in any material litigation either as plaintiff or defendant and the directors do not have any knowledge of any proceedings pending or threatened against the Company as at 21 February 2007 (being the latest practicable date which is not earlier than 7 days from the date of issue of these financial results).

24. Earnings per Share

a) Basic

The earnings per share was calculated by dividing the profit for the period attributable to equity holders of the parent by the weighted average number of ordinary shares in issue during the period.

	INDIVIDUAL AND CUMULATIVE PERIOD TO DATE	
	Current year quarter 31/12/2006	**Current year to date 31/12/2006**
Loss attributable to equity holders of the parent (RM)	(2,921,836)	(6,755,347)
Weighted average number of ordinary shares	250,000,000	250,000,000
Basic Loss per share (sen)	(1.17)	(2.70)

b) Diluted

Since the diluted earnings per share increased when taking the ESOS into account as the market price is lower than the exercise price, the ESOS is anti-dilutive and is ignored in the calculation of diluted earnings per share

25. Dividends paid

There were no dividends paid during the quarter under review.

26. Dividend payable

No dividend has been declared for the financial year ended 31 December 2006.

27. Utilisation of Proceeds

The Company raised RM25 million during its Initial Public Offering exercise in June 2004 and the details of the status of the utilisation of proceeds are as follows: -

	Description	Proposed Utilisation RM'000	Actual Utilisation RM'000	Balance Amount RM'000	%	Explanations
(i)	R & D expenditure	8,000	6,801	1,199	15	By end 2007
(ii)	Expansion of overseas operations	10,000	10,000	0	0	-
(iii)	Working capital	5,300	5,632	(332)	19	The balance of unutilised listing expenses of RM332,000 was transferred and utilised as working capital
(iv)	Estimated listing expenses	1,700	1,368	332	19	
	Total	25,000	23,801	1,199		