

GPRO TECHNOLOGIES BERHAD (“GPRO” OR “COMPANY”)

NOTES TO THE FINANCIAL 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.

The interim financial report should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 December 2006.

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 2006 with 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.

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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 March 2007 and during the current financial period to date.

GPRO TECHNOLOGIES BERHAD (“GPRO” OR “COMPANY”)

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 March 2007 represents secured hire-purchase loans for the Company's motor vehicles and banker acceptance.

	As at 31 March 2007
	RM
Secured short-term (due within 12 months):	
Finance creditors	66,058
Banker Acceptance	694,000
Secured short-term (due after 12 months):	
Finance creditors	84,168
Total Borrowings	<u>844,226</u>

14. Contingent Liabilities and Contingent Assets

There were no contingent liabilities and contingent assets as at 24 May 2007 (being the latest practicable date not earlier than 7 days from date of issue of this financial results).

GPRO TECHNOLOGIES BERHAD (“GPRO” OR “COMPANY”)

15. Off Balance Sheet Financial Instruments

The Company does not have any financial instrument with off balance sheet risk as at 24 May 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 5,617,800 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 March 2007, the Group recorded a revenue and loss after tax and minority interest of RM2.93 million and RM0.64 million respectively. Revenue in the first (1st) quarter has increased by RM0.47 million as compared to RM2.46 million in the immediate preceding quarter ended 31 December 2006. Loss after tax and minority interest has reduced by RM2.28 million from a loss of RM2.92 million in the immediate preceding quarter ended 31 December 2006 to loss of RM0.64 million in the current quarter.

However, the revenue of RM2.93 million recorded in the current quarter decreased by 18.15% as compared to the preceding year corresponding quarter ended 31 March 2006.

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 expected to start contributing to the revenues of the Group. This is expected to 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 new GPRO Maxline product, an automated material handling system for garment production, is receiving encouraging response from the market. This product is expected to contribute positively to the revenue and profit of the Group.

The Group will intensify its marketing activities in both China, Vietnam and Indonesia. The Group’s business activities in West Asia will be gradually geared up and the Group also plans to tap into the growing market in India.

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. In view of the aforesaid, the Group expects the revenue for financial year 2007 to grow and 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.

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20. Segmental Information

The segmental revenue and results for the current quarter and the cumulative ended 31 March 2007 are as follows:-

Segment Revenue	Three months ended 31 March 2007 RM'000	Three months ended 31 March 2007 RM'000
Domestic	790	790
Overseas	2,142	2,142
Total Revenue	2,932	2,932
Segment Earnings/(Loss)		
Domestic	(220,237)	(220,237)
Overseas	(444,418)	(444,418)
Total (loss)/profit from operations	(664,655)	(664,655)

21. Subsequent Events

There were no material event between 31 March 2007 and 24 May 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 24 May 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.

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**INDIVIDUAL AND CUMULATIVE
PERIOD TO DATE**

	Current year quarter 31/03/2007	Current year to date 31/03/2007
Loss attributable to equity holders of the parent (RM)	(641,074)	(641,074)
Weighted average number of ordinary shares	250,000,000	250,000,000
Basic Loss per share (sen)	(0.26)	(0.26)

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	Actual Utilisation	Balance Amount		Explanations
	RM'000	RM'000	RM'000	%	
(i) R & D expenditure	8,000	7,339	661	8	By end 2007 - The balance of unutilised listing expenses of RM332,000 was transferred and utilised as working capital
(ii) Expansion of overseas operations	10,000	10,000	0	0	
(iii) Working capital	5,300	5,632	(332)	19	
(iv) Estimated listing expenses	1,700	1,368	332	19	
Total	25,000	24,339	661		