

## 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 ACE 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 2011.

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the most recent audited annual financial statements for the financial year ended 31 December 2011.

These are the Group’s condensed consolidated interim financial statements for part of the period covered by the Group’s first MFRS framework annual financial statements and MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards* has been applied. The transition to MFRS framework does not have any financial impact to the financial statements of the Group.

#### 2. Audit report

The audit report of the Company’s preceding annual financial statements was not qualified.

#### 3. Seasonal or Cyclical Factors

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

#### 4. Unusual items

There were no unusual items during this quarter affecting assets, liabilities, equity, net income or cash flow.

#### 5. Valuation of Plant and Equipment

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

#### 6. Taxation

	<b>Current year quarter 30/09/2012 RM</b>	<b>Current year to date 30/09/2012 RM</b>
Under-provision in prior year	303	303

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

### **6. Taxation (cont’d)**

The Company is subject to income tax at Malaysian statutory rate of 25%. Geranium Limited and Worldwide Cosmetic Retail (HK) Limited are subsidiaries incorporated in Hong Kong during 2011 and 2012 respectively and its taxable profits sourced in Hong Kong is subject to standard profit tax rate of 16.5%. First Podium Sdn Bhd is a subsidiary acquired during 2011, whereas Worldwide Cosmetic Retail Sdn Bhd, Temasek Sunview Sdn Bhd and Maxbeauty Cosmetics Sdn Bhd are subsidiaries acquired during 2012, these subsidiaries are subject to income tax at Malaysian statutory rate of 25%. There was no provision for taxation for the Group and the Company as the Group and the Company has no chargeable income arising from the business source income, the under-provision of taxation in prior year was due to interest income of the Company.

### **7. Changes in the Composition of the Group**

- i. The Company had on 28 March 2012 acquired 2 ordinary shares of RM1.00 each in the capital of Worldwide Cosmetic Retail Sdn Bhd (Company no. 825436-A) (“WCRS”), being the total issued and paid-up capital of WCRS for a cash consideration of RM200,000.00. With an authorised capital of RM100,000.00 divided into 100,000 ordinary shares of RM1.00 each, WCRS is now a wholly-owned subsidiary company of the Group with an intended principal activity of trading of skincare and cosmetic products. The announcement to this effect was made on 29 March 2012.
- ii. The Company had on 24 April 2012 entered into an Agreement for Sale of Shares with Mr. Ong Boon Heng (NRIC no. 610324-01-5697) (“the Purchaser”) for the disposal of 1,670,500 ordinary shares of RM1.00 each, representing 100% of the total issue and paid-up share capital in New Paradigm Technologies Sdn Bhd (“NPT”) to the Purchaser for a total consideration of RM400,000.00 (Ringgit Malaysia: Four Hundred Thousand only) and satisfied by cash.
- iii. The Company had on 9 May 2012 acquired 2 ordinary shares of RM1.00 each in the capital of Temasek Sunview Sdn Bhd (Company no. 988801-A) (“TSSB”), being the total issued and paid up capital of TSSB for a cash consideration of RM2.00. TSSB was incorporated on 30 April 2012 with an authorised share capital of RM100,000.00 divided into 100,000 ordinary shares of RM1.00 each and the total issued and paid up capital is RM2.00 consisting of 2 ordinary shares of RM1.00 each. The intended principal activity of TSSB is investment holding.
- iv. The Company had on 31 May 2012 entered into a share purchase agreement with Welfare Holding Limited for the acquisition by the GPRO of 255,000 ordinary shares of RM1.00 each in Maxbeauty Cosmetics Sdn Bhd (Company no. 967305-M) (“MCSB”), representing 51% of the total issued and paid-up share capital of MCSB.

MCSB was incorporated in Malaysia on 10 November 2011 as a private limited company under the Companies Act, 1965. The current authorised share capital of MCSB is RM500,000 comprising 500,000 ordinary shares of RM1.00 each which have been issued and fully paid-up. MCSB is principally engaged in the retail sale of cosmetics. The purchase consideration for the acquisition of MCSB was satisfied by cash of RM1,000,000.00 (Ringgit Malaysia: One Million only).

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### **7. Changes in the Composition of the Group (cont’d)**

- v. The Company had on 1 June 2012 incorporated Worldwide Cosmetic Retail (HK) Limited (Company no. 1754266) (“WCRL”) as a wholly-owned subsidiary of GPRO. WCRL was incorporated as a private limited company in Hong Kong with an authorised share capital of HKD10,000.00 divided into 10,000 ordinary shares of HKD1.00 each and the total issued and paid up capital is HKD2.00 consisting of 2 ordinary shares of HKD1.00 each. The intended principal activity of WCRL is trading of cosmetic products in Hong Kong.

Other than above-mentioned, there being 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.

### **8. Corporate Proposals**

#### **(i) Proposed Share Premium Reduction, Proposed Par Value Reduction, Proposed Increase in Authorised Share Capital, Proposed M&A Amendments, Proposed Rights Issue with Warrants and Proposed Exemption (“the Proposals”)**

As at the latest practicable date, there is no further development other than those already announced to Bursa on 20 January 2012, 27 January 2012, 31 January 2012 and 24 July 2012.

### **9. Debt and Equity Securities**

There were no issuance and repayment of debt and equity securities during the current quarter under review.

### **10. Company Borrowings and Debt Securities**

Bank borrowing as at the end of the quarter:-

	<b>Secured RM</b>
<b>Short Term Borrowing</b>	
Finance lease liability	44,004
<b>Long Term Borrowing</b>	
Finance lease liability	164,995

### **11. Contingent Liabilities and Contingent Assets**

There were no contingent liabilities and contingent assets entered into by the Company during the quarter under review.

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

### **12. Review of Performance**

The Group recorded revenue of RM0.805 million and pre-tax loss of RM0.971 million in the current quarter ended 30 September 2012 as compared to revenue of RM1.889 million and a pre-tax profit of RM0.389 million reported in the preceding year corresponding quarter. The revenue reported in the current quarter was mainly contributed by the sales of hardware, whereas, there were sales of software development tool (Arora) and software licenses for SDT (Shopfloor Data Tracking) processing and analysis in the preceding year corresponding quarter which contributed higher revenue. The pre-tax loss recorded was mainly due to the lower gross profit margin from sales of hardware as compared to the sales of software and licenses in the preceding year corresponding quarter and pre-tax loss was recorded by the retail sale of cosmetics division in the current quarter.

Revenue in the third (3rd) quarter has slightly increased by RM0.02 million as compared to RM0.784 million in the immediate preceding quarter ended 30 June 2012. A lower pre-tax loss of RM0.971 million was recorded when compared to the immediate preceding quarter ended 30 June 2012, where a pre-tax loss of RM2.115 million was registered, this is mainly due to the loss on disposal of subsidiary companies during the preceding quarter amounted to approximately RM1.062 million.

### **13. Current Year’s Prospects**

The Board expects the performance of the Group for the current financial year ending 31 December 2012 to be challenging in view of the current global economic conditions. The performance of the Group will depend substantially on the market demand, operating efficiencies and cost control measures of its various division.

### **14. Profit Forecast and Profit Guarantee**

Not applicable.

### **15. Changes in Estimates**

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

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### 16. Segmental Information

The segmental revenue and results for the current quarter and the cumulative ended 30 September 2012 are as follows:-

	<b>Three months ended 30 Sept 2012 RM</b>	<b>Nine months ended 30 Sept 2012 RM</b>
<b>Segment Revenue</b>		
Domestic	128,968	103,893
Overseas	675,686	3,429,976
Total Revenue	804,654	3,533,869
<b>Segment Earnings/Profit/(Loss)</b>		
Domestic	(775,961)	(2,368,419)
Overseas	(193,188)	476,386
Total Profit/(Loss) from operations	(969,149)	(1,892,033)

### 17. Subsequent Events

There were no materials events subsequent to the end of the quarter reported and as at the date of issuance of this report.

### 18. Capital Commitments

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

### 19. 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 the date of this report.

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

### 20. 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.

	<b>INDIVIDUAL AND CUMULATIVE PERIOD TO DATE</b>	
	<b>Current year quarter 30/09/2012 RM</b>	<b>Current year to date 30/09/2012 RM</b>
Profit/(Loss) attributable to equity holders of the parent (RM)	(839,994)	(1,728,729)
Weighted average number of ordinary shares	250,000,000	250,000,000
Basic Profit / (Loss) per share (sen)	(0.34)	(0.69)

#### 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.

### 21. Dividends paid

There were no dividends paid during the quarter under review.

### 22. Dividend payable

No dividend has been declared for the current quarter.

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

### 23. Notes to the statement of comprehensive income

Profit/(Loss) of the period/year is arrived at after charging/(crediting):

	<b>Current year quarter 30/09/2012 RM</b>	<b>Current year to date 30/09/2012 RM</b>
Interest income	(5,496)	(7,337)
Investment income	-	-
Interest expense	1,320	1,320
Depreciation and amortization	570,805	1,645,649
Allowance for impairment loss	-	79,263
Bad debts written off	4,500	129,929
Provision for write off of inventories	-	-
Gain or loss on disposal of quoted or unquoted investment or properties	-	-
Impairment of assets	-	-
Foreign exchange gain or loss	31,255	(65,574)
Loss on disposal of investment in subsidiary companies	-	1,061,798
Gain or loss on derivatives	-	-
Exceptional items	-	-

### 24. Disclosure of realised and unrealised profits/losses

With the purpose of improving transparency, Bursa Malaysia Securities Berhad had on 25 March 2010 and 20 December 2010 issued directives requiring all listed corporations to disclose the breakdown of unappropriated profit or accumulated losses into realised and unrealised on group and company basis, as the case may be, in quarter reports and annual audited financial statements.

The accumulated losses of the Group as at the reporting date may be analysed as follows:-

	<b>Group 30/09/2012 RM</b>	<b>Group 31/12/2011 RM</b>
- Realised	(33,449,562)	(48,711,900)
Consolidation adjustments	329,599	17,320,666
	<u>(33,119,963)</u>	<u>(31,391,234)</u>