

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 do not include all of the information required for full annual financial statements, and should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 December 2012.

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 2012.

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

	Current year quarter 31/12/2013 RM	Current year to date 31/12/2013 RM
Provision for current year	-	-

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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 and its taxable profits sourced in Hong Kong is subject to standard profit tax rate of 16.5%. First Podium Sdn Bhd, Cosmetic Retail Sdn Bhd, Temasek Sunview Sdn Bhd and Maxbeauty Cosmetics Sdn Bhd are subsidiaries that 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.

7. Changes in the Composition of the Group

There were no changes 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, except for:-

The Company had on 14 June 2013 entered into a Share Purchase Agreement with Welfare Holding Limited (“WHL”) for the proposed acquisition by GPRO of an additional 245,000 ordinary shares of RM1.00 each in Maxbeauty Cosmetics Sdn Bhd [Company no. 967305-M] (“MCSB”), representing 49% of the total issued and paid-up share capital of MCSB for a cash consideration of RM650,000.00 (Ringgit Malaysia : Six Hundred and Fifty Thousand only).

Barring unforeseen circumstances, the Acquisition is expected to be completed upon the payment of the balance purchase consideration sum to be made within one hundred and twenty (120) days from the date of the Share Purchase Agreement dated 14 June 2013.

On 9 October 2013, GPRO and WHL entered into a Supplemental Agreement to extend the completion date of the Proposed Acquisition for an additional six (6) months with effect from the date of the Supplemental Agreement (“Revised Completion Date”). The balance purchase consideration sum of Ringgit Malaysia One Hundred and Fifty Thousand (RM150,000.00) shall be payable on the Revised Completion Date. The extension was mainly due to negotiation between GPRO and WHL.

The Company had on 30 December 2012 entered into an Agreement for Sale of Shares with Mr. Chin Thiew Fatt (NRIC no. 690823-10-6123) and Ms Chin Fui Mei (NRIC no. 720328-14-5680) (“the Purchaser”) for the disposal of 2 ordinary shares of RM1.00 each, representing 100% of the total issue and paid-up share capital in Temasek Sunview Sdn Bhd (“TSSB”) to the Purchaser for a total consideration of RM2 (Ringgit Malaysia: Two only) and satisfied by cash.

8. Corporate Proposals

(i) Proposed Par Value Reduction, Proposed Share Premium Reduction, Proposed M&A Amendments and Proposed Private Placement (“the Proposals”)

Following the announcements made to Bursa on 14 February 2013, 29 March 2013, 26 April 2013, 30 April 2013, 6 June 2013, 10 June 2013, 21 June 2013, 16 July 2013, 1 August 2013 and 5 August 2013, 19 November 2013 and 21 November 2013 in relation to the Proposals, the proposed par value reduction and proposed share premium reduction were duly completed on 5 August 2013 and the proposed private placement were duly completed following the listing of and quotation for 25,000,000 placement shares on the ACE Market of Bursa Malaysia Securities Berhad on 22 November 2013.

There are no corporate proposals announced but not completed as at the reporting date.

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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:-

	31-Dec-13	31-Dec-12
	<u>RM</u>	<u>RM</u>
Short Term Borrowings		
Finance Lease liability	-	44,004
	<u> </u>	<u> </u>
Long Term Borrowings		
Finance lease liability	-	153,994
	<u> </u>	<u> </u>

11. Contingent Liabilities and Contingent Assets

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

12. Review of Performance

The Group recorded revenue of RM1.828 million and pre-tax loss of RM5,135 million in the current year ended 31 December 2013 as compared to revenue of RM5,190 million and a pre-tax loss of RM3,438 million reported in the preceding year corresponding quarter. The revenue reported in the current quarter was mainly contributed by the sales of software, i.e. SDT (Shopfloor Data Tracking System) and retail sale of cosmetics and skincare products. The pre-tax loss recorded was mainly due to the overall decrease in sales of software, write off of goodwill on consolidation and fees incurred in capital reduction exercise.

Revenue in the fourth (4th) quarter recorded at RM0.452 million as compared to RM0.103 million in the immediate preceding quarter ended 30 September 2013. A corresponding higher pre-tax loss of RM 2,323 million was recorded when compared to the immediate preceding quarter ended 30 September 2013, where a pre-tax loss of RM1.221 million was registered, this is mainly due to writing off of goodwill and corporate exercise expenses.

13. Current Year’s Prospects

The Board expects the performance of the Group for the current financial year ending 31 December 2013 to be challenging in view of the current global economic conditions. The performance of the

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Group will depend substantially on the market demand, operating efficiencies and cost control measures of its various divisions.

14. Profit Forecast and Profit Guarantee

Not applicable.

15. Changes in Estimates

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

16. Segmental Information

Segment Results

The segmental revenue and results for the current quarter and the cumulative ended 30 December 2013 are as follows:-

	Revenue		Results	
	Current year quarter 31 Dec 2013 RM	Current year to-date 31 Dec 2013 RM	Current year quarter 31 Dec 2013 RM	Current year to-date 31 Dec 2013 RM
Investment holding and information technology	302,735	1,393,644	(1,612,521)	(2,843,604)
Skincare and cosmetic products	150,090	435,000	(586,191)	(2,149,914)
Others	-	-	(107,594)	(113,202)
	<u>452,825</u>	<u>1,828,644</u>		
Operating (loss) / profit			(2,306,305)	(5,106,719)
Finance cost			(16,930)	(29,126)
(Loss)/ Profit before taxation			<u>(2,323,136)</u>	<u>(5,135,846)</u>

Segment Assets

The total of segment assets is measured based on all assets excluding deferred tax assets and cash and cash equivalents.

	Assets	
	31 Dec 2013 RM	31 Dec 2012 RM
Investment holding and information technology	3,703,284	4,568,979
Skincare and cosmetic products	1,331,927	2,103,422
Others	0	200
	<u>5,035,211</u>	<u>6,672,601</u>

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17. Subsequent Events

There were no material 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.

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.

	INDIVIDUAL AND CUMULATIVE PERIOD TO DATE	
	Current year quarter 31/12/2013 RM	Current year to date 31/12/2013 RM
Profit/(Loss) attributable to equity holders of the parent (RM)	(2,122,075)	(4,496,058)
Weighted average number of ordinary shares	252,739,726	252,739,726
Basic Profit / (Loss) per share (sen)	(0.84)	(1.78)

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.

GPRO TECHNOLOGIES BERHAD (“GPRO” OR “COMPANY”)**22. Dividend payable**

No dividend has been declared for the current quarter.

23. Private Placement

The status of the utilisation of the proceeds raised from the private placement of 25,000,000 shares at an issue price of RM 0.058 per share amounting to RM 1,450,000 as at 31 December 2013 is as follows:

	Proposed Utilisation RM'000	Actual Utilisation RM'000	Balance of proceeds RM'000	Time frame for the utilisation of proceeds RM'000
Working capital	1,326,209	400,695	925,514	21.11.2014
Defraying expenses	123,791	111,521	12,270	21.11.2014
	<u>1,450,000</u>	<u>512,216</u>	<u>937,784</u>	

24. Notes to the statement of comprehensive income

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

	Current year quarter 31/12/2013 RM	Current year to date 31/12/2013 RM
Interest income	(20)	(1,618)
Investment income	-	-
Interest expense	16,830	29,126
Depreciation and amortization	550,762	2,222,588
Allowance for impairment loss	-	-
Goodwill written off	1,046,756	1,046,756
Provision for write off of inventories	-	-
Property, plant and equipment written off	164,161	250,194

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Gain or loss on disposal of quoted or unquoted investment or properties	-	-
Gain or loss on disposal of assets	28,588	28,588
Foreign exchange gain or loss	(140,170)	(262,372)
Loss/(Gain) on disposal of investment in subsidiary companies	7,484	7,484
Gain or loss on derivatives	-	-
Exceptional items	-	-

25. 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:-

	Group 31/12/2013 RM	Group 31/12/2012 RM
- Realised	(4,763,319)	(34,925,358)
Consolidation adjustments	119,294	517,929
	<u>(4,644,025)</u>	<u>(34,407,429)</u>