



**Grandmass**  
Enterprise Solution Limited

INTERIM REPORT 2000



# Grandmass Enterprise Solution Limited

## 盛創企業系統有限公司

*(incorporated in Bermuda with limited liability)*

### INTERIM REPORT

#### CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcement in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM listed issuers.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement, for which the directors of Grandmass Enterprise Solution Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to Grandmass Enterprise Solution Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:— 1. the information contained in this announcement is accurate and complete in all material respects and not misleading; 2. there are no other matters the omission of which would make any statement in this announcement misleading; and 3. all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

## INTERIM RESULTS HIGHLIGHTS

- Turnover decreased by HK\$200,000 for the six month ended 30th June, 2000 representing an approximately 2% decrease to the corresponding six months period ended 30th June 1999.
- Achieved a net profit of approximately HK\$1,179,000 for the six months ended 30th June 2000.
- The directors (the “Directors”) of Grandmass Enterprise Solution Limited (the “Company”) do not recommend the payment of an interim dividend for the six months ended 30th June 2000.

## RESULTS

The board of Directors (the “Board”) of the Company is pleased to announce their first unaudited results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June 2000. together with the comparative unaudited figures for the corresponding six months’ period in 1999 as follows:

		<b>Six months ended</b>	
	<i>Notes</i>	<b>30th June</b>	
		<b>2000</b>	1999
		<b>HK\$’000</b>	<b>HK\$’000</b>
Turnover	2	<b>8,254</b>	8,454
Cost of sales		<b>(2,319)</b>	(2,458)
Gross profit		<b>5,935</b>	5,996
Other revenue		<b>130</b>	29
Depreciation		<b>(410)</b>	(354)
Operating lease rental		<b>(402)</b>	(443)
Selling and distribution expenses		<b>(452)</b>	(29)
General and administrative expenses		<b>(3,378)</b>	(3,069)
<b>PROFIT FROM OPERATING ACTIVITIES</b>		<b>1,423</b>	2,130
Finance costs		<b>(30)</b>	(22)
<b>PROFIT BEFORE TAX</b>		<b>1,393</b>	2,108
TAX	3	<b>(214)</b>	(366)
<b>PROFIT ATTRIBUTABLE TO SHAREHOLDERS</b>		<b>1,179</b>	1,742
Dividend		—	1,200
Earnings per share (in cent)	4	<b>0.38</b>	0.56

*Notes:*

### 1. Basis of preparation

The Company was incorporated in Bermuda as an exempted company with limited liability on 19th April 2000. The Company’s shares have been listed on the Growth Enterprise Market (“GEM”) of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 14th July 2000.

The consolidated financial results have been prepared using the merger basis of accounting as a result of the Group reorganization completed on 29th June 2000. Under this basis, the Company has been treated as the holding company of its subsidiaries for the financial periods presented rather than from the date of their acquisition. Accordingly, the consolidated results of the Group for the six months ended 30th June 2000 and 30th June 1999 include the results of the Company and its subsidiaries with effect from 1st January 1999 or since their respective dates of incorporation, whichever is the shorter period. The comparative figures for the corresponding period in 1999 have been prepared as if the reorganization had been completed on 1st January 1999.

## **2. Turnover**

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts where applicable, and services rendered.

## **3. Taxation**

Provision for Hong Kong profits tax has been calculated at the rate of 16% on the estimated assessable profits arising in Hong Kong for the periods.

## **4. Earnings per share**

The calculation of the earnings per share is based on the profit attributable to shareholders for the six months ended 30th June 2000 and 30th June 1999 is of about HK\$1,179,000 and HK\$1,742,000 respectively and on the weighted average of 309,370,000 (after taking into account of the weighted average number of additional shares issued on conversion of preference shares of a wholly owned subsidiary of the Company and issuable pursuant to capitalization issue to such shareholders) and 309,010,000 shares respectively in issue and issuable pursuant to capitalization issue.

The above calculation has excluded the 69,150,000 shares issued subsequent to the period ended 30th June, 2000.

## **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for the six months ended 30th June 2000.

The interim dividend in 1999 of HK\$1,200,000 was paid and declared by a subsidiary of the Company, Grandmass Technology Limited, to its then shareholders in 1999. The dividend rates and the number of shares ranking for dividend is not presented as such information is not meaningful for the purpose of this report.

## **BUSINESS REVIEW AND PROSPECT**

On behalf of the of the Board, I am pleased to present the first interim results for the Group since our listing on the GEM on 14th July 2000. The Group achieved a major milestone with a successful issue of 69,150,000 new shares raising the net amount of approximately HK\$30 million to fund the future expansion of the Group.

For the six months ended 30th June 2000, the Group recorded a turnover of HK\$8,254,000 and generated a profit of approximately HK\$1,179,000. Although these figures showed a slight decrease when compared to the same period in 1999, it did show a significant improvement from the operating loss on the four months ended 30th April 2000 of approximately HK\$608,000 as disclosed in the prospectus, which resulted from customers' tendency to defer expenditure on software due to concerns over the Year 2000 compliance issue. These results confirm the Group's ability to pick up rapidly in line with the recovering industry and the business environment.

During the period under review, the Group's major source of revenue came from the sale of proprietary ERP software package, the provision of IT consultancy services, provision of customized software development services, provision of computer systems integration and system deployment support services and the sales of accounting and data application systems. Their sales value accounted for 31.5%, 55.9%, 5 %, 4.4% and 3.2% respectively of the Group's total turnover.

As at 30th June 2000, the Group had over 270 licensees including many Hong Kong listed companies and the Greater China offices of a number of multinational firms. There were an additional 238 users, brought in through "IntelligentT Enterprise", Cable & Wireless HKT's ASP programme which we joined last August, to create new revenue channels for the Group. In April 2000, the Group participated in the joint "Digital Enterprise Generalization Program" hosted by six industrial associations and co-hosted by around 30 industrial associations. These industrial associations have numerous members who are potential customers for the Group. Under this program, the Group has agreed to offer the VOMS (Millennium Edition) to members of these industrial associations at a concessionary price. In the short period of two months since the launch, the Group has already secured 50 licensees through the program and the number of licensees is expected to increase continuously which diverges the customer base of the Group.

The Group has also placed a great deal of effort on research and development of a diverse range of software products that provide solutions to suit customer needs. In April 2000, the Group entered into a memorandum of understanding with the Hong Kong Polytechnic University (the "HKPU") to establish a strategic collaboration to research and develop innovative technologies and products as well as to conduct related training and development activities under the terms of the understanding. The Group will provide the services of its marketing and technical staff and will apply between HK\$5 million to HK\$10 million per year for a period of three years for the said development. Meanwhile, HKPU will provide technical and professional expertise and its facilities. Detailed terms and conditions are under negotiation and expect to be completed in August 2000.

The Group believes that producing high quality products is its key to success. The quality and effectiveness of Grandmass OMS ERP software systems has been acknowledged with the receipt of many significant industry awards this year. Microsoft once again granted its “Microsoft Business Solution of the Year” award to the Group, confirming that our Grandmass OMS ERP software systems that provide standardized solutions for Asian manufacturers have met international standards.

## Prospects

To cope with the e-commerce era, we focused on the development of ERP software systems with the versatility to adapt to web-based applications. On 27th July 2000, the Grandmass iOMS e-Commerce Edition, a full function web-based Sales and Logistic Control Model from Grandmass VOMS, was successfully launched, bringing in a number of enquiries from potential customers. The Board is optimistic with regard to the sales of the Grandmass iOMS e-Commerce Edition and believes that it will contribute significantly to the Group’s turnover in the second half of 2000.

Looking ahead, the Grandmass iOMS e-Supply Chain Edition will be introduced in the 1st quarter of 2001 after the launch of the e-Commerce Edition in July 2000. It provides management control for the entire supply chain on an e-commerce website, further extending the application of Grandmass OMS ERP software systems.

The Group will continue to develop and strengthen strong alliances with the world’s leading IT companies, academic institutions and major industrial associations. The Group will also expand its distribution network for the products and services of Grandmass OMS ERP software systems, explore potential markets and seek more opportunities to form strategic alliances with application service providers (“ASPs”) to increase market share.

On behalf of the Board, I would like to express our appreciation to all our management and staff members for their continued commitment and contribution and to thank shareholders for their confidence in the Group. We will continue to strive our best to fulfill our mission as a leader in the market and to prove to Asian manufacturers that Grandmass OMS ERP software systems is the absolute choice for them as well as to generate significant returns for shareholders of the Company.

## DIRECTORS’ INTERESTS IN SHARES

As at 14th July 2000, the date of commencement of dealing in Shares on GEM, the following Directors had or were deemed to have interest in the equity securities of the Company within the meaning of the Securities (Disclosure of Interests) Ordinance (the “SDI Ordinance”) as recorded in the register required to be kept by the Company pursuant to Section 29 of the SDI Ordinance:

Name	Number of ordinary shares held			
	Personal interest	Family interest	Corporate interest	Other interest
Mr. Yue Chung Wing, Patrick (“Mr. Patrick Yue”)	—	—	200,010,000 (Note)	—
Dr. Cheung Siu Wing	17,040,000	—	—	—
Mr. Yau Chun Fai	12,000,000	—	—	—

*Note:*

These shares are held by Enterprise Logistics Limited, a company incorporated in British Virgin Islands and wholly owned by Mr. Patrick Yue.

Save as disclosed above, none of the Directors had any personal, family, corporate or other interests in the share capital of the Company as recorded in the register required to be kept by the Company under Section 29 of the SDI Ordinance as at 14th July 2000, the date of commencement of dealing in Shares on GEM.

## **DIRECTORS' RIGHTS TO ACQUIRE SECURITIES**

Pursuant to a Share Option Scheme (the "Scheme") adopted by the shareholders of the Company on 29th June 2000, the Board of Directors of the Company may for a consideration of HK\$1.00 offer to any full time executive director or employee of the Company or any of its subsidiaries options to subscribe for shares in the Company at a price not less than the highest of the nominal value of the Shares, the average closing prices of the Shares as stated in the Stock Exchange's quotation sheets for the five trading days immediately preceding the date and the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of the grant of the option, subject to a maximum of 30% of the issued share capital of the Company from time to time.

As at 14th July 2000, the date of commencement of dealing in Shares on GEM, no option had been granted or agreed to be granted under the Share Option Scheme.

As at 14th July 2000, the date of commencement of dealing in Shares on GEM, none of the directors (including their spouses and children under 18 years of age) had been granted or exercised, any rights to subscribe for the Shares.

## **SUBSTANTIAL SHAREHOLDER**

As at 14th July 2000, the date of commencement of dealing in Shares on GEM, the following entity, not being a director or chief executive of the Company, had or was deemed to have interest of 10% or more in the issued share capital of the Company, as recorded in the register required to be kept by the Company under Section 16(1) of the SDI Ordinance.

Name	Number of issued shares	Percentage of shareholding
Enterprise Logistics Limited	(Note)200,010,000	50.0025%

*Note:*

Enterprise Logistics Limited is a company incorporated in British Virgin Islands and wholly owned by Mr. Patrick Yue.

## **MANAGEMENT SHAREHOLDERS**

Save for the Directors and the substantial shareholder's interest as disclosed above, the Directors are not aware of any persons who were entitled to exercise or control the exercise of five percent or more of the voting power at the general meeting of the Company and who were able, as a practical matter, to direct or influence the management of the Company as at 14th July 2000, the date of commencement of dealing in Shares on GEM.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

There were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries from 1st January 2000 to 14th July 2000, the date of commencement of dealing in Shares on GEM.

## **INTERESTS OF THE SPONSOR**

Oriental Patron Asia Limited ("Oriental Patron") had entered into a sponsorship agreement with the Company whereby, for a fee, Oriental Patron will act as the Company's continuing sponsor for the purpose of Chapter 6 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") for the period from 1st July 2000 to 31st December 2002.

None of Oriental Patron, its directors, employees nor associates had any interests in the securities of the Company or any member of the Group, or any right to subscribe for or to nominate persons to subscribe for the securities for the Company or any member of the Group as at 30th June 2000.

## **COMPETING INTEREST**

None of the Directors or the management shareholders of the Company (as defined in the GEM Listing Rules) of the Company or their respective associates had any interest in a business which competed or might compete with the business of the Group.

## **YEAR 2000 COMPLIANCE**

All the computer system of the Group has passed the millennium date safely. As of the date of this report, the Group has not received any complaint relating to the Year 2000 issue from customers nor has any disruption to the operation of the Group.

## **AUDIT COMMITTEE**

The Company has established an audit committee in July 2000 with its written terms of reference being in compliance with Rules 5.23 to 5.25 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control systems of the Group and to provide advice and comments to the Board.

The audit committee comprises two members, namely Dr. Ip Wai Hung and Dr. Lau Wai Shing, Augustine, both being independent non-executive Directors of the Company.

By Order of the Board  
**Yue Chung Wing, Patrick**  
*Chairman*

Hong Kong, 14th August 2000