

**First Quarterly Report 2001**

**二零零一年第一季度業績報告**



**Grandmass**

**Enterprise Solution Limited**

**盛創企業系統有限公司**

*(Incorporated in Bermuda with limited liability)*

*(於百慕達註冊成立之有限公司)*

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*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.*

## 2001 FIRST QUARTER RESULTS HIGHLIGHTS

- Turnover decreased by HK\$321,000 for the three months ended 31st March 2001 representing an approximately 14% decrease to the corresponding period in 2000.
- Achieved a net loss of approximately HK\$4,600,000 for the three months ended 31st March 2001.
- The Board of Directors (the “Directors”) of Grandmass Enterprise Solution Limited (the “Company”) does not recommend the payment of an interim dividend for the three months ended 31st March 2001.

## RESULTS

The board of Directors (the “Board”) of the Company is pleased to announce their unaudited results of the Company and its subsidiaries (the “Group”) for the three months ended 31st March 2001 together with the comparative figures for the corresponding period ended 31st March 2000 as follows:

	Notes	For the three months ended 31st March	
		2001 HK\$'000	2000 HK\$'000
Turnover	2	1,928	2,249
Cost of sales		(1,232)	(1,101)
Gross profit		696	1,148
Other revenue		386	3
Selling and distribution expenses		(150)	(4)
Administrative expenses		(4,472)	(1,489)
Other operating expenses		(865)	—
Loss from operating activities		(4,405)	(342)
Finance cost		(35)	(13)
Share of loss of jointly controlled entities	3	(160)	—
Loss before tax		(4,600)	(355)
Tax	4	—	—
Net loss attributable to shareholders		(4,600)	(355)
Dividend		—	—
Loss per share			
— Basic (in cents)	5	(1.2)	(0.1)

Notes:

### 1. Basis of presentation

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 include the financial results of the Company and its subsidiaries for the three months ended 31st March 2001. The results of subsidiaries acquired or disposed of during the period are consolidated from or to their effective dates of acquisition or disposal, respectively. The comparative consolidated 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 prior to the date of their acquisition pursuant to the Group reorganisation on 29th June 2000. Accordingly, the consolidated results of the Group for the three months ended 31st March 2000 include the results of the Company and its subsidiaries with effect from 1st January 2000 or since their respective dates of incorporation, whichever is the shorter periods, as if the Group structure had been in existence throughout the period ended 31st March 2000.

### Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention.

### 2. Turnover

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts where applicable, and services rendered. The Group's turnover from operating activities for the three months ended 31st March 2001 were all derived in Hong Kong.

### 3. Share of loss of jointly controlled entities

Share of loss of jointly controlled entities is principally come from Thiz Grandmass ERP Systems Limited for the period.

### 4. Tax

No provision for Hong Kong profits tax has been made in the accounts as the Group had no assessable profits arising in Hong Kong for the period (2000: Nil). No recognition of the potential deferred taxation asset relating to tax losses has been made as the recoverability of this potential deferred taxation asset is uncertain.

## 5. Loss per share

The calculation of basic loss for the three months ended 31st March 2001 is based on the net loss attributable to shareholders of approximately HK\$4,600,000 (2000: loss of HK\$355,000) and the weighted average of approximately 400,000,000 (2000: 330,850,000) ordinary shares in issue during the period.

Diluted loss per share for the three months ended 31st March 2001 has not been shown as the share options outstanding during the period had an anti-dilutive effect on the basic loss per share for the period. In prior corresponding period, no share options had been issued and, accordingly, no disclosure of diluted loss per share is required.

## 6. Movement in reserves

### Group

	Share premium HK\$'000	Contributed surplus HK\$'000	Retained profits/ (accumulated loss) HK\$'000	Total HK\$'000
At 1st January 2000	—	—	72	72
Increase in capital of subsidiaries	—	10,412	—	10,412
Premium arising from issue of new shares to public	27,660	—	—	27,660
Transfer to share capital to pay up nil-paid shares allotted to shareholder	(27,660)	(5,260)	—	(32,920)
Shares issue expenses	—	(4,625)	—	(4,625)
Net loss for the year	—	—	(10,749)	(10,749)
At 31st December 2000 and at 1st January 2001	—	527	(10,677)	(10,150)
Net loss for the three months ended 31st March 2001	—	—	(4,600)	(4,600)
At 31st March 2001	<u>—</u>	<u>527</u>	<u>(15,277)</u>	<u>(14,750)</u>

## INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31st March 2001 (2000: Nil).

## BUSINESS REVIEW AND PROSPECTS

For the three months ended 31st March 2001, the Group's turnover and profit decreased slightly when compared to the same period last year. The Group recorded a turnover of HK\$1,928,000, representing a decrease of 14% compared with the corresponding period last year. Loss attributable to shareholders was HK\$4,600,000 compared with HK\$355,000 in 2000.

This slightly decrease was mainly attributable to the ever-changing market needs, the Group strategically adjusted its marketing strategies by reducing the product pricing structure. Grandmass offered its Visual OMS products at a concessionary price, enabling SMEs with more restricted resources to subscribe to the service. In addition, some of the potential customers are still in a stage of choosing among the different channels and software products, this purchasing delay caused a downturn in the Group's performance. However, the Group expects that this short-term purchasing delay will contribute to an increase in sales in the 2nd half of the year. Also, the Group's market-oriented strategies have effectively enhanced its product competitiveness and broadened its client base, thereby paving the way for the Group's future development.

During the period under review, the Group's source of revenue came from 5 different sectors. 54.3% was derived from the sale of proprietary ERP software packages; 3.3% from the provision of IT consultancy services; 1.1% from the provision of customized software development services; 34.6% from computer systems integration and systems development support services and the remaining 6.7% came from the sale of accounting and data application systems for strategic partners.

The new e-Supply Chain Edition and Financial Accounting Software, which were introduced at the end of 2000, received encouraging responses from the market. The Group has successfully heightened customer confidence towards its innovative products in which a number of contracts have already

signed and more new contracts will be signed in the coming quarter. This encouraging feedback acted as the Group's first step in further enriching its product portfolio and providing customers with more cutting-edged technology under the umbrella of its Grandmass OMS software. To complement the product launches, the Group also organized several seminars during the period under review. This has proven to be highly effective in demonstrating and promoting the Group's new software to potential customers.

In February, the Group also soft-launched its own ASP programme, providing an alternative channel for customers to access its iOMS software. With the considerable efforts of its marketing specialists, many existing and new customers were on trial runs. In the initial stages, potential customers were satisfied with this state-of-the-art technology which facilitates their access to Grandmass software. The Group also planned to extend the programme to other applications when the systems become more established in the market. Efforts generated tremendous market interest and numerous enquiries from potential customers, not only building confidence towards the Group's ASP programme but also setting up the groundwork for the expansion of the client base in the future.

Penetrating the PRC market is a major emphasis for Grandmass in 2001. The Group is pushing its brand names vigorously, generating tremendous thrust into the market which holds such immense potential for growth. The dealership agreement with ChinaTone has received positive feedback from customers, many of whom are in the final decision-making stages. In addition, our Shanghai office staffs now have a place to promote and sell Grandmas OMS series of software to potential customers. By consolidating the Group's foundations in the huge PRC market, Grandmass is confident that it will generate additional sales in the 2nd half of the year.

To ensure that the Group stays abreast of the latest technological know-how, the Group continued to collaborate closely with academic institutions such as the Hong Kong Polytechnic University (HKPU) and the Hong Kong Institute of Vocational Education (IVE). Leveraging its on-going efforts, Grandmass OMS software is positioned as the best Enterprise solutions, contributing to the establishment of Grandmass as the standard for ERP software in Asia.

Through its disciplined cost management, the expenditure on research and development as well as promotion was kept to a minimal level. This initiative not only contributed to cost reductions but also helped to streamline the Group's overall operations.

In the future, the Group will continue to expand its sales network to maximize its market and geographical coverage in the PRC. Following the launch of the Shanghai office, Grandmass plans to extend its sales offices into other major cities in the PRC to capture a more sizable market share.

Capitalizing on the Group's brand names and sales network, Grandmass will actively seek to diversify its software in terms of variety and versatility. The Group plans to launch its new product - the Site Server Edition in the 2nd quarter. The Site Server Edition provides membership control and allows users to place orders and enquires directly through the system. This new software facilitates better communication between users and customers and thus is expected to generate additional income growth upon its launch.

Grandmass was delighted to welcome Mr. Albert Li as an Executive Director of the Group in April. Mr. Albert Li is experienced in software development particularly in exploring and developing for other Asian markets. With his participation, the Group is empowered to further deploy its business strategies and to continue to develop more innovative products which will suit different market needs.

2001 is a year of opportunity for Grandmass, the Group strives to capitalize on the market's potential to accelerate its business growth. Armed with proven expertise and its well mapped out business development strategies, the Group is well positioned to exploit rising market opportunities and is looking forward to a fruitful period in the 2nd half of 2001.

## DIRECTORS' INTERESTS IN SHARES

As at 31st March 2001, 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")	—	—	140,010,000 (Note 1)	—
Mr. Yau Chun Fai	12,000,000	—	—	—

Notes:

- 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 31st March 2001.

## DIRECTORS' RIGHTS TO ACQUIRE SECURITIES

Pursuant to the 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 on which the relevant option is granted 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.

During the period from 14th July 2000 (the date of commencement of dealing of the Company's share on GEM) to 31st March 2001, 4,000,000 and 16,000,000 share options were granted on 15th August 2000 and 4 December 2000, respectively, to certain directors and employees of the Group under the Scheme for the subscription of ordinary shares of the Company at subscription prices ranged from HK\$0.141 to HK\$0.199 per share. At the beginning of the current period, at 1st January 2001, the Company had 19,280,000 outstanding share options as 720,000 shares options had been lapsed in the period ended 31st December 2000. The movement of share options for the three months ended 31st March 2001 is set out as follows:

Date of grant	Number of shares subject to options
At 31st December 2000 and at 1st January 2001	19,280,000
Less: lapsed options	1,426,668
At 31st March 2001	<u>17,853,332</u>

During the three months ended 31st March 2001, as a result of cessation of employment of 3 grantees (employees), 1,426,668 share options granted to them have lapsed. At 31st March 2001, the underlying shares of the outstanding options under the Scheme as at 31st March 2001 represent approximately 4.5% of the issued capital of the Company.

The highest number of shares underlying the outstanding options granted to employees under the Scheme as at 31st March 2001 was 1,111,111. As at 31st March 2001, the options granted to and held by the Directors are as follows:

Name of director	Exercise price HK\$	Number of shares subject to options	Exercisable period
Mr. Yue Chun Wing, Patrick	0.141	1,422,221	4 Mar 01 — 3 Mar 05
Mr. Yau Chun Fai	0.141	1,422,221	4 Mar 01 — 3 Mar 05
Ms. Choi Siu Man, Julia	0.141	1,422,221	4 Mar 01 — 3 Mar 05

No options granted pursuant to the Scheme had been exercised as at 31st March 2001.

## SUBSTANTIAL SHAREHOLDER

As at 31st March 2001, 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)	140,010,000	35.0025%

*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 31st March 2001.

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

During the period from 14th July 2000 (date of listing) to 31st March 2001, there were no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

## 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 31st March 2001.

## 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.

## 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.

As at 31st March 2001, the audit committee comprised two members, namely Dr. Ip Wai Hung and Dr. Lau Wai Shing, Augustine, both being independent non-executive Directors of the Company.

On 3rd April 2001, Dr. Lau Wai Shing, Augustine resigned as an independent non-executive director and a member of the audit committee of the Company. The Board of Directors of the Company appointed Mr. Zhao Ming as an independent non-executive director and a member of the audit committee of the Company with effect from 12th April 2001.

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

Hong Kong, 11th May 2001