



# 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)

Third Quarterly Report 2002



## **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.

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*This report, 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 report 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 report misleading; and 3. all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*



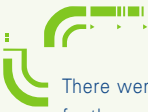
## 2002 THIRD QUARTERLY RESULTS HIGHLIGHTS

- The Group recorded a turnover of approximately HK\$1,310,000 for the three months ended 30 September 2002.
- The net loss for the three months ended 30th September 2002 narrowed to approximately HK\$2,789,000 a 40% improvement from the prior corresponding period.
- Operating costs, including distribution costs, administrative expenses and other operating expenses of the Group for the three months ended 30th September 2002 reduced by approximately 20% compared to last corresponding period.
- The Board of Directors (the "Directors") of Grandmass Enterprise Solution Limited (the "Company") does not recommend the payment of dividend for the three months ended 30th September 2002.

## RESULTS

The board of Directors (the "Board") of the Company is pleased to announce their unaudited consolidated results of the Company and its subsidiaries (the "Group") for the nine months ended 30th September 2002 together with the comparative figures for the corresponding period ended 30th September 2001 as follows:

	Notes	For the three months ended		For the nine months ended	
		30 September 2002	30 September 2001	30 September 2002	30 September 2001
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	2	1,310	463	2,673	2,921
Cost of sales		(310)	(261)	(999)	(1,778)
Gross profit		1,000	202	1,674	1,143
Other revenue		59	91	106	718
Distribution costs		(769)	(328)	(1,901)	(507)
Administrative expenses		(2,487)	(3,937)	(8,264)	(13,141)
Other operating expenses		(649)	(588)	(1,038)	(2,428)
Loss from operations		(2,846)	(4,560)	(9,423)	(14,215)
Finance costs		—	(6)	(7)	(63)
Share of results of jointly controlled entity	3	—	(96)	—	(418)
Loss before tax		(2,846)	(4,662)	(9,430)	(14,696)
Tax	4	—	—	—	—
Loss after tax		(2,846)	(4,662)	(9,430)	(14,696)
Minority interests		57	—	505	—
Net loss attributable to shareholders		(2,789)	(4,662)	(8,925)	(14,696)
Dividend		—	—	—	—
Loss per share					
— Basic (in cents)	5	(0.19)	(1.0)	(0.8)	(3.28)



There were no recognised gains or losses other than the net loss for the period. Accordingly, a consolidated statement of recognised gains and losses is not presented in the financial statements.

Notes:

## **1. Basis of presentation**

The Company was incorporated in Bermuda on 19th April 2000 as an exempted company with limited liability under the Companies Act 1981 of Bermuda. 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 statements of the Group include the financial statements made up to the three months ended 30th September each year of the Company and the enterprises that it controls. This control is normally evidenced when the Group has the power, directly, or indirectly, to govern the financial and operating policies of an enterprise so as to benefit from its activities. 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 net income/loss attributable to minority shareholders' interests are shown separately in the income statement.

Intra-group balances and transactions and resulting unrealised profits are eliminated in full. Unrealised losses resulting from intra-group transactions are eliminated unless cost cannot be recovered. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

### ***Basis of preparation***

The 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 and the disclosure requirements set out in Chapter 18 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange. The principal accounting policies and methods of computation used in the preparation of the interim financial statements are consistent with those used in the annual audited financial statements for the year ended 31st December 2001.

## **2. Turnover**

The Group's 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 nine months ended 30th September 2002 were mainly derived in Hong Kong.



### **3. Share of results of jointly controlled entity**

The Group's share of losses of jointly controlled entity is principally come from Thiz Grandmass ERP Systems Limited for the preceding period. Up to 31st December 2001, the share of losses of the jointly controlled entity by the Group had exceeded the Group's investment cost and loan to the jointly controlled entity. In the opinion of the directors, the Group should have no responsibility on the further losses of the jointly controlled entity and hence, would not account for its share of further losses in current period under review.

### **4. Tax**

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong for the nine months ended 30th September 2002 (2001: Nil).

Provision for overseas tax has not been made because the overseas subsidiaries did not derive any assessable profit during the current and prior corresponding period. Deferred tax has not been provided as there were no significant timing differences at the period-end date (2001: Nil).

### **5. Loss per share**

The calculation of basic loss per share for the nine months and three months ended 30th September 2002 is based on the Group's unaudited net loss attributable to the shareholders of approximately HK\$8,925,000 and HK\$2,789,000 (2001: HK\$14,696,000 and HK\$4,662,000) and the weighted average number of approximately 1,112,444,000 and 1,440,000,000 ordinary shares (2001: 447,454,000 and 462,894,000 ordinary shares) in issue during the period after adjusting the effects of the rights issue of shares on 9th April 2002. The basic loss per share for 2001 has been adjusted accordingly.

Diluted loss per share for the nine months and three months ended 30th September 2002 and 2001 have not been shown as the share options outstanding during the periods had an anti-dilutive effect on the basic loss per share for the periods.





## 6. Movement in reserves

### Group

	Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Accumulated loss <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st January 2001	—	527	(10,677)	(10,150)
Transfer from share capital due to capital reduction	—	36,000	—	36,000
Premium arising from issue of new shares	5,630	—	—	5,630
Net loss for the year ended 31st December 2001	—	—	(22,319)	(22,319)
At 31st December 2001				
And at 1st January 2002	5,630	36,527	(32,996)	9,161
Premium arising from a rights issue of 960,000,000 new shares	21,120	—	—	21,120
Net loss for the nine months ended 30th September 2002	—	—	(8,925)	(8,925)
At 30th September 2002	<u>26,750</u>	<u>36,527</u>	<u>(41,921)</u>	<u>21,356</u>

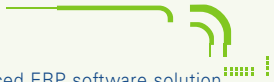
## INTERIM DIVIDEND

The Board does not recommend the payment of dividend for the nine months ended 30th September 2002 (2001: Nil).

## OVERALL FINANCIAL AND BUSINESS REVIEW

The turnover of the Group for the three months ended 30th September 2002 amounted to HK\$1,310,000, representing a substantial increase compared with the corresponding period in 2001. Such increase was mainly attributable to the success of the integration of the Group's major product iOMS 2.0. Despite the fierce competition in the ERP market, the Group's product uniqueness and reputation has grown in the market.

The net loss attributable to the shareholders for the three months 30th September 2002 narrowed to HK\$2,789,000, a 40% improvement from the corresponding period in 2001. The continuous cost-control measures and the functional integration strategy which have been imposed since the late 2001 remained the major strategy for the Group pursuant to which resources are deployed in a more economic efficient manner.



Striving to become a leading and advanced ERP software solution provider, the Group has formed several strategic alliances with the major IT companies and educational institutes, IFS AP, Microsoft, IBM and, in the period under review, entered into a long term agreement with NTT Data (HK) for the distribution of the iOMS-J version to the Japanese enterprises within the south-east asian regions. The alliance has definitely strengthened our distribution network within the regions and the recognition of our Group's products to the potential users.

## **PROSPECTS**

Upon the completion of the major sales and marketing event, the largest hi-technology exhibition in the southern china, "Shenzhen hi-tech exhibition" in mid-October, the prime objective is to build up the product recognition and to expand the distribution network was attained.

Inherited the fundamental functions of iOMS2.0, 7 industry-specific solutions are injected with new elements of user interface, system flow design and function modification to suit the different industries including toys (iToys), printing (iPrinting), furniture (iFurniture), electronics (iElectronics), chemical (iChemical), garment (iGarment), and watches and clocks (iWatches and Clocks). The launching of the series was targeted to the customers with specific needs within the industry and positive response are expected from the users .

The Group has set the long term growth target beyond 2002 in research and development of a leading ERP II product, a top tier collaborative commerce application. Our goals are to enable network enterprises to exchange information between each others and facilitate seamless business operations over internets, while internally the application is fit for different vertical industry specific requirements.





## **DIRECTORS' INTERESTS IN SHARES**

As at 30th September 2002, none of the Directors or chief executive of the Company had any personal, family, corporate or other interests in the equity or debt securities of the Company or any of its associated corporation which were required to be notified to the Company and the Stock Exchange pursuant to section 28 of the Securities (Disclosure of Interests) ("SDI") Ordinance (including interests which they were taken or deemed to have under Section 31 of, or Part I of the Schedule to, the SDI Ordinance), or which were required, pursuant to section 29 of the SDI Ordinance, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.40 to 5.59 of the GEM Listing Rules relating to securities transaction by directors, to be notified to the Company and the Stock Exchange.

As at 30th September 2002, none of the Directors had any direct or indirect interest in any assets which acquired or disposed of by, or leased to the Company or any of its subsidiaries, or are proposed to acquired or disposed of by , or leased to, the Company or any of its subsidiaries.

As at 30th September 2002, none of the Directors were materially interested in any contract or arrangement entered into by the Company or any of its subsidiaries and which is significant in relation to the business of the Group.

## **SHARE OPTION SCHEME**

Pursuant to the new Share Option Scheme adopted by the shareholders of the Company on 24th May 2002 (the "New Share Option Scheme"), the Board of the Company may for a consideration of HK\$1.00 offer to eligible persons (as defined in the circular of the Company dated 6th May 2002) to subscribe for shares of the Company as incentive or rewards for their contribution to the Group. The subscription price will be determined by the Board in its absolute discretion, in any event, shall not be less than the higher of the nominal value for the time being of each share of the Company, the average closing prices of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date on which the relevant options is granted and the closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheet on the date on which the relevant option is granted.





The maximum number of shares in respect of which options may be granted under the Share Option Scheme and other schemes of the Company may not in aggregate, exceed 30% of the issued share capital of the Company from time to time which have been duly allotted and issued.

The New Share Option Scheme became effective for a period of 10 years commencing 24th May 2002 (the date on which the New Share Option Scheme was adopted).


The details and major provisions of the New Share Option Scheme were set out in the circular of the Company dated 6th May 2002.

No Options under the New Share Option Scheme had been granted to any persons during the period under review and up to the date of this announcement.

In compliance with the amendment Chapter 23 of the GEM Listing Rules, the New Share Option Scheme supercedes the previous share option scheme adopted by the shareholders of the Company on 29th June 2000 (the "Previous Share Option Scheme"). The Previous Share Option Scheme was terminated on 24th May 2002 accordingly. However, notwithstanding the termination of the Previous Share Option Scheme, the outstanding options previously granted under the Previous Share Option Scheme shall remain valid and exercisable in accordance with the provision of the Previous Share Option Scheme.

As at 30th September 2002, the outstanding options granted under the Previous Share Option Scheme were set out as follows:

<b>Date of options granted</b>	<b>Number of options outstanding at beginning of the period</b>	<b>Options cancelled during the period</b>	<b>Number of options outstanding end of the period</b>	<b>Subscription Price</b>	<b>Exercisable period</b>
15th August 2000	360,000	180,000	180,000	HK\$0.199	15th Aug 2001 to 14th Aug 2005
4th December 2000	6,755,556	4,622,221	2,133,335	HK\$0.141	4th Mar 2001 to 3rd Mar 2005
	<u>7,115,556</u>	<u>4,802,221</u>	<u>2,313,335</u>		



The underlying shares of the outstanding options under the Scheme as at 30th September 2002 represented approximately 0.16% of the issued capital of the Company. The highest number of shares underlying the outstanding options granted to employees under the Scheme as at 30th September 2002 was 711,111.

No options granted pursuant to the Scheme had been exercised up to 30th September 2002.

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

Other than the Share Option Scheme adopted by the Company on 24th May 2002, at no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

As at 30th September 2002, none of the Directors or chief executive of the Company had any share options under any share option schemes of the Company.

## **SUBSTANTIAL SHAREHOLDER**

Subsequent to the date as of 30th September 2002, the following interests of 10% or more in the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

<b>Name</b>		<b>Number of shares held</b>	<b>Approximate shareholding</b>
Freidmann Pacific Greater China Investments Limited	(Note)	263,100,000	18.27%

*Note:*

*Freidmann Pacific Greater China Investments Limited is a company incorporated in Cayman Islands and its shares are listed on the main board of the Stock Exchange of Hong Kong Limited.*

Save as disclosed above, no other person had registered an interest in the share capital of the Company that was required to be recorded under Section 16(1) of the SDI Ordinance.



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

For the three months ended 30th September 2002, 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**

As confirmed by the Company's sponsor, Oriental Patron Asia Limited ("Oriental Patron"), as at 30th September 2002 and date of this announcement, respectively, none of Oriental Patron and its directors, employees or associates (as referred to in Note 3 to Rule 6.35 of the GEM listing Rules) had or may have any interests in any class of securities of the Company or any other company in the Group (including options or rights to subscribe for such securities) and any competing interest with the business of the Group. Oriental Patron has entered into a sponsor 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 GEM Listing Rules up to 31st December 2002.

## **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.

## **COMPLIANCE WITH RULES 5.28 TO 5.39 OF THE GEM LISTING RULES**

The Company has complied with the board practices and procedures as set out in rules 5.28 to 5.39, if relevant, of the GEM Listing Rules during the period.

## **COMPLIANCE WITH RULES 17.15 TO 17.21 OF THE GEM LISTING RULES**

The Directors have confirmed that, as at 30th September 2002, the Group was not aware of any circumstances which would give rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.



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. As at 30th September 2002, the audit committee comprised two members, namely Mr. Zhao Ming and Mr. Lau Kwok Kee, both being independent non-executive Directors of the Company.

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. During the three months ended 30th September 2002 and up to the date of this report, the audit committee has met 3 times reviewing the Group's quarterly report, financial statements and providing advices and recommendations to the Board. The Group's financial statements for the nine months ended 30th September 2002 have been reviewed by the members of the audit committee, who were of the opinion that such statements complied with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosure had been made.

By Order of the Board

**Ng Ming Wah**

*Chairman*

Hong Kong, 13th November 2002