



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)

First Quarterly Report

2003

Quarterly ended
31st March 2003

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 report 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 report.

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.

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 three months ended 31st March 2003 together with the comparative figures for the corresponding period ended 31st March 2002 as follows:

		For the three months ended	
		31st March	
		2003	2002
	<i>Notes</i>	HK\$'000	HK\$'000
Turnover	2	1,207	434
Cost of sales		(289)	(288)
Gross profit		918	146
Other revenue		85	7
Distribution costs		(836)	(554)
Administrative expenses		(1,189)	(3,050)
Other operating expenses		(5)	(9)
Loss from operations		(1,027)	(3,460)
Finance costs		(5)	(4)
Gain on disposal of a subsidiary		216	—
Share of results of associates		(1)	—
Loss before taxation		(817)	(3,464)
Taxation	3	—	—
Loss after taxation		(817)	(3,464)
Minority interests		—	301
Net loss for the period		(817)	(3,163)
Dividend		—	—
Loss per share			
— Basic (in cents)	4	(0.07)	(0.70)

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 31st March each year of the Company and its subsidiaries. The results of subsidiaries acquired or disposed of during the period are consolidated from or to their effective dates of acquisition or disposal. Minority interests, represent the interests of outside shareholders in the net assets and operating results of subsidiaries, are shown separately in the balance sheet and income statement, respectively.

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. They have been prepared under the historical cost convention.

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 three months ended 31st March 2003 were mainly derived in Hong Kong.

3. 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 three months ended 31st March 2003 (2002: 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 (2002: Nil).

4. Loss per share

The calculation of basic loss per share for the three months ended 31st March 2003 is based on the Group's net loss for the period of approximately HK\$817,000 (2002: net loss of HK\$3,163,000) and the weighted average of approximately 1,440,000,000 ordinary shares (2002: 480,000,000 ordinary shares) in issue during the period.

Diluted loss per share for the three months ended 31st March 2003 and 2002 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.

5. 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 2002	5,630	36,527	(32,996)	9,161
Premium arising from Rights Issue, net of expenses	19,481	—	—	19,481
Net loss for the year ended 31st December 2002	—	—	(22,837)	(22,837)
At 31st December 2002				
And at 1st January 2003	25,111	36,527	(55,833)	5,805
Net loss for the three months ended 31st March 2003	—	—	(817)	(817)
At 31st March 2003	<u>25,111</u>	<u>36,527</u>	<u>(56,650)</u>	<u>4,988</u>

INTERIM DIVIDEND

The Board does not recommend the payment of dividend for the three months ended 31st March 2003 (2002: Nil).

OVERALL FINANCIAL AND BUSINESS REVIEW

The Group's business is still under the negative market sentiment and keen competition during the period under review. As well, the recent outbreak of the SARS will affect the Group's normal operations especially having an adverse impact on the business operations within the PRC regions.

During the period under review, the turnover of the Group for the three months ended 31st March 2003 amounted to approximately HK\$1,207,000, representing a remarkable increase over the corresponding period in 2002. Such increase was attributable to the enhancement of the recognition of the Group's products and the improved networking through the establishment of various strategic partnerships during the year of 2002 and the period under review.

The net loss of the Group for the three months ended 31st March 2003 narrowed to approximately HK\$817,000, another remarkable improvement over the corresponding period in 2002. Pursuant to the latest Annual Report disclosed earlier, the Company has entered a share subscription agreement with an independent investor to invest into the Group's business. And the aforesaid arrangement would greatly reduce the cash flows outlay in the foreseeable periods. On the other hand, the management team has implemented on-going measures and strategies to improve the financial position and revive the business operations of the Group through streamlining the business operations and improving the operating efficiency of the Group.

The gain on disposal of a subsidiary does not have any cash impact on the Group but improve the financial position of the Group. With an enhancement in the financial position of the Group, the management believes that the Company will be placed in a better position to secure additional financial resources for the business development of the Group.

PROSPECTS

The Group will continue to strengthen and improve the present product mix by conducting feasibility studies on new technology-based product, also, the management plans to capitalize on the customer network to enlarge the customer base and expand market share in the People's Republic of China.

In addition, the Group will actively exploring and identifying investment and acquisition opportunities in related businesses with growth potential in the coming periods. To reinstate the Group will continue to form business partnership and strategic alliances are the major tactics to expand in the existing economic climate.

Looking ahead, it is expected the private sectors will put more budgets on the installation and maintenance of the ERP system. The management looks forward to benefiting from the Mainland market following the WTO accession which the ERP software market is prosperous in the coming years. As a leading and advanced software producer, the Group continues to offer premium quality products, with high value-added and high margin, to its customers. The directors always closely monitor the trend of the software industry, it is believed that product diversification and differentiation enables the Group to expand its product variety and manage its business risks effectively.

DIRECTORS' INTERESTS IN SHARES AND CONTRACTS

As at 31st March 2003, 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 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 31st March 2003, 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 31st March 2003, 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 (the "Scheme") adopted by the shareholders of the Company on 24th May 2002, the Board of Directors 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. The subscription price will be determined by the Board in its absolute discretion, but in any event, shall not be less than the higher of the nominal value of the 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 may not 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).

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 31st March 2003, the following options to subscribe for shares were outstanding under the Scheme:

Date of share options granted	Number of options outstanding at beginning of the year	Options lapsed during the year	Number of options outstanding at end of the year	Subscription price	Exercisable period
15 August 2000	360,000	180,000	180,000	HK\$0.199	15 August 2001 to 14 August 2005
4 December 2000	6,755,556	4,622,221	2,133,335	HK\$0.141	4 March 2001 to 3 March 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 31st March 2003 represented approximately 0.16% of the issued shares of the Company. The highest number of shares underlying the outstanding options granted to employees under the Previous Share Option Scheme as at 31st March 2003 was 711,111.

No options granted pursuant to the Previous Share Option Scheme had been exercised up to 31st March 2003.

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 31st March 2003, none of the Directors or chief executive of the Company had any share options under the Scheme.

SUBSTANTIAL SHAREHOLDER

As at 31st March 2003, 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:

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

Note:

Friedmann 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

During the period from 14th July 2000 (date of listing) to 31st March 2003, there were no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

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 31st March 2003, 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.

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. As at 31st March 2003, 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 31st March 2003, the audit committee has reviewed the Group's quarterly report, financial statements and providing advices and recommendations to the Board. After the review of the financial statements, 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 May 2003