



Third Quarterly Report 2003

Quarterly ended
30th September 2003

* *For identification purposes only*

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 announcements 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 nine months ended 30 September 2003 together with the comparative figures for the corresponding period ended 30 September 2002 as follows:

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2003	2002	2003	2002
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	2	-	1,310	1,207	2,673
Cost of Sales		-	(310)	(289)	(999)
Gross profit		-	1,000	918	1,674
Other revenue		2	59	97	106
Distribution costs		-	(769)	(838)	(1,901)
Administrative expenses		(653)	(2,487)	(2,701)	(8,264)
Other operating expenses		(2,212)	(649)	(2,704)	(1,038)
Loss from operations		(2,863)	(2,846)	(5,228)	(9,423)
Finance costs		-	-	(8)	(7)
Gain on disposal of a subsidiary		-	-	216	-
Gain on partial disposal of interest in an associate		-	-	153	-
Share of results of associates	3	-	-	(44)	-
Loss before tax		(2,863)	(2,846)	(4,911)	(9,430)
Tax	4	-	-	-	-
Loss after tax		(2,863)	(2,846)	(4,911)	(9,430)
Minority interests		-	57	-	505
Net loss attributable to shareholders		(2,863)	(2,789)	(4,911)	(8,925)
Dividend		-	-	-	-
Loss per share - Basic (in cents)	5	(0.2)	(0.19)	(0.34)	(0.8)

Notes:

1. Basis of presentation

The Company was incorporated in Bermuda on 19 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 14 July 2000.

The consolidated financial statements of the Group include the financial statements made up to the nine months ended 30 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, 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 quarterly financial statements are consistent with those used in the annual audited financial statements for the year ended 31 December 2002.

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 30 September 2003 was 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 nine months ended 30 September 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 nine months ended 30 September 2003 is based on the Group's net loss for the period of approximately HK\$4,911,000 (2002: net loss of HK\$8,925,000) and the weighted average of approximately 1,440,000,000 ordinary shares (2002: 1,112,444,000 ordinary shares) in issue during the period.

Diluted loss per share for the nine months ended 30 September 2003 and 2002 have not been shown as the share options outstanding during the periods had an anti-dilative effect on the basic loss per share for the periods.

5. Movement in reserves

Group

	Share premium HK\$,000	Contributed surplus HK\$,000	Accumulated loss HK\$,000	Total HK\$,000
At 1 January 2002	5,630	36,527	(32,996)	9,161
Premium arising from Right Issue, net of expenses	19,481	-	-	19,481
Net loss for the year ended 31 December 2002	-	-	(22,837)	(22,837)
At 31 December 2002 and at 1 January 2003	25,111	36,527	(55,833)	5,805
Net loss for the nine months ended 30 September 2003	-	-	(4,911)	(4,911)
At 30 September 2003	25,111	36,527	(60,744)	894

POST BALANCE SHEET EVENT

Pursuant to the Rights Issue documents dated 20 October 2003 of the Company, the Company will raise about HK\$5.4 million before expenses by way of a rights issue at a price of HK\$0.015 per Rights Share on the basis of one Rights Share for every four Shares in issue on the Record Date, which entitlement under the Rights Issue and will issue by way of bonus 1 Bonus Share for every Rights Share. The estimated net proceeds of the Rights Issue is about HK\$5 million, which are currently intended to be utilized as to about (i) HK\$3 million for developing Short Message Service related business; (ii) HK\$1 million for enhancing the research and development of the Group's ERP business, and (iii) HK\$1 million for the Group's general working capital purposes. As at 30 September 2003, no investment opportunity has yet been identified.

INTERIM DIVIDEND

The Board does not recommend the payment of dividend for the nine months ended 30 September 2003 (2002: Nil).

OVERALL FINANCIAL AND BUSINESS REVIEW

For the nine months ended 30 September 2003, the Group's turnover amounted to approximately HK\$1,207,000. The net loss attributable to the shareholders for the nine months ended 30 September 2003 narrowed to HK\$4,911,000, a 45% improvement from the corresponding period in 2002. The significant improvement was resulted as much of the operating costs were borne by the new investor of those partial disposed operating subsidiaries.

The management team has implemented on-going measures to improve the financial position of the Group and revive the business operations through streamlining the operations and improving the operating efficiency of the Group.

PROSPECTS

Given the difficult market environment, the current crisis in Hong Kong will be challenging to all businesses in the short term. The Group will continue to seek investment opportunities which provide strategic fit to its existing core business; to enhance our products through dedication in research and development and to look for best opportunity in the fast growing mobile value-added service in China.

The Group will look to China for greater synergies and opportunities. China, with its accession to the WTO (World Trade organization) and the successful bids to host the 2008 Olympic games in Beijing and 2010 World Expo in Shanghai, will represent great business opportunities in the future.

Looking forward the Group's experience gained in the past few years coupled with the China momentum, will pave the way for transformation and evolution of the Company. The Group is committed to creating long term shareholder value.

SHARE OPTION SCHEME

On 24 May 2002, a new share option scheme ("New Scheme") was approved pursuant to the resolution of the shareholders of the Company. The principal terms of which are set out in note 24 of the financial statements as included in the annual report of the Company for the year ended 31 December 2002. However, notwithstanding the termination of the previous share option scheme ("Previous Scheme"), the outstanding options previously granted under the Previous Scheme shall remain valid and exercisable in accordance with the provision of the Previous Scheme. During the period under review, no options were granted. The share option schemes which were all made to selected employees and the options outstanding as at 30 September 2003 were as follows:

Date of share options granted	Number of options outstanding at beginning and ending of the period	Subscription price	Exercisable period
15 August 2000	180,000	HK\$0.199	15 August 2001 to 15 August 2005
4 December 2000	2,133,135	HK\$0.141	4 March 2001 to 3 March 2005
	<hr/> <hr/> 2,313,335		

The underlying shares of the outstanding options under the schemes as at 30 September 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 Scheme as at 30 September 2003 was 711,111.

DIRECTORS' RIGHTS TO ACQUIRE SECURITIES

Other than the share option scheme adopted by the Company on 24 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 30 September 2003, none of the Directors or chief executive of the Company had any share options under the Scheme.

INTERESTS DISCLOSEABLE UNDER THE SECURITIES AND FUTURES ORDINANCE (THE "SFO")

Directors, supervisors and chief executive of the Company

As at 30 September 2003, none of the Directors, supervisors or chief executive of the Company had any interest and short position in shares, debentures or underlying shares of the Company and its associated corporation (within the meaning of Part XV of the SFO), which will have to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO, or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to Rules 5.40 to 5.49 to the GEM Listing Rules.

Substantial shareholder of the Company

Saved as disclosed below, as at 30 September 2003, the Directors are not aware of any other interests and short positions in shares and underlying shares of substantial shareholders of the Company and other persons, which will have to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO, or which will be required, pursuant to section 336 of the SFO, to be entered in the register referred to therein.

Long positions in the shares

Name of shareholder	Capacity	Types of interest	Name of shares held	Approximate percentage of interest
Friedmann Pacific Greater China Investments Limited (Note)	Beneficial owner	Corporate	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.

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

For the nine months ended 30 September 2003, there was 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 30 September 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 30 September 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.

Pursuant to the announcement dated 8 October 2003 of the Company, Mr. Chen Pei was appointed as an independent non-executive director of the Company and replaced the position of Mr. Zhao Ming as the audit committee member.

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 nine months ended 30 September 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
Kwong Wai Man
Executive Director

Hong Kong, 11 November 2003