



**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)

**(Stock code: 8108)**

## **First Quarterly Report 2004**

Quarterly ended  
31st March 2004

**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.**

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*This reports, 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 Grandmass Enterprise Solution Limited (the “Company”) would like to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months ended 31st March 2004, together with the comparative unaudited figures for the corresponding period in 2003 as follows:

		<b>Three months ended 31st March</b>	
		<b>2004</b>	2003
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
Turnover	2	–	1,207
Cost of Sales		–	(289)
Gross profit		–	918
Other revenue		<b>20</b>	85
Distribution costs		<b>0</b>	(836)
Administrative expenses		<b>(789)</b>	(1,189)
Other operating expenses		<b>(171)</b>	(5)
Loss from operations		<b>(940)</b>	(1,027)
Finance costs		<b>(1)</b>	(5)
Gain on disposal of a subsidiary		<b>0</b>	216
Gain on disposal of partial interest in associate		<b>135</b>	–
Share of results of associates		<b>(92)</b>	(1)
Loss before taxation		<b>(898)</b>	(817)
Taxation	3	–	–
Net loss for the period		<b><u>(898)</u></b>	<b><u>(817)</u></b>
Dividend	4	–	–
Loss per share – Basic (in cents)	5	<b><u>(0.04)</u></b>	<b><u>(0.07)</u></b>

*Notes:*

### 1. Basis of preparation

The accounting policies adopted by the Group are consistent with those followed in the annual financial statements for the year ended 31st December 2003. The unaudited consolidated income statement has been prepared in accordance with Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants, the accounting principles generally accepted in Hong Kong, the disclosure requirements of Hong Kong Companies Ordinance and the GEM Listing Rules.

## 2. Turnover

No turnover was recorded by the Group for the three months ended 31st March 2004 as compared with approximately HK\$1,207,000 for the corresponding period in 2003.

## 3. Taxation

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profits arising in Hong Kong for the three months ended 31st March 2004 (three months ended 31st March 2003: Nil).

## 4. Dividend

The Board does not recommend the payment of an interim dividend for the three months ended 31st March 2004 (three months ended 31st March 2003: Nil).

## 5. Loss per share

The calculation of basic loss per share for the three months ended 31st March 2004 is based on the unaudited consolidated loss attributable to shareholders of approximately HK\$898,000 (three months ended 31st March 2003: HK\$817,000) and 2,160,000,000 ordinary shares of the Company (three months ended 31st March 2003: 1,440,000,000 ordinary shares) in issue.

No diluted loss per share is presented as the Company has no dilutive potential ordinary shares in issue during the period.

## 6. Reserves

Movements of reserves of the Group are as follows:

	Share premium HK\$'000	Contributed surplus HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
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>
At 1st January 2004	22,859	36,527	(65,673)	(6,287)
Net loss for the three months ended 31st March 2004	—	—	(898)	(898)
At 31st March 2004	<u>22,859</u>	<u>36,527</u>	<u>(66,571)</u>	<u>(7,185)</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

In light of the Group's deteriorated operational condition, the Board has been formulating proposals to rationalize the operations of the Group, by divesting the loss-making businesses and hunting for the strong and revenue-generating operations.

On 23rd March 2004, the Group has entered into a sale and purchase agreement (the "Agreement") to acquire from an independent third party the entire issued share capital of Lucky Force Development Limited which will prior to completion of the Agreement become a holding company of a telephone set manufacturing enterprise in the People's Republic of China (the "Acquisition"). A circular containing, inter alia, information of the Acquisition and a notice to convene the special general meeting will be despatched to the Shareholders as soon as practicable.

### Financial Review

No turnover was recorded by the Company for the three months ended 31st March 2004 as the Group is under restructuring during this period. For the three months ended 31st March 2004, the Group incurred a net loss attributable to the shareholders of approximately HK\$898,000 as compared to a net loss of approximately HK\$817,000 for the corresponding period in 2003.

#### *Liquidity and Financial Resources*

All the Group's funding and treasury activities are currently managed and controlled at the corporate level. There is no significant change in respect of treasury and financing policies from the information disclosed in the Group's latest annual report.

As at 31st March 2004, cash and bank balances of the Group was approximately HK\$8,863,000. The Group has no bank borrowings.

Total borrowing of the Group amounted to approximately HK\$59,000, representing obligation under a finance lease contract with an interest rate of approximately 4.5% per annum and average lease term of approximately five years. Except for the finance lease contract for the Group's office equipment, the Group did not have any mortgage or charge on assets as at 31st March 2004.

As at 31st March 2004, the Group's gearing ratio was 0.4% representing a percentage of long term liabilities over total assets.

Since the functional currencies of the Group's operations are HK Dollars and RMB, the Board considers that the exchange rate risk of the Group is minimal.

### *Contingent Liabilities*

As at 31st March 2004, the Group has the following contingent liabilities:

- (a) A wholly-owned subsidiary of the Company, Sun-iOMS Limited, was a defendant of a legal action brought by its customer. The directors consider that, after obtaining legal advice, the aforesaid subsidiary has a strong case in the aforesaid action. In addition, an ex-director of the Company, Mr. Yue Chung Wing, Patrick, has indemnified the Group in respect of all liabilities that may arise out of or in connection with any of the claims and legal costs that may be payable to the plaintiff and any legal cost to be incurred in respect of the abovementioned claim. In view of the above, the directors are of the opinion that the above legal action would not have any significant impact on the financial position of the Group, hence, no provision is considered necessary by the directors at 31st March 2004.
- (b) On 2nd March 2000, an independent third party executed a Deed of Guarantee in favour of a wholly-owned subsidiary, Sun-iOMS Maintenance Limited, guaranteeing that the income accrued to the wholly-owned subsidiary arising from the sales of iOMS Millennium Edition Software for a period of 18 months from the date of the guarantee would not be less than HK\$15,000,000. However, the aforesaid independent third party has not fulfilled his commitment under the Deed of Guarantee. Hence, the wholly-owned subsidiary and the Company took legal action against the abovementioned independent third party and two executive directors resigned in 2001 in respect of the breach of the Deed of Guarantee and their fiduciary duties accordingly. The directors are of the opinion that the above legal action would not have any significant impact on the financial position of the Group, hence, no provision for legal costs are considered necessary by the directors at the balance sheet date.

Save as disclosed above, the Company had no other contingent liabilities as at 31st March 2004.

### *Employee Remuneration Policies*

During the period, the Company had an average number of employees of 7 (three months ended 31st March 2003: 24). They were remunerated in accordance with their performance and market condition. Other benefits available to eligible employees includes retirement benefits.

## **PROSPECTS**

The Board is actively exploring ways to diversify its investments and broaden its revenue base. The Board considers that the Acquisition will strengthen the Group's earning base and generate steady revenue inflow to the Group. The Board also believes that it can capitalize on the Group's senior management experience and business network in the area of telecommunication to penetrate into new markets and increase market share in its existing markets.

## **DIRECTORS' INTERESTS IN CONTRACTS**

None of the directors had a significant beneficial interest, either direct or indirect, in any contract of significance to the business of the Company to which the Company, its holding company or any of its subsidiaries was a party during the three months ended 31st March 2004.

## **DIRECTORS' INTERESTS IN SHARES OF THE COMPANY**

As at 31st March 2004, 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.

## **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

Other than the new share option scheme (the "Scheme") adopted by the Company on 24th May 2002, at no time during the three months ended 31st March 2004 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.

## **SHARE OPTIONS**

As at 31st March 2004, no share option has been granted by the Company under the share option scheme.

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

The Company, or any of its subsidiaries, did not purchase, sell or redeem any of its listed securities during the three months ended 31st March 2004 (three months ended 31st March 2003: Nil).

## **SUBSTANTIAL SHAREHOLDERS**

As at 31st March 2004, the following persons or corporations had interests in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company pursuant to section 336 of the Securities and Future Ordinance:

### **Long position in the shares**

<b>Name of shareholder</b>	<b>Capacity</b>	<b>Type of interest</b>	<b>Number of shares held</b>	<b>Approximate percentage of interest</b>
Garron International Limited	Beneficial owner	Corporate	553,430,238	25.62%

*Note:* Garron International Limited (formerly know as Friedmann Pacific Greater China Investments Limited) is a company incorporated in the Cayman Islands and its shares are listed on the main board of the Stock Exchange.

Save as disclosed above, the Company has not been notified of any other relevant interests or short position in the issued share capital of the Company as at 31st March 2004.

## **COMPETING INTEREST**

None of the Directors or the management shareholders of the Company (as defined in the GEM Listing Rules) 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 2004, 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 set up an Audit Committee (the “Committee”) on 7th July 2000 with written terms of reference being in compliance with Rules 5.23 to 5.25 of the GEM Listing Rules. As at 31st March 2004, the Committee comprises two members, namely Mr. Chen Pei and Mr. Lau Kwok Kee, both being independent non-executive directors of the Company. The primary duties of the 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 Group’s financial statements for the three months ended 31st March 2004 have been reviewed by the members of the Committee.

By Order of the Board  
**Kwong Wai Man, Karina**  
*Executive Director*

Hong Kong, 14th May 2004

As at the date of this report, the board of directors of the Company comprises:

Ms. Kwong Wai Man, Karina	(Executive Director)
Mr. Zhao Ming	(Executive Director)
Mr. Ng Ming Wah	(Non-executive Director)
Mr. Lau Kwok Kee	(Independent non-executive Director)
Mr. Chen Pei	(Independent non-executive Director)