

**GRANDMASS ENTERPRISE SOLUTION LTD :
IT IS A NOTHING COMPANY,
AND IT WILL CONTINUE TO BE A NOTHING COMPANY**

What is especially interesting about last week's new listing, Grandmass Enterprise Solution Ltd (Code: 8108), aside from all the litigation, of course, is that, while it is clear that the Company needs money, the cash cupboard was emptied, just before going to the stock market for more money.

And the Founder husband-and-wife team of Mr Patrick Yue Chung Wing and Ms Julia Choi Siu Man (Mrs Julia Yue), took the opportunity to raise, for themselves, about \$HK34.58 million, before expenses, by selling 69.15 million of their shares in the Company to whomever they could find with ready cash.

There is nothing wrong with this, of course, but it does give one an indication of the type of people, which is running Grandmass.

The Company is engaged in providing computer software and services to customers, based in the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC).

It appears to be specialising, at this time, at least, in developing and selling what it calls, *'sophisticated ERP software packages for (the) industrial sector under its own brandnames of "Grandmass" and "OMS".'*

For the uninitiated, the term, *'ERP software'* relates to the term, Enterprise Resource Planning. This type of software *'aims at assisting a company to improve its business processes'*. (Page 41 of the Prospectus)

Therefore, Grandmass is one of hundreds of such software companies, operating in the HKSAR; and, one of tens of thousands, operating in Asia, alone. (Heaven only knows how many such companies operate in the USA).

To say that Grandmass has loads of competition is stating the obvious.

The Company raised a total of about \$HK29.90 million, net of expenses, by selling 50 million, 10-cent shares to the public at a Premium of 40 cents per share.

The Net Proceeds are to be used, the Prospectus states, for the following purposes:

1. \$HK18 million for product development;
2. \$HK3.50 million for the development of potential markets (whatever that means);
3. \$HK3.50 million to promote the Company's products and services;
4. \$HK3 million to refurbish the Company's office and to buy some new office equipment; and,
5. \$HK1.90 million to be used as additional working capital.

The Company paid out a \$HK3-million dividend in respect of the 1999 Financial Year to the then Directors (Mr and Mrs Patrick Yue) so that it was of some interest to TARGET's analysts to note Item Number 4 above: \$HK3 million to be used to refurbish the Company's office and to buy some new office equipment.

The History of Grandmass

Grandmass, according to Page 44 of the Prospectus, was established in 1989, but it was not until 1995 that the first commercial version of the Open Manufacturing System -- OMS 3.0 -- was launched.

Since then, Mr and Mrs Patrick Yue have won a number of supporters, culminating in the Company's flotation on The Growth Enterprise Market (The GEM) of The Stock Exchange of Hongkong Ltd.

However, in terms of profitability, it is clear that, so far, Management has failed to turn much in the way of profits.

The following is the Company's trading record for the past 2 Financial Years, taken from Page 108 of the Prospectus:

	Financial Year ended December 31	
	1998	1999
	<i>All Figures are Denominated in \$HK'000</i>	
Turnover	8,814	12,199
Cost of Sales	(4,530)	(5,000)
Gross Profit	4,284	7,199
Other Revenue	60	47
Selling and Distribution Expenses	(203)	(243)
Depreciation	(551)	(772)
Operating Lease Rental	(418)	(834)
General Administrative Expenses	(2,485)	(1,858)
Other Operating Expenses	(337)	(261)
Profit From Operating Activities	350	3,278
Finance Costs	(68)	(39)
Profit Before Tax	282	3,239
Tax	(60)	(585)
Net Profit Attributable to Shareholders	222	2,654
Dividends	Nil	3,000

In the 1998 Financial Year, Mr and Mrs Patrick Yue appeared to take about \$HK2,775,000 out of the Company: \$HK1,465,000 in salaries and housing benefits, and etc; and, \$HK1.31 million as a little bonus for their hard work.

This contrasts, markedly, with the 1999 Financial Year when the husband-and-wife team took only \$HK590,000 in salaries, housing benefits, and etc, and no bonus -- in spite of the seemingly rapid increase in the Bottom Line.

However, they were more than compensated with a \$HK3-million dividend, which they paid to themselves.

For the Current Year, ending December 31, 2000, Mr and Mrs Patrick Yue ... [CLICK TO ORDER FULL ARTICLE](#)

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