

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.



MP Logistics International Holdings Limited

(incorporated in Cayman Islands with limited liability)

Third Quarterly Report 2002

The Stock Exchange 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 MP Logistics International Holdings Limited (the “Company”) collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange for the purpose of giving information with regard to the Company. 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.

FINANCIAL RESULTS

The board of directors (the "Board") of the Company announces the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the three months and nine months ended 31st December, 2002 together with the comparative unaudited figures for the corresponding periods in 2001 as follows:

	Note	Nine months ended		Three months ended	
		31st December, 2002 HK\$'000	2001 HK\$'000	31st December, 2002 HK\$'000	2001 HK\$'000
Turnover	2	21,573	14,437	8,018	3,623
Cost of sales		(14,743)	(10,468)	(5,514)	(2,498)
Gross profit		6,830	3,969	2,504	1,125
Other revenue		110	171	32	55
Selling and distribution costs		(736)	(105)	(213)	(37)
Administrative expenses		(4,118)	(2,845)	(1,864)	(1,007)
Profit from operating activities		2,086	1,190	459	136
Finance costs		(72)	–	(31)	–
Profit before tax		2,014	1,190	428	136
Tax	3	(379)	(167)	(182)	(22)
Net profit from ordinary activities attributable to shareholders		1,635	1,023	246	114
Earnings per share	4				
– Basic (cent)		0.68	0.46	0.09	0.05
– Diluted (cent)		N/A	N/A	N/A	N/A

Notes:

1. Group reorganisation and basis of presentation

The Company was incorporated in the Cayman Islands on 12th June, 2002 as an exempted company with limited liability under the Companies Law of the Cayman Islands. Pursuant to a reorganisation scheme (the "Group Reorganisation") to rationalise the structure of the Group in preparation for the listing of the Company's shares on GEM, the Company acquired the entire issued share capital of Precious Logistics Limited and became the holding company of the companies now comprising the Group on 26th October, 2002. Further details of the Group Reorganisation are set out in the Company's prospectus dated 31st October, 2002. The shares of the Company were listed on GEM on 15th November, 2002.

The unaudited consolidated results for the three months and nine months ended 31st December, 2002 have been prepared using the merger basis of accounting and include the results of the Company and all of its subsidiaries for the three months and nine months ended 31st December, 2002.

The unaudited comparative pro forma combined results for the three months and nine months ended 31st December, 2001 have been prepared using the merger basis of accounting as a result of the Group Reorganisation. On this basis, the Company has been treated as the holding company of its subsidiaries since their respective dates of incorporation rather than from the date of their acquisition pursuant to the Group Reorganisation. Accordingly, the unaudited pro forma combined results of the Group for the three months and nine months ended 31st December, 2001 have been prepared on the basis that the current Group structure has been in place throughout the three months and nine months ended 31st December, 2001.

In the opinion of the Directors, the unaudited consolidated/pro forma combined results and the state of affairs prepared on the above basis present more fairly the results of the Group as a whole.

All significant transactions and balances among the companies comprising the Group have been eliminated on consolidation/combination.

2. Turnover

The Group's turnover represents the invoiced value of logistic services provided.

	Nine months ended 31st December,		Three months ended 31st December,	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Turnover				
Sea freight forwarding	7,849	5,600	3,935	1,767
Road freight forwarding	10,932	4,408	2,908	1,294
Air freight forwarding	1,087	2,643	402	181
Other related logistics services	1,705	1,786	773	381
	21,573	14,437	8,018	3,623

3. Tax

Hong Kong profits tax for the three months and nine months ended 31st December, 2002 have been provided at the rate of 16% (three months and nine months ended 31st December, 2001: 16%) on the estimated assessable profits arising in Hong Kong.

No deferred tax had been provided for the Group because there were no significant timing differences at the respective balance sheet dates.

4. Earnings per share

The calculation of basic earnings per share are based on the unaudited net profit from ordinary activities attributable to shareholders for the three months and nine months ended 31st December, 2002 of approximately HK\$246,000 and HK\$1,635,000, respectively (three months and nine months ended 31st December, 2001: approximately HK\$114,000 and HK\$1,023,000, respectively) and the pro forma 271,717,391 and 239,298,182 shares in issue during the three months and nine months ended 31st December, 2002 (pro forma number of shares in issue for the three months and nine months ended 31st December, 2001: 223,000,000 shares).

No diluted earnings per share has been presented as no dilutive events existed during the three months and nine months ended 31st December, 2002 and the corresponding periods in 2001.

5. Reserves

	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Retained profits/ (accumulated losses) <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st April, 2001	–	3,867	(146)	3,721
Net profit for the period	–	–	909	909
At 30th September, 2001	–	3,867	763	4,630
Net profit for the period	–	–	114	114
At 31st December, 2001	–	3,867	877	4,744
At 1st April, 2002	–	3,867	1,254	5,121
Net profit for the period	–	–	1,389	1,389
At 30th September, 2002	–	3,867	2,643	6,510
Premium on issuance of shares	25,494	–	–	25,494
Capitalisation issue	(2,450)	–	–	(2,450)
Share issuance expenses	(8,098)	–	–	(8,098)
Net profit for the period	–	–	246	246
At 31st December, 2002	14,946	3,867	2,889	21,702

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 31st December, 2002 (nine months ended 31st December, 2001: Nil).

FINANCIAL REVIEW

During the nine months ended 31st December, 2002, the Group recorded a turnover of approximately HK\$21.6 million, an increase of approximately 49% compared to the corresponding period in previous year. The increase in turnover was attributed to the increase in services provided to new and existing customers. For the nine months ended 31st December, 2002, the income derived from logistics services relating to sea freight forwarding, road freight forwarding, air freight forwarding and other related logistics services represented approximately 36%, 51%, 5% and 8% respectively of the Group's total turnover. During the nine months ended 31st December, 2001, the income derived from logistics services relating to sea freight forwarding, road freight forwarding, air freight forwarding and other related logistics services represented approximately 39%, 31%, 18% and 12% respectively of the Group's total turnover. Details of the breakdown of turnover are disclosed in note 2 to the section headed "Financial Results" of this report.

During the nine months ended 31st December, 2002, the Group's net profit from ordinary activities attributable to shareholders amounted to approximately HK\$1,635,000, representing an increase of approximately 60% as compared to the corresponding period in previous year. The increase was mainly attributed to the increase in turnover and gross profit. However, the administrative expenses of the Group amounted to approximately HK\$4,118,000, an increase of approximately 45% compared to the corresponding period in previous year. The increase was mainly due to increase in overheads arising from higher administrative expenses following the listing of the Company's shares on GEM. Selling and distribution costs also increased by approximately 6 times, from approximately HK\$105,000 in the corresponding period in previous year, to approximately HK\$736,000, due to increase in turnover.

BUSINESS REVIEW AND PROSPECTS

General

The Group is principally engaged in coordinating various logistics services for its customers. The logistics services provided by the Group include sea freight forwarding, road freight forwarding, air freight forwarding and providing other related logistics services such as customs clearance and declaration, purchasing on behalf of customers of insurance policies, repackaging and storage. The services provided for each assignment may consist of a combination of the services described above. It is the objective of the Group to become one of the pivotal players in the logistics services markets in the Greater China Region.

Business Development

During the three months ended 31st December, 2002, the Group has commenced negotiation with various independent third parties to acquire an interest in an existing foreign invested enterprise in the PRC as planned. The Directors believe that such an investment will not only strengthen the Group's competitive position but also expand its current scope of services and improve the Group's quality of service and profit margins. As at 31st December, 2002, the Group had not entered into any binding agreement in relation to its intended investment in any such enterprise.

During the same period, the Group increased its level of advertising and marketing activities to promote the Group's image. The Directors believe that such advertising and marketing activities are essential in order to enhance the customers' awareness of the Group's image and service. The Group's efforts in this area has generated results through obtaining new customers for the Group's services.

Prospects

The Group is confident of the prospects of the Group and the logistics industry as a whole. The Group believes that the Hong Kong Government's Policy of promoting Hong Kong as a principal logistics centre for the Pearl Delta will benefit both the local logistics industry and the Group. The Group believes that its various plans to expand the Group's operational network, to expand its operational facilities, to promote the Group's image and services and to acquire an interest in an existing foreign invested enterprise in the PRC which is licensed to carry on business of an international freight forwarding agency enterprise will position the Group to benefit from the new policies of the Hong Kong Government.

DIRECTORS' INTERESTS IN SECURITIES

As at 31st December, 2002, according to the register required to be kept under Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") or otherwise notified to the Company pursuant to the minimum standards of dealings by directors as referred to in Rule 5.40 to 5.59 of the Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules"), the interests of directors and chief executive in the Shares were as follows:

Director	Number of Shares				Total Interests
	Corporate Interests	Personal Interests	Family Interests	Other Interests	
Mr. Wong Kwong Kwok (<i>Note</i>)	223,000,000	-	-	-	223,000,000

Note: These Shares are registered in the name of Best Method Investments Limited. Best Method Investments Limited is beneficially owned by Profound Wise International Limited, Accent On Investments Limited and Absolute Prime Investments Limited in the proportion of 40%, 30%, and 30% respectively. Profound Wise International Limited is 70% owned by Mr. Wong and Accent On Investments Limited is 100% owned by Mr. Wong.

SUBSTANTIAL SHAREHOLDER

As at 31st December, 2002, so far as the directors are aware, other than the interests of the directors as disclosed under the heading "Directors' interests in securities" above, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance disclosed no person as having an interest of more than 10% of the nominal value of the Company's issued share capital.

DIRECTORS' RIGHTS TO ACQUIRE SECURITIES

Save for the Share Option Scheme, at no time during the period under review was the Company or any of its subsidiaries a party to any arrangements to enable the directors and chief executive of the Company to acquire benefits by means of the acquisition of shares in, or debt securities, including debentures, of the Company or any other body corporate and none of the Directors, chief executive or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right.

SHARE OPTION SCHEME

On 26th October, 2002, the Company adopted the Share Option Scheme under which share options to subscribe for Shares may be granted under the terms and conditions stipulated therein. As at 31st December, 2002, no share option was granted under the Share Option Scheme.

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

Since the listing of the Company's shares on GEM on 15th November, 2002 and up to 31st December, 2002, neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

COMPETING INTERESTS

None of the directors or the management shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) has an interest in a business which competes or may 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 of the GEM Listing Rules, since the listing of the Company's shares on GEM on 15th November, 2002.

INTEREST OF SPONSOR

As at 31st December, 2002, Kingston Corporate Finance Limited (the "Sponsor"), its directors, employees or associates did not have any interest in the securities of the Company or of any members of the Group, or have any right to subscribe for or to nominate persons to subscribe for the securities of the Company or of any members of the Group.

Pursuant to the sponsor agreement entered into between the Company and the Sponsor, the Sponsor received, and will receive, fees for acting as the Company's retained sponsor for the period up to 31st March, 2005.

AUDIT COMMITTEE

The Company set up an audit committee (the “Committee”) on 26th October, 2002, with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the Committee are to review and provide supervision over the financial reporting process and internal control system of the Group. The Committee comprises the two independent non-executive directors of the Company, Ms. Leung Wai Ling, Wylie and Mr. Wong Ah Chik. The unaudited consolidated results of the Group for the three months and nine months ended 31st December, 2002 have been reviewed by the Committee, who were of the opinion that such statements complied with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures had been made.

By order of the Board
MP Logistics International Holdings Limited
Wong Kwong Kwok
Chairman

Hong Kong, 29th January, 2003