



MP Logistics International Holdings Limited
MP 物流國際控股有限公司*

(incorporated in the Cayman Islands with limited liability)



ANNUAL REPORT 2002-2003



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 of the Stock Exchange 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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2 Corporate Information

Executive Directors

Wong Kwong Kwok (*Chairman*)

Yeung Leung Kong

Non-Executive Directors

Deng Hui

Xiao Fei Yan

Independent Non-executive Directors

Wong Ah Chik

Leung Wai Ling, Wylie

Registered Office

Century Yard

Cricket Square

Hutchins Drive

P.O. Box 2681GT

George Town

Grand Cayman

Cayman Islands

British West Indies

Head Office and Principal Place of Business

16th Floor, G.D. Real Estate Tower

143 Connaught Road Central

Hong Kong

Company Homepage/Website

<http://www.marinepower.org>

Compliance Officer

Yeung Leung Kong

Authorised Representatives

Yeung Leung Kong

Wong Kwong Kwok

Qualified Accountant

Leung King Fai, *C.P.A., A.H.K.S.A*

Company Secretary

Leung King Fai, *C.P.A., A.H.K.S.A*

Principal Bankers

DBS Kwong On Bank Limited

Auditors

Ernst & Young

Certified Public Accountants

Legal Advisers

as to Hong Kong law

Vincent T.K. Cheung, Yap & Co.

as to Cayman Islands law

Conyers Dill & Pearman, Cayman

as to PRC law

GFE Law Office

(also known as Guangzhou Foreign
Economic Law Office)

Principal Share Registrar and Transfer Office

Bank of Bermuda (Cayman) Limited

36C, Bermuda House

3rd Floor

Dr. Roy's Drive

George Town

Grand Cayman

Cayman Islands

British West Indies

Hong Kong Branch Share Registrar and Transfer Office

Tengis Limited

Ground Floor

Bank of East Asia Harbour View Centre

56 Gloucester Road

Wanchai

Hong Kong

4 Chairman's Statement

On behalf of the Board, I am pleased to present the first annual results for MP Logistics International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") for the year ended 31 March 2003 to our shareholders after the listing of the Company's shares on GEM of the Stock Exchange on 15 November 2002.

■ MARKET OVERVIEW

The global logistics industry experienced a year of challenges as well as opportunities for the year ended 31 March 2003. During the first half of the financial year, the global economic trade growth showed signs of recovery. However, during the second half of the financial year, the global economic trade growth deteriorated as a result of the war in the Middle East. Despite the challenges, the Group did excellent jobs in marketing and achieved satisfactory operating performances.

■ FINANCIAL REVIEW

During the year ended 31 March 2003, the Group recorded a turnover of approximately HK\$32.6 million, an increase of approximately 83% compared to the previous year. The increase in turnover was attributed to the increase in services provided to new and existing customers. During the year under review, income derived from logistics services relating to sea freight forwarding, road freight forwarding, air freight forwarding and other related logistics services accounted for approximately 35%, 47%, 10% and 8% respectively of the Group's total turnover (2002 : 39%, 32%, 17% and 12% respectively).

During the year under review, the Group's net profit from ordinary activities attributable to shareholders amounted to approximately HK\$2.2 million, representing an increase of approximately 59% as compared to previous year. The increase was mainly attributed to an increase in turnover and gross profit.

■ PROSPECTS AND APPRECIATION

The year ended 31 March 2003 is a milestone for the Group as the Company successfully listed its shares on GEM in November 2002.

For the year ended 31 March 2003, the business environment continues to experience economic uncertainties as a result of the war in the Middle East and subsequent to the year end, the Severe Acute Respiratory Syndrome outbreak in Asia. For the remaining year, the Group predicts the uncertainties will remain. Nevertheless, the Group is confident of the prospects of the logistics industry and the Group as a whole. The promotion of Hong Kong as the principal centre for the Pearl River Delta by the Hong Kong Government will benefit the logistics industry and the Group. The Group will continue to implement its

various plans to expand the Group's operational network, its operational facilities, its image and services and to acquire an interest in a foreign invested enterprise in the PRC which is licensed to carry on business as an international freight agency enterprise in order to place itself in a strong position to benefit from the policies of the Hong Kong Government.

Lastly, on behalf of the Board, I would like to take this opportunity to express our gratitude to all employees, shareholders, partners and customers for their continued support and dedication.

Wong Kwong Kwok

Chairman

Hong Kong

26 June 2003

6 Management Discussion and Analysis

■ Operational Review

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 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.

The global logistics industry experienced a year of challenges as well as opportunities for the year ended 31 March 2003. During the first half of the financial year, the global economic trade growth showed signs of recovery. However, during the second half of the financial year, the global economic trade growth deteriorated as a result of the war in the Middle East. Despite the challenges, the Group did excellent jobs in marketing and achieved satisfactory operating performances.

■ Financial Review

Results

During the year ended 31 March 2003, the Group recorded a turnover of approximately HK\$32.6 million, an increase of approximately 83% compared to the previous year. The increase in turnover was attributed to the increase in services provided to new and existing customers. During the year under review, income derived from logistics services relating to sea freight forwarding, road freight forwarding, air freight forwarding and other related logistics services accounted for approximately 35%, 47%, 10% and 8% respectively of the Group's total turnover (2002: 39%, 32%, 17% and 12% respectively).

During the year under review, the Group's net profit from ordinary activities attributable to shareholders amounted to approximately HK\$2.2 million, representing an increase of approximately 59% as compared to 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\$5,934,000, an increase of approximately 71% compared to the 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 8.4 times, to approximately HK\$1,763,000, due to increase in turnover.

Liquidity, financial resources and capital structure

The Group financed its operations primarily with internally generated cash flows and the net proceeds from the issue of shares by way of placing on 15 November 2002. The Group adheres to a prudent financial management policy.

As at 31 March 2003, the Group had cash and cash equivalent of approximately HK\$12,997,000 (2002: HK\$2,604,000).

As at 31 March 2003 and 2002, the Group has no bank borrowings. There was no charge on the Group's assets as at 31 March 2003 and 2002. The debt ratio (defined as total liabilities over total assets) of the Group as at 31 March 2003 was approximately 0.15 (2002: 0.29).

Since the functional currencies of the Group's operations are HK Dollars and Renminbi, the Board considers that the exchange rate risk of the Group is minimal. No hedging or other arrangements to reduce the currency risk have been implemented.

Significant investment

As at 31 March 2003, there was no significant investment held by the Group (2002 : Nil).

Material acquisitions or disposal of subsidiaries and affiliated companies

Other than in connection with the Group's reorganisation in preparation of the listing of the Company's shares on GEM, there were no material acquisitions or disposals of subsidiaries and affiliated companies in the course of the year.

Segment information

Segment information is presented in respect of the Group's geographical segments. In determining the Group's geographical segments, revenue and results are attributed to the segment based on the location where the services are rendered, and assets are attributed to the segment based on the location of the assets. All the Group's services are rendered in Hong Kong, and therefore no further geographical analysis of revenue or results is presented.

No information in respect of the Group's business segments are presented as the Group is solely engaged in the provision of logistics services.

Details of the segment information is presented in note 5 to the financial statements.

New services

The Group did not introduce new services during the year ended 31 March 2003.

8 Management Discussion and Analysis

Employee information

As at 31 March 2003, the Group employed a total of 21 (2002: 9) employees including directors. The salaries and benefits of the Group's employees are kept at a competitive level and employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus system, which is reviewed annually. The Group also operates a share option scheme where options to subscribe for shares of the Company may be granted to the executive Directors and full-time employees of the Group. As at 31 March 2003, no share options have been granted under the share option scheme.

Staff costs, excluding directors' remuneration, increased by approximately 48% to approximately HK\$1,395,364. The increase is attributed to the increase in the number of staff due to the expansion of business. The Group believes that the recruitment decision was necessary for building up a strong team of staff for long term growth and profitability.

Future plans for material investments or capital assets and expected source of funding

Saved as disclosed in the Company's prospectus dated 31 October 2002 (the "Prospectus") under the section headed "Statement of business objectives", the Group had no other future plans for material investments and acquisition of material capital assets.

The expected source of funding has also been stated under the section headed "Reasons for the placing and the use of proceeds" in the Prospectus.

Contingent liabilities

As at 31 March 2003, contingent liabilities not provided for in the financial statements were as follows:

	Company	
	2003	2002
	HK\$	HK\$
Guarantee given to a bank in connection with overdraft facilities granted to a subsidiary	11,000,000	–

As at 31 March 2003, the overdraft facilities granted to the subsidiary had not been utilised.

The following is a summary of the actual progress of the Group compared with the business objectives set out in the Prospectus for the period from 29 October 2002 ("Latest Practicable Date") to 31 March 2003 (the "Review Period").

Business Objectives as Stated in the Prospectus

Actual Business Progress

Sales and marketing

Promote the Group's services through advertisements and direct marketing

The Group promoted and will continue to promote its services through advertisements in shipping gazette and through direct marketing by holding meetings and seminars with existing or potential customers and by giving out brochures providing the services of the Group to existing or potential customers.

Geographical expansion

Form joint marketing arrangements with agents to promote the Group's services in US, countries in Europe and countries in Asia

The Group continues to negotiate joint marketing arrangements with potential agents. No new joint marketing arrangements were formed during the Review Period.

Expansion of operational facilities

Acquisition of its own fleet of trucks

The Group is in the lookout for the acquisition of trucks for expanding its operational facilities, but during the Review Period, the Group had not purchased any truck.

Human resources deployment

Expand the operational team by recruiting additional staff

As at 31 March 2003, there are 7 staff at the operation department (2002 : 5).

Expand the sales team in Hong Kong and the PRC by recruiting additional staff members

As at 31 March 2003, there are 5 staff at the sales and marketing department (2002 : 2).

Logistics services: PRC

To invest in a new or existing entity in the PRC to provide logistics services

The Group has commenced negotiation with various independent third parties to acquire an interest in a foreign invested enterprise in the PRC but as at 31 March 2003, the Group has not entered into any binding agreement in relation to its intended investment in any such enterprise.

10 Use of Proceeds

■ Use of Proceeds

The net proceeds from the Company's issue of new shares at the time of its listing on the GEM on 15 November 2002 through a placement of 50,000,000 shares, after deduction of the related issue expenses, were approximately HK\$12 million. During the Review Period, the Group utilised approximately HK\$0.85 million for various purposes as detailed below.

	Amount extracted from the Prospectus	Actual usage
	HK\$ '000	HK\$ '000
Geographical expansion	400	400
Operational facilities (Note 1)	500	–
Marketing and promotion	400	400
Business development (Note 2)	3,000	50
Total	4,300	850

Notes:

1. The Group intends to utilise the proceeds in accordance with the purpose in subsequent periods. The Group is in the lookout for the acquisition of trucks for expanding its operational facilities but has not acquired such trucks as at 31 March 2003.
2. The Group intends to utilise the proceeds in accordance with the purpose in subsequent periods. The delay in the usage of the proceeds has been due to the longer time required to agree to the terms of the investment for an interest in a foreign invested enterprise in the PRC.

The remaining net proceeds as at 31 March 2003, of approximately HK\$11.2 million, were placed on short-term interest-bearing deposit with a bank in Hong Kong. The directors intend to use the net proceeds in the manner as disclosed in the Prospectus.

■ Executive Directors

Wong Kwong Kwok, aged 41, is the chairman of the Group. Mr. Wong is responsible for the overall strategic planning and management of the Group and oversees the operational functions of the Group. Prior to joining the Group, he was the operational manager of a general trading company in Hong Kong. Mr. Wong was appointed as a Director in June 2002.

Yeung Leung Kong, aged 42, is the managing Director and founder of the Group. Mr. Yeung is responsible for the operational and marketing functions of the Group. He holds a certificate in shipping practise and management from the Hong Kong Polytechnic. Prior to founding the Group, Mr. Yeung was the operational director of a shipping and logistics company in Hong Kong. Mr. Yeung was appointed as a Director in June 2002.

■ Non-executive Directors

Deng Hui, aged 36, is the non-executive Director. He will assist in the business development of the Group in the PRC. He graduated from Guangdong Business School in 1986. He is currently the manager of an import and export company in the PRC. He was appointed as a non-executive Director in June 2002.

Xiao Fei Yan, aged 31 is the non-executive Director. She will assist in the business development of the Group in the PRC. She graduated from Northeast University in 1992. She is currently the manager of a travel product manufacturing company in Shenzhen, PRC. She was appointed as a non-executive Director in June 2002.

■ Independent Non-executive Directors

Leung Wai Ling, Wylie, aged 35, holds a bachelor degree in business administration from the City University of New York in the U.S. She is currently an accounting and administration manager for an international trading and manufacturing company in Hong Kong. She is also an independent non-executive Director of IA International Holdings Limited, a company listed on the GEM of the Stock Exchange. She was appointed as an independent non-executive Director in June 2002.

Wong Ah Chik, aged 44, is a general manager of an electronics trading company in Hong Kong. He was appointed as an independent non-executive Director in June 2002.

12 Directors and Senior Management

■ Senior Management

Wong Chun Fat, aged 51, is the operations manager of the Group. Mr. Wong is responsible for the operation functions of the Group. Prior to joining the Group in January 1999, he worked as a manager in a shipping company in Hong Kong.

Lee Chee Kin, aged 55, is the sales and marketing manager of the Group. Mr. Lee is responsible for the sales and marketing functions of the Group. Prior to joining the Group in October 1998, he worked as a manager in a transportation company in Hong Kong.

Leung King Fai, aged 30, is the accounting manager, company secretary and qualified accountant of the Group. Mr. Leung is responsible for the financial and accounting functions of the Group. He graduated from Deakin University, Victoria, Australia with a Bachelor of Commerce. He is an associate member of the Hong Kong Society of Accountants and a member of the Australia Society of Certified Practising Accountants. Prior to joining the Group in April 2002, he was an accountant at a firm of certified public accountants in Hong Kong.

The directors present their first report and the audited financial statements of the Company for the period from 12 June 2002 (date of incorporation of the Company) to 31 March 2003 and of the Group for the year ended 31 March 2003.

■ Group reorganisation

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 12 June 2002 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) 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 the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the other companies now comprising the Group on 26 October 2002. Further details of the Group Reorganisation are set out in notes 1 and 21 to the financial statements.

The shares of the Company were listed on the GEM on 15 November 2002.

■ Principal activities

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries of the Company are set out in note 15 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

■ Results and dividends

The Group's profit for the year ended 31 March 2003 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 22 to 55.

The directors do not recommend the payment of any dividends in respect of the year.

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■ Summary financial information

The following is a summary of the published results and assets and liabilities of the Group for the last three financial years prepared on the basis set out in the note below.

Results

	Year ended 31 March		
	2003 HK\$	2002 HK\$	2001 HK\$
Turnover	32,647,984	17,840,933	16,698,146
Profit before tax	2,638,176	1,619,712	748,017
Tax	(417,411)	(220,000)	–
Net profit from ordinary activities attributable to shareholders	2,220,765	1,399,712	748,017

Assets and liabilities

	As at 31 March		
	2003 HK\$	2002 HK\$	2001 HK\$
Non-current assets	1,707,446	875,405	424,309
Current assets	28,039,662	6,415,045	4,744,869
Current liabilities	3,863,774	2,062,082	1,464,859
Net current assets	24,175,888	4,352,963	3,280,010
Non-current liabilities	595,168	62,637	3,750,000
	25,288,166	5,165,731	(45,681)

Note: The summary of the results of the Group for each of two years ended 31 March 2002 and of the assets and liabilities of the Group as at 31 March 2001 and 2002 have been extracted from the Prospectus. Such summary was prepared as if the current structure of the Group had been in existence throughout these financial years and is presented on the basis set out in note 1 to the financial statements. The results of the Group for the year ended 31 March 2003 and the consolidated assets and liabilities of the Group as at 31 March 2003 are set out on pages 22 and 23, respectively, of this report.

■ Fixed assets

Details of movements in the fixed assets of the Group during the year are set out in note 14 to the financial statements.

■ Share capital

Details of movements in the Company's share capital during the period from 12 June 2002 (date of incorporation of the Company) to 31 March 2003, together with the reasons therefor, are set out in note 21 to the financial statements.

■ Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

■ Purchase, redemption or sale of listed securities of the Company

The Company's shares were listed on 15 November 2002. Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities between that date and 31 March 2003.

■ Use of proceeds from the Company's initial public offering

Details of the use of proceeds from the Company's initial public offering are set out on page 10 of the annual report.

■ Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 23 to the financial statements.

■ Distributable reserves

At 31 March 2003, the Company's reserve available for distribution, calculated in accordance with the Companies Law of the Cayman Islands, amounted to HK\$21,409,780. This includes the Company's share premium account and capital reserve, of HK\$21,455,732 in aggregate at 31 March 2003, which may be distributed provided that immediately following the date on which a dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

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■ Major customers and suppliers

In the year under review, sales to the Group's five largest customers accounted for approximately 97.4% of the total sales for the year and sales to the largest customer included therein accounted for approximately 92.6% of the total sales for the year.

Purchases from the Group's five largest suppliers accounted for approximately 30.6% of the total purchases for the year and purchases from the Group's largest supplier included therein accounted for approximately 9.4% of the total purchases for the year.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or five largest suppliers.

■ Directors

The directors of the Company during the year were:

Executive directors:

Mr. Wong Kwong Kwok (appointed on 14 June 2002)

Mr. Yeung Leung Kong (appointed on 14 June 2002)

Non-executive directors:

Mr. Neil T. Cox (appointed on 12 June 2002 and resigned on 14 June 2002)

Mr. Deng Hui (appointed on 17 June 2002)

Ms. Xiao Fei Yan (appointed on 17 June 2002)

Independent non-executive directors:

Mr. Wong Ah Chik (appointed on 17 June 2002)

Ms. Leung Wai Ling, Wylie (appointed on 17 June 2002)

In accordance with article 86(3) of the Company's articles of association, all the directors of the Company will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

■ Directors' and senior management's biographies

Biographical details of the directors of the Company and senior management of the Group are set out on pages 11 to 12 of the annual report.

■ Directors' service contracts

Each of the two executive directors of the Company has entered into service contracts with a subsidiary of the Company for an initial term of two years commencing from 1 November 2002 and will continue thereafter until terminated by either party by giving not less than 3 months' prior written notice.

Save as aforesaid, none of the director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

The non-executive directors (including the independent non-executive directors) have no fixed terms of office, but are subject to the provisions governing the retirement and rotation of directors in the articles of association of the Company.

■ Directors' interests in contracts

Save as disclosed in note 27 to the financial statements, no director had a significant beneficial interest, directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries was a party during the year.

■ Directors' interests in shares

On 15 November 2002, the Company's shares were listed on the GEM. As at 31 March 2003, according to the register required to be kept under Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") or otherwise required to be notified to the Company pursuant to the minimum standard of dealings by directors as referred to in Rules 5.40 to 5.59 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules"), the interests of directors and the chief executive in the Company's shares were as follows:

Name of director	Number of shares held as corporate interests
Mr. Wong Kwong Kwok (Note)	223,000,000

18 Report of the Directors

■ Directors' interests in shares (continued)

Note: These shares are registered in the name of Best Method Investments Limited, a company incorporated in the British Virgin Islands. Best Method Investments Limited is beneficially owned by Profound Wise International Limited, Accent On Investments Limited and Absolute Prime Investments Limited as to 40%, 30% and 30%, respectively. Profound Wise International Limited is owned by Mr. Wong Kwong Kwok and Mr. Yeung Leung Kong, the executive directors of the Company, as to 70% and 30%, respectively. Accent On Investments Limited is 100% owned by Mr. Wong Kwong Kwok. Absolute Prime Investments Limited is 100% owned by Mr. Chan Chi Yin.

Save as disclosed above, none of the directors or their associates had any personal, family, corporate or other interests in the equity or debt securities of the Company or any of its associated corporations as defined in the SDI Ordinance or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the minimum standard of dealings prescribed by the GEM Listing Rules.

■ Director's rights to acquire shares

Apart from as disclosed under the paragraph headed "Directors' interests in shares" above and the share option scheme disclosures in note 22 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

■ Share option scheme

On 26 October 2002, a share option scheme (the "Scheme") was approved by written resolutions of the then sole shareholder of the Company. The purpose of the Scheme is to recognise the contribution of selected persons to the growth of the Group. Up to the date of this report, no options have been granted to any persons under the Scheme.

Details of the Scheme are set out in note 22 to the financial statements.

■ Substantial shareholders

As at 31 March 2003, so far as the directors are aware, other than the interests of the directors as disclosed under the paragraph headed "Directors' interests in shares" above, the following interests of 10% or more of the share capital of the Company were recorded in the register of interests in shares required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Name	Number of shares held	Approximate percentage of shareholding in the Company
Best Method Investments Limited (Note)	223,000,000	74.33

Note: 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 owned by Mr. Wong Kwong Kwok and Mr. Yeung Leung Kong, the executive directors of the Company, in the proportion of 70% and 30%, respectively. Accent On Investments Limited is 100% owned by Mr. Wong Kwong Kwok. Absolute Prime Investments Limited is 100% owned by Mr. Chan Chi Yin.

■ Sponsor's interests

Up to the date of this report, neither Kingston Corporate Finance Limited (the "Sponsor"), nor any of its respective directors, employees or associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) had any interests in the securities of the Company or of any members of the Group, or had 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 a sponsor agreement dated 31 October 2002 between the Company and the Sponsor, the Sponsor is entitled to receive a fee for acting as the Company's sponsor for the period from 15 November 2002 to 31 March 2005, or until the sponsor agreement is terminated upon the terms and conditions as set out therein.

■ Competition and conflict of interests

Up to the date of this report, none of the directors, the management shareholders or substantial shareholders of the Company or any of their respective associates have engaged in any business that competes or may compete with the business of the Group, or have any other conflict of interests with 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 the GEM on 15 November 2002.

■ Audit committee

The Company established an audit committee on 26 October 2002 with written terms of reference in compliance with Rules 5.23 and 5.24 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group. The audit committee comprises two members, Ms. Leung Wai Ling, Wylie and Mr. Wong Ah Chik, both of whom are independent non-executive directors of the Company. The audit committee held one meeting during the year. The Group's audited results for the year ended 31 March 2003 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures have been made.

■ Auditors

Ernst & Young were appointed as the first auditors of the Company for the period ended 31 March 2003.

Ernst & Young will retire and a resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Wong Kwong Kwok

Chairman

Hong Kong

26 June 2003



安永會計師事務所

To the members

MP Logistics International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 22 to 55 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

■ Respective responsibilities of directors and auditors

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

■ Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

■ Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2003 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young

Certified Public Accountants

Hong Kong

26 June 2003

22 Consolidated Profit and Loss Account

Year ended 31 March 2003

	Notes	2003 HK\$	2002 HK\$
TURNOVER	6	32,647,984	17,840,933
Cost of sales		(22,233,479)	(12,779,052)
Gross profit		10,414,505	5,061,881
Other revenue	6	40,071	229,124
Selling and distribution costs		(1,762,929)	(187,190)
Administrative expenses		(5,934,477)	(3,472,927)
PROFIT FROM OPERATING ACTIVITIES	7	2,757,170	1,630,888
Finance costs	8	(118,994)	(11,176)
PROFIT BEFORE TAX		2,638,176	1,619,712
Tax	11	(417,411)	(220,000)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	12	2,220,765	1,399,712
EARNINGS PER SHARE	13		
Basic		0.88 cents	0.63 cents
Diluted		N/A	N/A

Consolidated Balance Sheet 23

31 March 2003

	Notes	2003 HK\$	2002 HK\$
NON-CURRENT ASSETS			
Fixed assets	14	1,707,446	875,405
CURRENT ASSETS			
Accounts receivable	16	13,034,015	3,406,671
Prepayments, deposits and other receivables		2,008,868	241,372
Due from a director	17	–	163,005
Time deposits		10,038,235	–
Cash and bank balances		2,958,544	2,603,997
		28,039,662	6,415,045
CURRENT LIABILITIES			
Accounts payable	18	1,784,908	802,199
Accrued liabilities and other payables		1,288,160	728,397
Tax payable		280,307	300,000
Finance lease payables	20	510,399	231,486
		3,863,774	2,062,082
NET CURRENT ASSETS		24,175,888	4,352,963
TOTAL ASSETS LESS CURRENT LIABILITIES		25,883,334	5,228,368
NON-CURRENT LIABILITIES			
Finance lease payables	20	595,168	62,637
		25,288,166	5,165,731
CAPITAL AND RESERVES			
Issued capital	21	3,000,000	44,600
Reserves	23	22,288,166	5,121,131
		25,288,166	5,165,731

Wong Kwong Kwok
Director

Yeung Leung Kong
Director

24 Consolidated Summary Statement of Changes in Equity

Year ended 31 March 2003

	Notes	2003 HK\$	2002 HK\$
At beginning of year – total equity		5,165,731	5,019
Capital reserve arising on capitalisation of loans from the former shareholders of a subsidiary	23	–	3,761,000
Issue of shares for cash consideration, including share premium	21(iii)(c), (v)	26,000,000	–
Share issue expenses	23	(8,098,330)	–
Net profit for the year		2,220,765	1,399,712
At end of year – total equity		25,288,166	5,165,731

Consolidated Cash Flow Statement 25

Year ended 31 March 2003

	Notes	2003 HK\$	2002 HK\$ (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		2,638,176	1,619,712
Adjustments for:			
Finance costs	8	118,994	11,176
Interest income	6	(40,071)	(13,124)
Depreciation	7	666,188	312,033
Write off of fixed assets	7	17,671	90,005
Operating profit before working capital changes		3,400,958	2,019,802
Decrease/(increase) in accounts receivable		(9,627,344)	103,794
Increase in prepayments, deposits and other receivables		(1,767,496)	(1,966)
Decrease/(increase) in an amount due from a director		163,005	(157,150)
Increase/(decrease) in accounts payable		982,709	(178,178)
Increase in accrued liabilities and other payables		559,763	364,770
Decrease in an amount due to a related company		-	(625,008)
Cash generated from/(used in) operations		(6,288,405)	1,526,064
Interest paid		(30,982)	-
Interest element of finance lease rental payments		(88,012)	(11,176)
Hong Kong profits tax paid		(437,104)	-
Net cash inflow/(outflow) from operating activities		(6,844,503)	1,514,888
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		40,071	13,124
Acquisition of a subsidiary	24(a)	-	307,855
Purchases of fixed assets		(178,476)	(472,434)
Net cash outflow from investing activities		(138,405)	(151,455)

26 Consolidated Cash Flow Statement

Year ended 31 March 2003

	Notes	2003 HK\$	2002 HK\$ (Restated)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	21(iii)(c),(v)	26,000,000	–
Proceeds from issue of shares by a subsidiary		–	11,700
Share issue expenses	23	(8,098,330)	–
Loans from former shareholders of a subsidiary		–	50,000
Capital element of finance lease rental payments		(525,980)	(171,244)
Net cash inflow/(outflow) from financing activities		17,375,690	(109,544)
NET INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of year		2,603,997	1,350,108
CASH AND CASH EQUIVALENTS AT END OF YEAR		12,996,779	2,603,997
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		2,958,544	2,603,997
Time deposits with original maturity of less than three months when acquired		10,038,235	–
		12,996,779	2,603,997

Balance Sheet 27

31 March 2003

	Notes	HK\$
NON-CURRENT ASSETS		
Investments in subsidiaries	15	6,554,062
CURRENT ASSETS		
Prepayments, deposits and other receivables		75,000
Due from a subsidiary	15	17,848,917
Cash and bank balances		15,134
		17,939,051
CURRENT LIABILITIES		
Accrued liabilities and other payables		83,333
NET CURRENT ASSETS		
		17,855,718
		24,409,780
CAPITAL AND RESERVES		
Issued capital	21	3,000,000
Reserves	23	21,409,780
		24,409,780

Wong Kwong Kwok
Director

Yeung Leung Kong
Director

28 Notes to Financial Statements

31 March 2003

1. GROUP REORGANISATION AND BASIS OF PRESENTATION

The Company

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 12 June 2002 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company were listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 15 November 2002.

Group reorganisation

Pursuant to a group reorganisation (the "Group Reorganisation") to rationalise the structure of the Group in preparation for the listing of the Company's shares on the GEM of the Stock Exchange, the Company became the holding company of the companies now comprising the Group on 26 October 2002. This was accomplished by acquiring the entire issued share capital of Precious Logistics Limited ("PLL"), the then immediate holding company of the other subsidiaries, in consideration of and in exchange for the allotment and issue of 4,459,999 shares of HK\$0.01 each in the share capital of the Company credited as fully paid, to the then holding company of PLL. Further details of the Group Reorganisation are set out in note 21 to the financial statements and the prospectus of the Company dated 31 October 2002 (the "Prospectus").

Basis of presentation and consolidation

The Group Reorganisation involved companies under common control. The consolidated financial statements have been prepared using the merger basis of accounting in accordance with Hong Kong Statements of Standard Accounting Practice ("SSAP") No. 2.127 "Accounting for group reconstructions". On this basis, the Company has been treated as the holding company of the subsidiaries throughout the financial years presented or from the respective dates of incorporation of these subsidiaries where this is a shorter period, rather than from the date of their acquisitions on 26 October 2002, with the exception of June (China Hong Kong) Transportation Limited ("JCHK") which was acquired by the Group on 27 March 2002 and whose results and cash flow have only been included in these financial statements from that date. Accordingly, the consolidated results and cash flows of the Group for the years ended 31 March 2002 and 2003 include the results and cash flows of the Company and its subsidiaries with effect from 1 April 2001 or since their respective dates of incorporation where this is a shorter period, with the exception of JCHK as mentioned above. The comparative consolidated balance sheet as at 31 March 2002 has been prepared on the basis that the current group structure had been in existence as at that date.

1. GROUP REORGANISATION AND BASIS OF PRESENTATION (continued)

Basis of presentation and consolidation (continued)

In the opinion of the directors, the consolidated financial statements prepared on the above basis present more fairly the results and state of affairs of the Group as a whole.

All significant transactions and balances within the Group are eliminated on consolidation.

No balance sheet of the Company as at 31 March 2002 is presented as it was incorporated subsequent to that date.

2. CORPORATE INFORMATION

The principal place of business of the Company is located at 16/F G.D. Real Estate Tower, 143 Connaught Road Central, Hong Kong.

During the year, the Group's principal activities were the provision of logistics services. There were no significant changes in the nature of the Group's principal activities during the year.

In the opinion of the directors, the ultimate holding company of the Company is Best Method Investments Limited ("Best Method"), a company incorporated in the British Virgin Islands.

3. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs")

The following new and revised SSAPs are effective for the first time for the current year's financial statements:

- SSAP 1 (Revised) : "Presentation of financial statements"
- SSAP 11 (Revised) : "Foreign currency translation"
- SSAP 15 (Revised) : "Cash flow statements"
- SSAP 34 : "Employee benefits"

3. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE (continued)

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of adopting these SSAPs which have had significant effects on the financial statements, are summarised as follows:

SSAP 1 prescribes the basis for the presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. The principal impact of the revision of this SSAP is that a consolidated summary statement of changes in equity is now presented on page 24 of the financial statements.

SSAP 11 prescribes the basis for the translation of foreign currency transactions and financial statements. The principal impact of the revision of this SSAP on the consolidated financial statements is that the profit and loss accounts of overseas subsidiaries are now translated into Hong Kong dollars at the weighted average exchange rates for the year, whereas previously they were translated at the exchange rates ruling at the balance sheet date. The adoption of the revised SSAP 11 has had no material effect on the financial statements.

SSAP 15 prescribes the revised format for the cash flow statement. The principal impact of the revision of this SSAP is that the consolidated cash flow statement now presents cash flows under three headings, cash flows from operating, investing and financing activities, rather than the five headings previously required. In addition, cash flows from overseas subsidiaries arising during the year are now translated to Hong Kong dollars at the exchange rates at the dates of the transactions, or at an approximation thereto, whereas previously they were translated at the exchange rates at the balance sheet, and the definition of cash equivalents for the purpose of the consolidated cash flow statement has been revised.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (i) from the provision of logistics services, when the services are rendered;
- (ii) from the provision of management services, on an accrual basis; and
- (iii) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	20% or over the lease terms, whichever is shorter
Furniture, fixtures and office equipment	20%
Motor vehicles	20%

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed assets and depreciation (continued)

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises.

Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised unless its realisation is assured beyond reasonable doubt.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the profit and loss account.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leased assets

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in fixed assets and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the profit and loss account so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a finance nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

Foreign currency transactions are recorded at the applicable exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable exchange rates ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas subsidiaries are translated into Hong Kong dollars using the net investment method. The profit and loss accounts of overseas subsidiaries are translated into Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheets are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheet, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

5. SEGMENT INFORMATION

(a) Geographical segments

Segment information is presented in respect of the Group's geographical segments. In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location where the services are rendered, and assets are attributed to the segments based on the location of the assets.

All the Group's services are rendered in Hong Kong, and therefore no further geographical analysis of revenue or results is presented.

An analysis of the Group's total assets and liabilities by geographical segment is as follows:

	Year ended 31 March 2002		
	Hong Kong HK\$	PRC HK\$	Total HK\$
Segment assets	4,088,883	3,140,503	7,229,386
Unallocated assets			61,064
Total assets			7,290,450
Segment liabilities	1,389,436	120,611	1,510,047
Unallocated liabilities			614,672
Total liabilities			2,124,719
Other segment information:			
Depreciation	312,033	–	312,033
Capital expenditure	472,434	–	472,434

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31 March 2003

5. SEGMENT INFORMATION (continued)

(a) Geographical segments (continued)

	Year ended 31 March 2003		
	Hong Kong	PRC	Total
	HK\$	HK\$	HK\$
Segment assets	16,824,826	12,896,831	29,721,657
Unallocated assets			25,451
Total assets			29,747,108
Segment liabilities	2,954,964	79,191	3,034,155
Unallocated liabilities			1,424,787
Total liabilities			4,458,942
Other segment information:			
Depreciation	666,188	–	666,188
Capital expenditure	1,515,900	–	1,515,900

(b) Business segments

Further information has not been disclosed in respect of the Group's business segments as the Group is solely engaged in the provision of logistics services.

6. TURNOVER AND REVENUE

Turnover represents the invoiced value of logistics services provided.

An analysis of the Group's turnover and other revenue is as follows:

	2003 HK\$	2002 HK\$
Turnover		
Fees for logistics services provided	32,647,984	17,840,933
Other revenue		
Management fee received from JCHK (note 27(b)(ii))	–	216,000
Interest income	40,071	13,124
	40,071	229,124
	32,688,055	18,070,057

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31 March 2003

7. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging/(crediting):

	Note	2003 HK\$	2002 HK\$
Cost of services provided		22,233,479	12,779,052
Auditors' remuneration		380,000	300,000
Depreciation	14	666,188	312,033
Staff costs, excluding directors' remuneration (note 9):			
Wages and salaries		1,331,705	898,228
Pension scheme contributions		63,659	44,269
		1,395,364	942,497
Minimum lease payments under operating leases in respect of land and buildings *		555,235	182,172
Exchange losses/(gains), net		(237)	26,225
Write off of fixed assets		17,671	90,005

* Included in the balance for the year ended 31 March 2003 is HK\$169,355 (2002: Nil) in respect of rental expenses for a director's quarters, which is also included in the amount of directors' remuneration disclosed in note 9 to the financial statements.

8. FINANCE COSTS

	Group	2003 HK\$	2002 HK\$
Interest on bank overdrafts repayable on demand		30,982	–
Interest on finance leases		88,012	11,176
		118,994	11,176

9. DIRECTORS' REMUNERATION

Directors' remuneration, disclosed pursuant to the Rules Governing the Listing of Securities on the GEM and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	2003	Group
	HK\$	2002
		HK\$
Fee of an independent non-executive director	50,000	–
Other emoluments of executive directors:		
Salaries, allowances and benefits in kind	1,045,355	410,000
Pension scheme contributions	20,200	13,000
	1,115,555	423,000

The remuneration of each of the directors fell within the band of nil to HK\$1,000,000.

The two executive directors and an independent non-executive director received emoluments of HK\$620,355 (2002: HK\$256,500), HK\$445,200 (2002: HK\$166,500) and a fee of HK\$50,000 (2002: Nil), respectively, for the year ended 31 March 2003. There were no emoluments paid or payable to other non-executive directors of the Company during the year (2002: Nil).

There was no arrangement under which a director waived or agreed to waive any remuneration during the year. In addition, no emoluments were paid by the Group to the directors as an inducement to join, or upon joining the Group, or as a compensation for loss of office.

40 Notes to Financial Statements

31 March 2003

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2002: two) directors, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining three (2002: three) non-director, highest paid employees are as follows:

	Group	
	2003	2002
	HK\$	HK\$
Salaries, allowances and benefits in kind	607,000	544,040
Pension scheme contributions	28,650	26,794
	635,650	570,834

During the year, the remuneration of two non-directors, highest paid employees was increased by 23.3% and 6.9%, respectively. In addition, the remuneration of the remaining non-director, highest paid employee for the year remained the same as the year ended 31 March 2002.

During the year, no emoluments were paid by the Group to any of the five highest paid employees as an inducement to join or upon joining the Group, or as compensation for loss of office.

11. TAX

Hong Kong profits tax has been provided at the rate of 16% (2002: 16%) on the estimated assessable profits arising in Hong Kong during the year.

	Group	
	2003	2002
	HK\$	HK\$
Current year provision	486,551	220,000
Overprovision in prior years	(69,140)	–
Tax charge for the year	417,411	220,000

No deferred tax has been provided because there were no significant timing differences at the balance sheet date (2002: Nil).

12. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders for the period from 12 June 2002 (date of incorporation of the Company) to 31 March 2003 dealt with in the financial statements of the Company was HK\$45,952.

13. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the year of HK\$2,220,765 (2002: HK\$1,399,712) and the weighted average of 253,169,834 (2002: 222,999,950) ordinary shares deemed to have been in issue during the year.

The weighted average number of shares used to calculate the earnings per share for the year ended 31 March 2002 includes the pro forma issued share capital of the Company, comprising the 4,459,999 shares issued as consideration for the acquisition of the entire issued share capital of PLL and the capitalisation issue of 218,539,951 shares, as further detailed in note 21 to the financial statements. The weighted average number of shares used in the calculation of the earnings per share for the year ended 31 March 2003 in addition includes the share issued for cash at par on incorporation, the 540,000 shares issued to certain investors and the corresponding capitalisation issue of 26,460,049 shares, as further detailed in note 21 to the financial statements, as well as the 50,000,000 shares issued subsequently by way of placing in connection with the listing of the Company's shares on the GEM on 15 November 2002.

Diluted earnings per share amounts for the years ended 31 March 2003 and 2002 have not been disclosed as no diluting events existed during these years.

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31 March 2003

14. FIXED ASSETS

Group

	Leasehold improvements	Furniture, fixtures and office equipment	Motor vehicles	Total
	HK\$	HK\$	HK\$	HK\$
Cost:				
At beginning of year	233,316	372,178	985,400	1,590,894
Additions	–	140,656	1,375,244	1,515,900
Write off	–	(56,048)	–	(56,048)
At 31 March 2003	233,316	456,786	2,360,644	3,050,746
Accumulated depreciation:				
At beginning of year	116,657	115,072	483,760	715,489
Provided during the year	116,659	86,540	462,989	666,188
Write off	–	(38,377)	–	(38,377)
At 31 March 2003	233,316	163,235	946,749	1,343,300
Net book value:				
At 31 March 2003	–	293,551	1,413,895	1,707,446
At 31 March 2002	116,659	257,106	501,640	875,405

The net book value of the Group's fixed assets held under finance leases included in the total amount of motor vehicles at 31 March 2003 amounted to HK\$1,413,895 (2002: HK\$380,700).

15. INVESTMENTS IN SUBSIDIARIES

	Company
	HK\$
Unlisted shares, at cost	6,554,062

The amount due from a subsidiary is unsecured, interest-free and has no fixed term of repayment.

Particulars of the subsidiaries are as follows:

Name	Place of incorporation and operations	Nominal of value of issued ordinary share capital	Percentage of equity attributable		Principal activities
			to the Company		
			Direct	Indirect	
Precious Logistics Limited	British Virgin Islands	US\$10,000	100	–	Investment holding
Marine Power Company Limited	Hong Kong	HK\$100,000	–	100	Provision of logistics services
June (China Hong Kong) Transportation Company Limited	Hong Kong	HK\$10,000	–	100	Provision of transportation services

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31 March 2003

16. ACCOUNTS RECEIVABLE

The Group's trading terms with its customers are on credit for which the credit period is generally up to 60 days, except for certain well-established customers having strong financial strength, good repayment history and creditworthiness, where the terms are extended beyond 60 days.

An aged analysis of the accounts receivable as at the balance sheet date, based on invoice date, is as follows:

	2003	Group
	HK\$	2002
		HK\$
Within 90 days	11,155,014	2,910,101
Between 91 to 180 days	1,645,859	10,600
Between 181 to 365 days	233,142	485,970
	13,034,015	3,406,671

17. DUE FROM A DIRECTOR

Particulars of the amount due from a director, disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance, are as follows:

Group	31 March	Maximum	1 April
	2003	amount	2002
	HK\$	outstanding	HK\$
		during the year	
		HK\$	
Mr. Yeung Leung Kong	–	163,005	163,005

The amount due from the director was unsecured, interest-free and was fully settled during the year.

18. ACCOUNTS PAYABLE

An aged analysis of the accounts payable as at the balance sheet date, based on invoice date, is as follows:

	Group	
	2003	2002
	HK\$	HK\$
Within 90 days	1,765,353	641,461
Between 91 to 180 days	5,070	1,512
Between 181 to 365 days	14,485	159,226
	1,784,908	802,199

19. BANKING FACILITIES

As at 31 March 2003, overdraft facilities amounting to HK\$11,000,000 had been granted to a subsidiary of the Company. These facilities are supported by a corporate guarantee executed by the Company in favour of the bank. As a condition for such facilities, the Group should maintain deposits with the bank of an amount of not less than HK\$10,000,000.

As at the balance sheet date, the aforesaid facilities had not been utilised by the Group.

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31 March 2003

20. FINANCE LEASE PAYABLES

The Group leases certain of its motor vehicles for its business operations. These leases are classified as finance leases and have remaining lease terms ranging from one to three years.

At 31 March 2003, the total future minimum lease payments under finance leases and their present values were as follows:

Group

	Minimum lease payments		Present value of minimum lease payments	
	2003 HK\$	2002 HK\$	2003 HK\$	2002 HK\$
Amounts payable:				
Within one year	574,317	255,924	510,399	231,486
In the second year	510,336	63,981	482,295	62,637
In the third to fifth years, inclusive	114,449	–	112,873	–
Total minimum finance lease payments	1,199,102	319,905	1,105,567	294,123
Future finance charges	(93,535)	(25,782)		
Total net finance lease payables	1,105,567	294,123		
Portion classified as current liabilities	(510,399)	(231,486)		
Long term portion	595,168	62,637		

21. SHARE CAPITAL

	Notes	Number of ordinary shares of HK\$0.01 each	Nominal value of ordinary shares HK\$
Authorised:			
On incorporation	(i)	10,000,000	100,000
Increase in authorised share capital	(iii)(a)	9,990,000,000	99,900,000
At 31 March 2003		10,000,000,000	100,000,000
Issued and fully paid:			
On acquisition of PLL	(iii)(b)	4,459,999	44,600
Capitalisation issue credited as fully paid conditional on the share premium account of the Company being credited as a result of the issue of new shares to the public by way of placing		218,539,951	–
Pro forma issued share capital as at 31 March 2002		222,999,950	44,600
On incorporation	(ii)	1	–
Issue of shares to independent investors	(iii)(c)	540,000	5,400
Capitalisation issue credited as fully paid conditional on the share premium account of the Company being credited as a result of the issue of new shares to the public by way of placing		26,460,049	–
Capitalisation of share premium account as set out above	(iv)	–	2,450,000
New issue of shares by way of placing	(v)	50,000,000	500,000
At 31 March 2003		300,000,000	3,000,000

21. SHARE CAPITAL (continued)

The following changes in the Company's authorised and issued share capital took place during the period from 12 June 2002 (date of incorporation of the Company) to 31 March 2003:

Notes:

- (i) On 12 June 2002, the authorised share capital of the Company was HK\$100,000 divided into 10,000,000 shares of HK\$0.01 each.
- (ii) On 14 June 2002, one share was allotted and issued for cash at par.
- (iii) Pursuant to written resolutions of the sole shareholder of the Company passed on 26 October 2002:
 - (a) the authorised share capital of the Company was increased from HK\$100,000 to HK\$100,000,000 by the creation of an additional 9,990,000,000 shares of HK\$0.01 each;
 - (b) the Company allotted and issued an aggregate of 4,459,999 shares of HK\$0.01 each, credited as fully paid, as consideration for the acquisition of the entire issued share capital of PLL. The excess of the fair value of the shares of PLL, determined on the basis of its consolidated net assets at that date, over the nominal value of the Company's shares issued in exchange therefor, amounting to HK\$6,509,462, was credited to the Company's capital reserve (note 23); and
 - (c) the Company allotted and issued 540,000 ordinary shares of HK\$0.01 each to three independent third parties in equal proportions for an aggregate cash consideration of HK\$6,000,000.
- (iv) On 6 November 2002, an aggregate of 245,000,000 shares of HK\$0.01 each were allotted and issued, credited as fully paid, at par to the holders of the ordinary shares whose names appeared on the register of members of the Company on 29 October 2002, in proportion to their respective shareholdings, by way of capitalisation of the sum of HK\$2,450,000 standing to the credit of share premium account of the Company, conditional on the share premium account being credited as a result of the new issue of shares to the public as set out in (v) below.
- (v) Pursuant to the listing of the Company's shares on the GEM on 15 November 2002, the Company issued 50,000,000 shares of HK\$0.01 each at a price of HK\$0.40 per share to the public by way of placing for a total consideration of HK\$20,000,000, before issue expenses of HK\$8,098,330.

22. SHARE OPTION SCHEME

Under the terms of the share option scheme (the "Scheme") adopted by the Company on 26 October 2002, the board of directors (the "Board") and a duly authorised committee (the "Committee") of the Company is authorised, at their absolute discretion, to invite any employees, directors, advisers, consultants, distributors, suppliers, agents, customers, business partners and service providers to or of any member of the Group, shareholders (including their directors and employees) of any member of the Group and such other persons whom the Board or the Committee considers to have contributed or will contribute to the Group to take up options to subscribe for shares of the Company. The purpose of the Scheme is to encourage its participants to contribute to the growth of the Group.

The Scheme became effective on 15 November 2002 and, unless otherwise cancelled or amended, remains in force for ten years from that date.

The maximum number of shares in respect of which options may be granted under the Scheme and any other share option scheme of the Company may not exceed 10% of the issued share capital of the Company, or may not exceed a maximum of 30% should the shareholders renew the 10% limit, from time to time which have been duly allotted and issued. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive, substantial shareholder or management shareholders of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors (excluding any independent non-executive directors who are the prospective grantees in question). In addition, any share options granted to a substantial shareholder or any independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

22. SHARE OPTION SCHEME (continued)

An option may be exercised in accordance with the terms of the Scheme at any time during the option period after the option has been granted by the Board. The option period, during which an option may be exercised, is determined by the Board or the Committee, but may not be later than ten years after the date of the grant of the option. According to the Scheme, there is no provision requiring a minimum holding period before an option may be exercised. A nominal consideration of HK\$1 is payable on acceptance of the grant of an option under the Scheme.

The exercise price will be determined by the Board or the Committee, but may not be less than the higher of (i) the closing price of the shares on the GEM of the Stock Exchange on the date of the options granted; (ii) the average of the closing prices of the shares on the GEM of the Stock Exchange for the five trading days immediately preceding the date of the options granted; and (iii) the nominal value of the shares.

No share options had been granted under the Scheme as at 31 March 2003 or up to the date of approval of these financial statements. As at the date of approval of these financial statements, 30,000,000 shares are available for issue under the Scheme, representing 10% of the issued share capital of the Company at that date.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

23. RESERVES**Group**

	Share premium account	Capital reserve	Retained profits/ (accumulated losses)	Total
	HK\$	HK\$	HK\$	HK\$
		(Note a)		
At 1 April 2001	–	106,100	(145,681)	(39,581)
Capitalisation of loans from the former shareholders of a subsidiary	–	3,761,000	–	3,761,000
Net profit for the year	–	–	1,399,712	1,399,712
At 31 March 2002 and 1 April 2002	–	3,867,100	1,254,031	5,121,131
Issue of shares	25,494,600	–	–	25,494,600
Capitalisation issue	(2,450,000)	–	–	(2,450,000)
Share issue expenses	(8,098,330)	–	–	(8,098,330)
Net profit for the year	–	–	2,220,765	2,220,765
At 31 March 2003	14,946,270	3,867,100	3,474,796	22,288,166

Company

	Share premium account	Capital reserve	Accumulated loss	Total
	HK\$	HK\$	HK\$	HK\$
		(Note b)		
Arising on Group Reorganisation	–	6,509,462	–	6,509,462
Issue of shares	25,494,600	–	–	25,494,600
Capitalisation issue	(2,450,000)	–	–	(2,450,000)
Share issue expenses	(8,098,330)	–	–	(8,098,330)
Net loss for the year	–	–	(45,952)	(45,952)
At 31 March 2003	14,946,270	6,509,462	(45,952)	21,409,780

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31 March 2003

23. RESERVES (continued)

Notes:

- (a) The capital reserve of the Group represents (i) the difference between the aggregate nominal value of the share capital of the subsidiaries acquired by the Company and the nominal value of the share capital of the Company issued as consideration in exchange therefor pursuant to the Group Reorganisation; and (ii) the premium arising from the issue of shares by PLL in settlement of the loans from the former shareholders of a subsidiary.
- (b) The capital reserve of the Company represents the excess of the then consolidated net assets of the subsidiaries acquired pursuant to the Group Reorganisation over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Law of the Cayman Islands, the capital reserve may be distributable to the shareholders of the Company, provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

24. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Acquisition of a subsidiary

	2003 HK\$	2002 HK\$
Net assets acquired:		
Fixed assets	-	380,700
Cash and bank balances	-	317,855
Accounts receivable	-	339,365
Prepayments, deposits and other receivables	-	21,600
Balance with a related company	-	(105,968)
Accounts payable	-	(327,139)
Other accrued liabilities	-	(242,290)
Finance lease payables	-	(294,123)
Tax payable	-	(80,000)
	-	10,000
Satisfied by:		
Cash	-	10,000

24. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)**(a) Acquisition of a subsidiary (continued)**

An analysis of the net inflow of cash and cash equivalents in respect of the acquisition of a subsidiary is as follows:

	2003	2002
	HK\$	HK\$
Cash consideration	-	(10,000)
Cash and bank balances acquired	-	317,855
Net inflow of cash and cash equivalents in respect of the acquisition of a subsidiary	-	307,855

The acquisition of JCHK during the year ended 31 March 2002 made no significant contribution to the Group in respect of turnover or contribution to the profit after tax for that year.

(b) Major non-cash transaction

- (i) During the year, the Group Reorganisation in preparation for the public listing of the Company's shares involved the acquisition of PLL by the issue of shares of the Company, further details of which are set out in note 1 to the financial statements.
- (ii) During the year, the Group entered into finance lease arrangements in respect of fixed assets with a total capital value at the inception of the leases of HK\$1,337,424 (2002: Nil).
- (iii) During the year ended 31 March 2002, PLL acquired the entire issued share capital of Marine Power in consideration of and in exchange for the allotment and issue of 3,500 shares of US\$1 each in PLL credited as fully paid to the then shareholders of Marine Power.
- (iv) During the year ended 31 March 2002, loans from the former shareholders of a subsidiary, in the amount of HK\$3,800,000, were settled by the allotment of an aggregate of 5,000 shares of US\$1 each in PLL, credited as fully paid.

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31 March 2003

25. CONTINGENT LIABILITIES

At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	Company	
	2003	2002
	HK\$	HK\$
Guarantee given to a bank in connection with overdraft facilities granted to a subsidiary	11,000,000	–

As at 31 March 2003, the overdraft facilities granted to the subsidiary had not been utilised.

26. OPERATING LEASE ARRANGEMENTS

The Group leases its office premises and a director's quarters under operating lease arrangements, with leases negotiated for terms ranging from one to two years.

At 31 March 2003, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2003	2002
	HK\$	HK\$
Within one year	634,468	463,056
In the second to fifth years, inclusive	52,500	463,056
	689,968	926,112

27. RELATED PARTY TRANSACTIONS

- (a) On 27 March 2002, PLL acquired 5,000 shares and 5,000 shares of HK\$1 each in JCHK, representing its entire issued share capital, from Mr. Wong Kwong Kwok, an executive director of the Company, and an independent third party respectively for cash at par. No goodwill arose from the acquisition (note 24(a)).

27. RELATED PARTY TRANSACTIONS (continued)

- (b) During the year ended 31 March 2002, the Group entered into the following significant transactions with JCHK prior to the acquisition of JCHK by the Group.

	Notes	HK\$
Transportation charges paid to JCHK	(i)	2,473,240
Management fee income from JCHK	(ii)	216,000

Notes:

- (i) The transportation services provided by JCHK to the Group were effected at prices and on terms similar to those offered to other unrelated customers of JCHK.
- (ii) The management fee income in relation to the provision of administrative services to JCHK was charged at a fixed amount of HK\$18,000 per month, which was determined with reference to the cost incurred.

All transactions with JCHK have been eliminated on consolidation following its acquisition by the Group in March 2002.

28. COMPARATIVE AMOUNTS

As further explained in note 3 to the financial statements, due to the adoption of certain new and revised SSAPs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been restated to conform with the current year's presentation.

29. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 26 June 2003.

56 Notice of Annual General Meeting

Notice is hereby given that the annual general meeting of the shareholders of MP Logistics International Holdings Limited (the "Company") will be held at Kellett Room I, 3/F, The Excelsior, Hong Kong, 281 Gloucester Road, Causeway Bay, Hong Kong on Friday, 8 August 2003 at 11:00 a.m. for the following purposes:

1. to receive and adopt the audited financial statements and the reports of the directors and the auditors for the year ended 31 March 2003;
2. to re-elect directors and to authorise the board of directors to fix the directors' remuneration;
3. to re-appoint auditors and to authorise the board of directors to fix their remuneration;

and by way of special business, to consider and, if thought fit, to pass with or without alterations, the following resolutions as ordinary resolutions:

4. **"That:**
 - (a) subject to paragraph (c) of this Resolution the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with unissued shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such powers be and the same is hereby generally and unconditionally approved;
 - (b) the approval in paragraph (a) of this Resolution shall authorise the directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;
 - (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (where pursuant to options or otherwise) by the directors of the Company pursuant to the approval in paragraph (a) of this Resolution, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); or (ii) the grant or exercise of any option under the share option scheme of the Company; or (iii) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares in accordance with the memorandum and articles of association of the Company in force from time to time; or (iv) any issue of shares in the Company upon the exercise of

rights of subscription or conversion under the terms of any warrants of the Company or any securities which are convertible into shares of the Company, shall not exceed the aggregate of:

- (i) 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this Resolution; and
 - (ii) (if the directors of the Company are so authorised by a separate ordinary resolution of the shareholders of the Company) the nominal amount of any share capital of the Company repurchased by the Company subsequent to the passing of this Resolution (up to a maximum equivalent to 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this Resolution), and the authority pursuant to paragraph (a) of this Resolution shall be limited accordingly; and
- (d) for the purpose of this Resolution:

“Relevant Period” means the period from the date of the passing of this Resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company, the Companies Law (1995 Revision) of the Cayman Islands or any other applicable law of the Cayman Islands to be held; and
- (iii) the passing of an ordinary resolution by the shareholders of the Company in a general meeting revoking or varying the authority given to the directors of the Company by this Resolution.

“Rights Issue” means an offer of shares in the Company, or offer or issue of warrants, options or other securities giving rights to subscribe for share open for a period fixed by the directors of the Company to holders of shares in the Company on the register on a fixed record date in proportion to their holdings of shares (subject to such exclusion or other arrangements as

the directors of the Company may deem necessary or expedient in relation to overseas shareholders or fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction outside Hong Kong or any recognised regulatory body or any stock exchange outside Hong Kong).”

5. **“That:**

- (a) the exercise by the directors of the Company during the Relevant Period of all powers of the Company to purchase its shares on the Stock Exchange of Hong Kong Limited or any other stock exchange on which the shares of the Company may be listed and recognised by the Securities and Futures Commission of Hong Kong and The Stock Exchange of Hong Kong Limited for such purpose, and otherwise in accordance with the rules and regulations of the Securities and Futures Commission of Hong Kong, The Stock Exchange of Hong Kong Limited, the memorandum and articles of association of the Company, the Companies Law (1995 Revision) of the Cayman Islands and all other applicable laws in this regard, be and the same is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of shares of the Company which may be purchased by the Company pursuant to the approval in paragraph (a) of this Resolution during the Relevant Period shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this Resolution and the authority pursuant to paragraph (a) of this Resolution shall be limited accordingly; and
- (c) for the purpose of this Resolution, “Relevant Period” means the period from the date of the passing of this Resolution until whichever is the earliest of:
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company, the Companies Law (1995 Revision) of the Cayman Islands or any other applicable law of the Cayman Islands to be held; and

(iii) the passing of an ordinary resolution by the shareholders of the Company in a general meeting revoking or varying the authority given to the directors of the Company by this Resolution.”

6. **“That** the directors of the Company be and are hereby authorised to exercise the authority referred to in paragraph (a) of Resolution no. 4 above in respect of the share capital of the Company referred to in sub-paragraph (ii) of paragraph (c) of such Resolution.”

By order of the Board

Wong Kwong Kwok

Chairman

30 June, 2003

60 Notice of Annual General Meeting

Registered office:

Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681GT
George Town
Grand Cayman
Cayman Islands
British West Indies

Head office and principal place of business:

16th Floor, G.D. Real Estate Tower
143 Connaught Road Central
Hong Kong

Notes:

- (a) A shareholder entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and vote on his behalf. A proxy need not be a shareholder of the Company.
- (b) To be valid, a form of proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority must be deposited with the Company's branch share registrar in Hong Kong, Tengis Limited, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting or at any adjournment thereof.
- (c) In relation to proposed resolution no. 4 above, approval is being sought from the shareholders for the grant to the directors of the Company a general mandate to authorise the allotment and issue of shares under the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. The directors of the Company have no immediate plans to issue any new shares of the Company other than shares which may fall to be issued under the share option scheme of the Company or any scrip dividend scheme which may be approved by shareholders of the Company.