



MP Logistics International Holdings Limited

MP 物流國際控股有限公司*

(incorporated in Bermuda with limited liability)

First Quarterly Report 2003

* For identification purposes only

Characteristics of the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange 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 (the “GEM Listing Rules”) 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 consolidated results of the Company and its subsidiaries (the "Group") for the three months ended 30 June 2003 together with the comparative unaudited figures for the corresponding period in 2002 as follows:

	Note	Three months ended 30 June	
		2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Turnover	2	12,848	5,871
Cost of sales		(10,156)	(4,127)
Gross profit		2,692	1,744
Other revenue		29	75
Selling and distribution costs		(544)	(288)
Administrative expenses		(1,673)	(1,023)
Profit from operating activities		504	508
Finance costs		(85)	(15)
Profit before tax		419	493
Tax	3	(92)	(105)
Net profit from ordinary activities attributable to shareholders		327	388
Earnings per share	4		
– Basic (cent)		0.11	0.17
– Diluted (cent)		N/A	N/A

*Notes:***1. Group reorganisation and basis of presentation**

The Company was incorporated in the Cayman Islands on 12 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 became the holding company of the companies now comprising the Group on 26 October 2002. Details of the Group Reorganisation are set out in the Company's prospectus dated 31 October 2002. The shares of the Company were listed on GEM on 15 November 2002.

The unaudited consolidated results for the three months ended 30 June 2003 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 ended 30 June 2003.

The unaudited comparative combined results for the three months ended 30 June 2002 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 combined results of the Group for the three months ended 30 June 2002 have been prepared on the basis that the current Group structure has been in place throughout the three months ended 30 June 2002.

In the opinion of the Directors, the unaudited consolidated/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.

	Three months ended	
	30 June	
	2003	2002
	HK\$'000	HK\$'000
Turnover		
Sea freight forwarding	5,942	1,825
Road freight forwarding	5,133	3,257
Air freight forwarding	395	424
Other related logistics services	1,378	365
	12,848	5,871

3. Tax

Hong Kong profits tax for the three months ended 30 June 2003 have been provided at the rate of 17.5% (three months ended 30 June 2002: 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 ended 30 June 2003 of approximately HK\$327,000 (three months ended 30 June 2002: approximately HK\$388,000) and 300,000,000 shares in issue during the three months ended 30 June 2003 (pro forma number of shares in issue for the three months ended 30 June 2002: 222,999,950 shares).

The weighted average number of shares used to calculate the earnings per share for the three months ended 30 June 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 Precious Logistics Limited and the capitalisation issue of 218,539,951 shares.

No diluted earnings per share has been presented as no dilutive events existed during the three months ended 30 June 2003 and the corresponding period in 2002.

5. Reserves

	Share premium account <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2002	–	3,867	1,254	5,121
Net profit for the period	–	–	388	388
At 30 June 2002	–	3,867	1,642	5,509
At 1 April 2003	14,946	3,867	3,475	22,288
Net profit for the period	–	–	327	327
At 30 June 2003	14,946	3,867	3,802	22,615

DIVIDEND

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

FINANCIAL REVIEW

During the three months ended 30 June 2003, the Group recorded a turnover of approximately HK\$12,848,000, an increase of approximately 119% 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 three months ended 30 June 2003, the income derived from logistics services relating to sea freight forwarding, road freight forwarding, air freight forwarding and other related logistics services represented approximately 46%, 40%, 3% and 11% respectively (three months ended 30 June 2002: 31%, 56%, 7% and 6% 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 three months ended 30 June 2003, the Group's net profit from ordinary activities attributable to shareholders amounted to approximately HK\$327,000, representing a decrease of approximately 16% as compared to the corresponding period in previous year. Even though the gross profit of the Group increased from approximately HK\$1,744,000 in the three months ended 30 June 2002 to approximately HK\$2,692,000 in the three months ended 30 June 2003 because of the increase in turnover, net profit from ordinary activities decreased due to the substantial increase in administrative expenses of the Group. The administrative expenses of the Group increased to approximately HK\$1,673,000, an increase of approximately 64% compared to the corresponding period in previous year of approximately HK\$1,023,000. The increase was mainly due to increase in overheads arising from higher administrative expenses following the listing of the Company's shares on GEM and the increase of directors' remuneration. Selling and distribution costs also increased by approximately 89%, to approximately HK\$544,000 in the period under review, due to increase in turnover.

OPERATION 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 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.

The progress of the Group's operations during the three months ended 30 June 2003 ("Review Period") were as follows:

Sales and marketing

The Group continued to promote the Group's services namely sea freight forwarding, road freight forwarding, air freight forwarding and other related services to new and existing customers via advertisements in shipping gazettes and direct marketing by holding meetings and seminars. Such efforts generated progress as shown by the increased in the turnover during the Review Period compared to the corresponding periods.

The group continued the negotiations on joint marketing arrangement with potential agents. No new joint marketing arrangements were formed during the Review Period.

Logistics services

The Group has identified an independent third party to acquire an interest in a foreign invested enterprise in the People's Republic of China ("PRC"). The foreign investment enterprise is licensed to carry on business as an international freight agency enterprise. Negotiations are being carried out but as at 30 June 2003, the Group has not entered into any binding agreement in relation to its intended investment.

PROSPECTS

During the three months ended 30 June 2003, the business environment was difficult in Hong Kong and PRC in particular due to the outbreak of Severe Acute Respiratory Syndrome ("SARS") in Asia. Nevertheless, the situation with SARS is now under control and the Group is hopeful the business environment will recover in the subsequent months.

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2003, the interests and short positions of the directors of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("SFO") which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept by the Company under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealings by directors as referred to in Rules 5.40 to 5.58 of the GEM Listing Rules were as follows:

Director	Number of Shares				Total Interests
	Corporate Interests	Personal Interests	Family Interests	Other Interests	
Mr. Wong Kwong Kwok (Note)	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 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.

SUBSTANTIAL SHAREHOLDER

As at 30 June 2003, the interests and short positions of persons, other than a director of the Company, in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or substantial shareholders as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name	Number of shares held	Approximate percentage of shareholding in the Company
Best Method Investments Limited (<i>Note</i>)	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.

DIRECTORS' RIGHTS TO ACQUIRE SECURITIES

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 26 October 2002, the Company adopted the Share Option Scheme under which share options to subscribe for the shares of the Company may be granted under the terms and conditions stipulated therein. As at 30 June 2003, 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 15 November 2002 and up to 30 June 2003, 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 any 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

During the three months ended 30 June 2003, 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.

INTEREST OF SPONSOR

As at 30 June 2003, 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 member 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 member 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 purpose of Chapter 6 of the GEM Listing Rules for the period up to 31 March 2005.

AUDIT COMMITTEE

The Company set up an audit committee (the “Committee”) on 26 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 ended 30 June 2003 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, 12 August 2003