



**MP Logistics International Holdings Limited**

**MP 物流國際控股有限公司\***

(incorporated in Bermuda with limited liability)



***Interim 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.*

## RESULTS

The board of directors (the "Board") of the Company herein presents the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the three months and six months ended 30 September 2003 together with the comparative unaudited figures for the corresponding periods in 2002 as follows:

	Notes	Six months ended 30 September		Three months ended 30 September	
		2003 (unaudited) HK\$'000	2002 (unaudited) HK\$'000	2003 (unaudited) HK\$'000	2002 (unaudited) HK\$'000
TURNOVER	2	25,539	13,555	12,691	7,684
Cost of sales		(19,818)	(9,229)	(9,662)	(5,102)
Gross profit		5,721	4,326	3,029	2,582
Other revenue		48	78	19	3
Selling and distribution costs		(1,435)	(523)	(891)	(235)
Administrative expenses		(3,736)	(2,254)	(2,063)	(1,231)
PROFIT FROM OPERATING ACTIVITIES		598	1,627	94	1,119
Finance costs		(137)	(41)	(52)	(26)
PROFIT BEFORE TAX	3	461	1,586	42	1,093
Tax	4	(95)	(198)	(3)	(93)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		366	1,388	39	1,000
EARNINGS PER SHARE	5				
Basic		HK0.12 cent	HK0.62 cent	HK0.01 cent	HK0.45 cent
Diluted		N/A	N/A	N/A	N/A

**CONSOLIDATED BALANCE SHEET**

		As at 30 September 2003 (Unaudited) <i>HK\$'000</i>	As at 31 March 2003 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Fixed assets		2,274	1,707
<b>CURRENT ASSETS</b>			
Accounts receivable	6	9,050	13,034
Prepayments, deposits and other receivables		5,636	2,009
Time deposits		10,000	10,038
Cash and bank balances		3,189	2,959
		<b>27,875</b>	<b>28,040</b>
<b>CURRENT LIABILITIES</b>			
Accounts payable	7	2,782	1,785
Accrued liabilities and other payables		617	1,288
Tax payable		273	280
Finance lease payables		465	511
		<b>4,137</b>	<b>3,864</b>
<b>NET CURRENT ASSETS</b>		<b>23,738</b>	<b>24,176</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>26,012</b>	<b>25,883</b>
<b>NON-CURRENT LIABILITIES</b>			
Finance lease payables		358	595
		<b>25,654</b>	<b>25,288</b>
<b>CAPITAL AND RESERVES</b>			
Issued capital		3,000	3,000
Reserves		22,654	22,288
		<b>25,654</b>	<b>25,288</b>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

	<b>Six months ended 30 September 2003 (Unaudited) HK\$'000</b>	Six months ended 30 September 2002 (Unaudited) HK\$'000
Net cash inflow from operating activities	<b>1,311</b>	1,315
Net cash used in investing activities	<b>(836)</b>	(56)
Net cash used in financing activities	<b>(283)</b>	(218)
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>192</b>	1,041
Cash and cash equivalents at beginning of period	<b>12,997</b>	2,604
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>13,189</b>	3,645
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	<b>3,189</b>	3,645
Time deposits with original maturity of less than three months when acquired	<b>10,000</b>	–
	<b>13,189</b>	3,645

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	Share capital	Share premium account	Capital reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2002	45	–	3,867	1,254	5,166
Net profit for the period	–	–	–	1,388	1,388
At 30 September 2002	45	–	3,867	2,642	6,554
At 1 April 2003	<b>3,000</b>	<b>14,946</b>	<b>3,867</b>	<b>3,475</b>	<b>25,288</b>
Net profit for the period	–	–	–	<b>366</b>	<b>366</b>
At 30 September 2003	<b>3,000</b>	<b>14,946</b>	<b>3,867</b>	<b>3,841</b>	<b>25,654</b>

Notes:

#### 1. GROUP REORGANISATION AND BASIS OF PREPARATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability 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 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 "Prospectus"). The shares of the Company were listed on GEM on 15 November 2002.

The unaudited consolidated interim accounts have been prepared in accordance with the Statement of Standard Accounting Practice No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and the disclosure requirements set out in Chapter 18 of the GEM Listing Rules.

The accounting policies and methods of computation adopted in the preparation of these unaudited consolidated interim accounts are consistent with those adopted in the audited accounts for the year ended 31 March 2003 except for the new adoption of Statement of Standard Accounting Practice No. 12 (Revised) "Income Taxes" issued by the Hong Kong Society of Accountants, which has no significant impact on the unaudited consolidated results for the six months ended 30 September 2003.

## 2. TURNOVER AND SEGMENT INFORMATION

Turnover represents the invoiced value of logistics services provided.

The logistics services provided by the Group consists of co-ordinating various logistics services in the following areas:

- (i) Sea freight forwarding;
- (ii) Road freight forwarding;
- (iii) Air freight forwarding; and
- (iv) Other related logistics services such as customs declaration and clearance, purchasing insurance policies on behalf of the customers, repackaging and storage.

An analysis of the Group's turnover derived from various logistics services during the six months ended 30 September 2003 and 2002 is:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2003</b>	<b>2002</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Turnover		
Sea freight forwarding	<b>12,098</b>	3,915
Road freight forwarding	<b>10,448</b>	8,024
Air freight forwarding	<b>452</b>	684
Other related logistics services	<b>2,541</b>	932
	<b>25,539</b>	13,555

**(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, 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:

	Six months ended 30 September					
	Hong Kong		People's Republic of China ("PRC")		Total	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Segment assets	<b>21,529</b>	6,991	<b>8,147</b>	7,329	<b>29,676</b>	14,320
Unallocated assets					<b>473</b>	133
Total assets					<b>30,149</b>	14,453
Segment liabilities	<b>2,909</b>	1,630	<b>89</b>	346	<b>2,998</b>	1,976
Unallocated liabilities					<b>1,497</b>	5,923
Total liabilities					<b>4,495</b>	7,899
Other segment information:						
Depreciation	<b>317</b>	284	–	–	<b>317</b>	284
Capital expenditure	<b>884</b>	1,119	–	–	<b>884</b>	1,119

**(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.



### 3. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	For the six months ended 30 September		For the three months ended 30 September	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on bank overdrafts				
repayable on demand	100	–	35	–
Interest on finance leases	37	41	17	26
Depreciation	317	284	166	152

### 4. TAX

Hong Kong profits tax for the three and six months ended 30 September 2003 have been provided at the rate of 17.5% (three and six months ended 30 September 2002: 16%) on the estimated assessable profits arising in Hong Kong during the periods.

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

### 5. EARNINGS PER SHARE

The calculations of basic earnings per share for the three and six months ended 30 September 2003 are based on the unaudited net profit from ordinary activities attributable to shareholders for the three and six months ended 30 September 2003 of approximately HK\$39,000 and HK\$366,000 respectively (three and six months ended 30 September 2002: HK\$1,000,000 and HK\$1,388,000) and 300,000,000 shares in issue during the three and six months ended 30 September 2003 (pro forma number of shares in issue for the three and six months ended 30 September 2002: 222,999,950 shares).

The weighted average number of shares used to calculate the earnings per share for the three months and six months ended 30 September 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 and six months ended 30 September 2003 and 2002.

**6. ACCOUNTS RECEIVABLE**

The Group's trading terms with its customers are on credit for which the credit period is generally up to 60-90 days, except for certain well-established customers having strong financial strength, good repayment history and creditworthiness, where the terms are extended beyond 90 days.

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

	<b>30 September 2003 (Unaudited) HK\$'000</b>	31 March 2003 (Audited) HK\$'000
Within 90 days	7,956	11,155
Between 91 to 180 days	592	1,646
Between 181 to 365 days	355	233
Over 365 days	147	–
	<b>9,050</b>	<b>13,034</b>

**7. ACCOUNTS PAYABLE**

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

	<b>30 September 2003 (Unaudited) HK\$'000</b>	31 March 2003 (Audited) HK\$'000
Within 90 days	2,768	1,765
Between 91 to 180 days	14	5
Between 181 to 365 days	–	15
	<b>2,782</b>	<b>1,785</b>

**8. DIVIDEND**

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2003 (six months ended 30 September 2002: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

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.

## FINANCIAL REVIEW

### Results

During the six months ended 30 September 2003, the Group recorded a turnover of approximately HK\$25.5 million (six months ended 30 September 2002: approximately HK\$13.6 million), an increase of approximately 87.5% 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. During the period under review, income derived from logistics services relating to sea freight forwarding, road freight forwarding, air freight forwarding and other related logistics services represented approximately 47%, 41%, 2% and 10% respectively of the Group's total turnover (six months ended 30 September 2002: approximately 29%, 59%, 5% and 7% respectively).

Net profit from ordinary activities attributable to shareholders for the six months ended 30 September 2003 amounted to approximately HK\$0.4 million (six months ended 30 September 2002: approximately HK\$1.4 million), representing a decrease of approximately 71.4% compared to the corresponding period in previous year. The decrease was mainly attributed to a decrease in gross profit margin from approximately 32% in the six months ended 30 September 2002 to approximately 22% in the six months ended 30 September 2003 due to lower pricing for the services provided. The administrative expenses of the Group amounted to approximately HK\$3.7 million in the six months ended 30 September 2003, an increase of approximately 65.7% compared to the corresponding period in previous year. The increase was mainly due to the increase in overheads following the listing of the Company's shares on GEM. Selling and distribution costs also increased by approximately 2.7 times, to approximately HK\$1.4 million, due to increase in turnover and higher promotion expenses.

**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 30 September 2003, the Group had net current assets of approximately HK\$23.7 million (31 March 2003: approximately HK\$24.2 million) including cash and cash equivalent of approximately HK\$13.2 million (31 March 2003: approximately HK\$13 million).

As at 30 September 2003 and 31 March 2003, the Group has no bank borrowings. There was no charge on the Group's assets as at 30 September 2003 and 31 March 2003. The debt ratio (defined as total liabilities over total assets) of the Group as at 30 September 2003 was approximately 0.15 (31 March 2003: approximately 0.15).

As at 30 September 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 30 September 2003, the Group has no bank borrowings.

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

The shares of the Company were listed on GEM on 15 November 2002. There has been no change in the capital structure of the Company since that date.

**Significant investment**

During the period under review, there was no significant investment held by the Group (31 March 2003: Nil).

**Material acquisition or disposal of subsidiaries and affiliated companies**

During the six months ended 30 September 2003, there were no material acquisitions or disposal of subsidiaries and affiliated companies.

**Contingent liabilities**

The Company had provided guarantees for the bank facilities granted to its subsidiary. The facilities were not utilised by the subsidiary as at 30 September 2003 and 31 March 2003.

The Group had no other material contingent liabilities as at 30 September 2003.

**Treasury policies**

The Group adopts a conservative approach towards its treasury policies. The Group strives to reduce exposure to credit risk by performing ongoing credit evaluations of the financial conditions of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

**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 2 to the section headed "Results" of this report.

**New services/Contracts on hand**

The Group did not introduce new services during the six months ended 30 September 2003.

As at 30 September 2003, the Group's contracts on hand were approximately HK\$3 million for the various services of the Group.

**Future plans for material investments and expected source of funding**

Details for the Group's future plans for material investments or capital assets and their expected source of funding have been stated in the Company's Prospectus under the sections headed "Statement of Business Objectives" and "Reasons for the Share Offer and the Use of Proceeds" respectively. Other than those disclosed therein, in particular under the sections headed "Comparison of Business Objectives with Actual Business Progress" and "Use of Proceeds" in this report, the Group did not have any plan for material investments or capital assets.

**Employees and remuneration policies**

As at 30 September 2003, the Group had 28 (31 March 2003: 21) employees including directors. Total staff costs (including directors' emoluments) were approximately HK\$1.8 million in the six months ended 30 September 2003. Remuneration is determined by reference to market terms and the performance, qualification and experience of individual employee. Year-end bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include contributions to statutory mandatory provident fund scheme to its employees in Hong Kong. To date, no share options have been granted to employees.

**BUSINESS REVIEW AND PROSPECTS**

During the six months ended 30 September 2003, the business environment was generally difficult and challenging 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 that the business environment will improve. Despite the difficult business environment, the Group has managed to achieve growth in the turnover largely due to increase in the services provided to its customers based in the PRC. However, the margins for such services have been lowered due to increased competition. Looking forward, the Group will continue to promote its services and control costs to remain competitive.

## COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

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 1 April 2003 to 30 September 2003 (the "Review Period").

### According to the business objectives as stated in the Prospectus

### Actual business progress in the Review Period

#### Sales and marketing

Promote the Group's services through advertisements and direct marketing

The Group promoted and continues 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 introducing the services of the Group to existing or potential customers.

Negotiate and form alliances with agents for marketing the Group's services

In October 2003, the Group formed an alliance with an agent based in Vietnam for the marketing of the Group's services and to provide services to each other. The Group continues to identify and negotiate with potential agents for the marketing of the Group's services.

#### Geographical expansion

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

In October 2003, the Group formed a joint marketing arrangement with an agent based in Vietnam to promote the Group's services. The Group continues to negotiate joint marketing arrangement with potential agents.

Set up marketing offices in Taiwan

Due to operational costs reasons, the Group has used its marketing agent in Taiwan to perform the services similar to that of the marketing office. Accordingly, the Group intends to suspend such plan to set up a marketing office in Taiwan and will review the decision when appropriate.

**According to the business objectives as stated in the Prospectus****Actual business progress in 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.

Acquisition of its own warehouses

The Group has identified various warehouses for consideration and is in the process of selecting and negotiating for its acquisition. No acquisition took place during the Review Period.

**Human resources deployment**

Expand the operational team by recruiting additional staff

As at 30 September 2003, there are 11 staff at the operation department (31 March 2003: 7). 1 left and 5 joined the Group during the Review Period.

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

As at 30 September 2003, there are 6 staff at the sales and marketing department (31 March 2003: 5). 1 left and 2 joined the Group during the Review Period.

**Logistics services: PRC**

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

The Group has commenced and is continuing negotiations with various independent third parties to acquire an interest in a foreign invested enterprise in the PRC. However, the Group has not reached an agreement with any of the party as at 30 September 2003. The Group expects to conclude an agreement with a party before 31 March 2004.



## USE OF PROCEEDS

The Company obtained net proceeds, after deducting related expenses, of approximately HK\$12 million from the placing of shares. During the periods from 1 April 2003 to 30 September 2003 and from 29 October 2002 (Latest Practicable Date) to 30 September 2003, the Group has applied the net proceeds as follows:

	1 April 2003 to 30 September 2003		29 October 2002 to 30 September 2003	
	Proposed	Actual	Proposed	Actual
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Expenditure in relation to geographical expansion	400	400	800	800
Expenditure in relation to operational facilities (Note 1)	500	350	1,000	350
Expenditure in relation to marketing and promotional activities	400	400	800	800
Expenditure in relation to business development (Note 2)	1,000	1,000	4,000	1,050
	2,300	2,150	6,600	3,000

### Notes:

- 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 and warehouses for expanding its operational facilities but has not acquired such trucks and warehouses as at 30 September 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 30 September 2003 was approximately HK\$9 million and was placed on short-term interest bearing deposits with a bank in Hong Kong.

## DIRECTORS' INTERESTS IN SECURITIES

As at 30 September 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. Absolute Prime Investments Limited is 100% owned by Mr. Chan Chi Yin.

## SUBSTANTIAL SHAREHOLDER

As at 30 September 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 (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.

## 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 September 2003, no share option was granted under the Share Option Scheme.

## **DIRECTORS' RIGHTS TO ACQUIRE SECURITIES**

Apart from as disclosed under the heading "Directors interests in securities" and the transactions relating to the Group Reorganisation as disclosed above, at no time since the incorporation of the Company were rights to acquire benefits by means of the acquisition of shares in or debt securities, including debentures of the Company or of any other body corporate granted to any director, chief executive 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 a party to any arrangement to enable the directors, chief executive or their respective spouse or children under 18 years of age to acquire such rights in any other body corporate.

## **PURCHASE, REDEMPTION OR SALES OF THE LISTED SECURITIES OF THE COMPANY**

During the six months ended 30 September 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 an interest in a business which competes or may compete with the business of the Group.

## **INTEREST OF SPONSOR**

As at 30 September 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 members of the Group, or have any right to subscribe for or to nominate persons to subscribe for the securities of the Company or of any members of the Group.

Pursuant to the sponsor agreement entered into between the Company and the Sponsor, the Sponsor received, and will receive, fees for acting as the Company's retained sponsor for the purpose of Chapter 6 of the GEM Listing Rules for the period up to 31 March 2005.

## 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 during the six months ended 30 September 2003.

## 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 Ak Chik. The unaudited consolidated results of the Group for the six months ended 30 September 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 November 2003