



MP Logistics International Holdings Limited

MP 物流國際控股有限公司*

(incorporated in the Cayman Islands with limited liability)



2004 / 2005 First Quarterly Report

* 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 2004 together with the comparative unaudited figures for the corresponding period in 2003 as follows:

	Notes	Three months ended 30 June	
		2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Turnover	2	18,270	12,848
Cost of sales		(15,545)	(10,156)
Gross profit		2,725	2,692
Other revenue		81	29
Selling and distribution costs		(548)	(544)
Administrative expenses		(2,161)	(1,673)
Profit from operating activities		97	504
Finance costs		(96)	(85)
Profit before tax		1	419
Tax	3	-	(92)
Net profit from ordinary activities attributable to shareholders		1	327
Earnings per share	4		
– Basic (cent)		-	0.11
– Diluted (cent)		N/A	N/A

Notes:

1. BASIS OF PRESENTATION

The accounts have been prepared under the historical cost convention and in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants. The accounting policies adopted are consistent with those set out in the annual financial statements for the year ended 31 March 2004.

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

2. TURNOVER

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

	Three months ended	
	30 June	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Turnover		
Sea freight forwarding	9,372	5,942
Road freight forwarding	6,968	5,133
Air freight forwarding	1,589	395
Other related logistics services	341	1,378
	18,270	12,848

3. TAX

Hong Kong profits tax of HK\$192 for the three months ended 30 June 2004 have been provided at the rate of 17.5% (three months ended 30 June 2003: 17.5%) on the estimated assessable profits arising in Hong Kong.

No deferred tax had been provided for the Group because there were no significant temporary 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 2004 of approximately HK\$1,000 (three months ended 30 June 2003: approximately HK\$327,000) and 300,000,000 shares in issue during the three months ended 30 June 2004 (three months ended 30 June 2003: 300,000,000 shares).

No diluted earnings per share has been presented as no dilutive events existed during the three months ended 30 June 2004 and the corresponding period in 2003.

5. RESERVES

	Share premium account (Unaudited) <i>HK\$'000</i>	Capital reserve (Unaudited) <i>HK\$'000</i>	Retained profits (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
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
At 1 April 2004	14,946	3,867	3,676	22,489
Net profit for the period	–	–	1	1
At 30 June 2004	14,946	3,867	3,677	22,490

DIVIDEND

The Board does not recommend the payment of any dividend for the three months ended 30 June 2004 (three months ended 30 June 2003: Nil).

FINANCIAL REVIEW

During the three months ended 30 June 2004, the Group recorded a turnover of approximately HK\$18,270,000, an increase of approximately 42% 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 2004, the income derived from logistics services relating to sea freight forwarding, road freight forwarding, air freight forwarding and other related logistics services represented approximately 51%, 38%, 9% and 2% respectively (three months ended 30 June 2003: 46%, 40%, 3% and 11% 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.

The gross profit of the Group increased from approximately HK\$2,692,000 in the three months ended 30 June 2003 to approximately HK\$2,725,000 in the three months ended 30 June 2004 due to the increase in turnover. However, the gross profit margin decreased from approximately 21% in the corresponding period in previous year to approximately 15% in the current period as a result of increased competition.

Selling and distribution costs increased slightly by approximately 0.7% to approximately HK\$548,000 in the period under review, although turnover increased by approximately 42%, as compared to previous corresponding period because of effective cost control by the Group's sales and logistics departments. The administrative expenses of the Group increased to approximately HK\$2,161,000, an increase of approximately 29% compared to approximately HK\$1,673,000 for the corresponding period in previous year. The increase was mainly attributed to higher staff salaries and related overheads due to increased sales activities. During the three months ended 30 June 2004, the Group's net profit from ordinary activities attributable to shareholders amounted to approximately HK\$1,000, representing a decrease of approximately 99.7% compared to the corresponding period in previous year. The decrease was mainly attributed to lower gross profit margin and higher administrative expenses.

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 2004 ("Review Period") were as follows:

Sales and marketing

The Group continued to promote the Group's services to existing and potential customers through advertisements in shipping gazettes, distributing brochures and direct marketing by holding meetings and seminars. Such efforts generated results as shown by the increase in turnover during the Review Period compared to the previous corresponding period.

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

Expansion of operational facilities

The Group acquired a truck during the Review Period and is in the process of selecting and negotiating for the acquisition of its own warehouse to expand its operational facilities.

4 staff were employed during the Review Period to cope with the expansion.

Logistics services

The Group has identified various independent third parties to acquire an interest in a foreign invested enterprise in the People's Republic of China ("PRC"). The foreign investment enterprise would have the license to carry on business as an international freight agency enterprise. Negotiations and due diligence are being carried out, but as at 30 June 2004, the Group has not entered into any binding agreement in relation to its intended investment.

PROSPECTS

With the promotion of Hong Kong as the principal center in the Pearl River Delta region and as a leading global logistics center by the Hong Kong Government, the Group is confident of the prospects of the logistics industry and the Group. PRC and Hong Kong Closer Economic Partnership Arrangement ("CEPA") also offered added impetus to Hong Kong's logistics development with new and unprecedented opportunities for logistics companies in Hong Kong.

The Group will continue to implement various plans to expand its operational network, its operational facilities, its images and services and to acquire potential interest in a foreign invested enterprise in the PRC with the license to carry on business in international freight agency sector.

DIRECTORS' INTERESTS IN SHARES

As at 30 June 2004, the interests and short positions of the directors and chief executive 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 required standard of dealings by directors as referred to in Rule 5.46 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, 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.

Save as disclosed above, as at 30 June 2004, none of the directors nor the chief executive of the Company had any other interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the 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 which were required to be recorded in the register kept by the Company under Section 352 of the SFO or otherwise required to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors as referred to in Rule 5.46 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 30 June 2004, other than a director of the Company as disclosed under the section headed "Directors' interests in shares" above, the interests and short positions of person, 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 of substantial shareholders 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: The details are disclosed under the section headed "Directors' interests in shares" above.

Save as disclosed above, as at 30 June 2004, the directors of the Company were not aware of any other person (other than the directors of the Company) who had an interest or short position in the shares or 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 any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO.

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 2004, no share option was granted under the Share Option Scheme.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Apart from as disclosed under the paragraph headed "Directors' interests in shares" and the "Share option scheme" above, at no time during the period under review 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.

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 2004, neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

COMPETITION AND CONFLICT OF INTERESTS

As at 30 June 2004, none of the directors, the management shareholders or substantial shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules) 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 5.34 TO 5.45 OF THE GEM LISTING RULES

During the three months ended 30 June 2004, the Company has complied with the Board practices and procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules.

INTEREST OF SPONSOR

As at 30 June 2004, 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 from 15 November 2002 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 three independent non-executive directors of the Company, Mr. Wong Ah Chik, Ms. Leung Wai Ling, Wylie and Mr. Liu Feng. The unaudited consolidated results of the Group for the three months ended 30 June 2004 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, 13 August 2004

As at the date of this report, the executive directors are Mr. Wong Kwong Kwok and Mr. Yeung Leung Kong, the non-executive directors are Mr. Deng Hui, Ms. Xiao Fei Yan and Ms. Wang Li Yun, and the independent non-executive directors are Mr. Wong Ah Chik, Ms. Leung Wai Ling, Wylie and Mr. Liu Feng respectively.