



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 Interim 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.

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

	Notes	Six months ended 30 September		Three months ended 30 September	
		2004 (unaudited) HK\$'000	2003 (unaudited) HK\$'000	2004 (unaudited) HK\$'000	2003 (unaudited) HK\$'000
TURNOVER	2	35,698	25,539	17,428	12,691
Cost of sales		(30,688)	(19,818)	(15,143)	(9,662)
Gross profit		5,010	5,721	2,285	3,029
Other revenue		85	48	4	19
Selling and distribution costs		(1,033)	(1,435)	(485)	(891)
Administrative expenses		(3,712)	(3,736)	(1,551)	(2,063)
PROFIT FROM OPERATING ACTIVITIES		350	598	253	94
Finance costs		(205)	(137)	(109)	(52)
PROFIT BEFORE TAX	3	145	461	144	42
Tax	4	(25)	(95)	(25)	(3)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		120	366	119	39
EARNINGS PER SHARE	5				
Basic		HK0.04 cent	HK0.12 cent	HK0.04 cent	HK0.01 cent
Diluted		N/A	N/A	N/A	N/A

CONSOLIDATED BALANCE SHEET

		As at 30 September 2004 (Unaudited) HK\$'000	As at 31 March 2004 (Audited) HK\$'000
NON-CURRENT ASSETS			
Fixed assets		4,231	2,015
Deferred tax assets		72	72
		4,303	2,087
CURRENT ASSETS			
Accounts receivable	6	16,648	13,263
Prepayments, deposits and other receivables		8,344	7,593
Taxes refundable		410	435
Time deposits		10,000	10,000
Cash and bank balances		3,880	1,650
		39,282	32,941
CURRENT LIABILITIES			
Accounts payable	7	5,675	1,263
Accrued liabilities and other payables		722	503
Bank overdrafts – secured		10,784	6,953
Finance lease payables		570	482
		17,751	9,201
NET CURRENT ASSETS		21,531	23,740
TOTAL ASSETS LESS CURRENT LIABILITIES		25,834	25,827
NON-CURRENT LIABILITIES			
Finance lease payables		–	113
Deferred tax liabilities		225	225
		225	338
		25,609	25,489
CAPITAL AND RESERVES			
Issued capital		3,000	3,000
Reserves		22,609	22,489
		25,609	25,489

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 September 2004 (Unaudited) HK\$'000	Six months ended 30 September 2003 (Unaudited) HK\$'000
Net cash inflow from operating activities	983	1,311
Net cash used in investing activities	(2,034)	(836)
Net cash used in financing activities	(550)	(283)
<hr/>		
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(1,601)	192
Cash and cash equivalents at beginning of period	4,697	12,997
<hr/>		
CASH AND CASH EQUIVALENTS AT END OF PERIOD	3,096	13,189
<hr/>		
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	3,880	3,189
Time deposits with original maturity of less than three months when acquired	10,000	10,000
Bank overdrafts	(10,784)	–
<hr/>		
	3,096	13,189
<hr/>		

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 2003	3,000	14,946	3,867	3,475	25,288
Net profit for the period	–	–	–	366	366
At 30 September 2003	3,000	14,946	3,867	3,841	25,654
At 1 April 2004	3,000	14,946	3,867	3,676	25,489
Net profit for the period	–	–	–	120	120
At 30 September 2004	3,000	14,946	3,867	3,796	25,609

Notes:

1. BASIS OF PREPARATION

The accounts have been prepared under the historical cost convention and in accordance with accounting principles generally accepted in Hong Kong, comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants, the disclosure requirements of the Hong Kong Companies Ordinance and the GEM Listing Rules. The accounting policies adopted are consistent with those set out in the annual financial statements for the year ended 31 March 2004.

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 2004 and 2003 is as follows:

	Six months ended	
	30 September	
	2004	2003
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Turnover		
Sea freight forwarding	17,077	12,098
Road freight forwarding	14,354	10,448
Air freight forwarding	3,622	452
Other related logistics services	645	2,541
	35,698	25,539

(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.

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

(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 (crediting)/charging:

	For the six months		For the three months	
	ended 30 September		ended 30 September	
	2004	2003	2004	2003
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest income	(5)	(48)	(4)	–
Interest on bank overdrafts				
repayable on demand	182	100	98	35
Interest on finance leases	23	37	11	17
Depreciation	429	317	242	166

4. TAX

Hong Kong profits tax for the three and six months ended 30 September 2004 have been provided at the rate of 17.5% (three and six months ended 30 September 2003: 17.5%) 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 2004 are based on the unaudited net profit from ordinary activities attributable to shareholders for the three and six months ended 30 September 2004 of approximately HK\$119,000 and HK\$120,000 respectively (three and six months ended 30 September 2003: HK\$39,000 and HK\$366,000 respectively) and 300,000,000 shares in issue during the three and six months ended 30 September 2004 (three and six months ended 30 September 2003: 300,000,000 shares).

No diluted earnings per share has been presented as no dilutive events existed during the three months and six months ended 30 September 2004 and 2003.

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 Group's accounts receivable as at the balance sheet date, based on invoice date, is as follows:

	30 September 2004 (Unaudited) HK\$'000	31 March 2004 (Audited) HK\$'000
Within 90 days	11,509	12,556
Between 91 to 180 days	2,891	201
Between 181 to 365 days	2,248	177
Over 365 days	–	329
	16,648	13,263

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:

	30 September 2004 (Unaudited) HK\$'000	31 March 2004 (Audited) HK\$'000
Within 90 days	5,383	1,262
Between 91 to 180 days	292	1
	5,675	1,263

8. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2004 (six months ended 30 September 2003: 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 2004, the Group recorded a turnover of approximately HK\$35.7 million (six months ended 30 September 2003: approximately HK\$25.5 million), an increase of approximately 40% 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 48%, 40%, 10% and 2% respectively of the Group's total turnover (six months ended 30 September 2003: approximately 47%, 41%, 2% and 10% respectively).

Net profit from ordinary activities attributable to shareholders for the six months ended 30 September 2004 amounted to approximately HK\$120,000 (six months ended 30 September 2003: approximately HK\$366,000), representing a decrease of approximately 67% compared to the corresponding period in previous year. The decrease was mainly attributed to a decrease in gross profit margin from approximately 22% in the six months ended 30 September 2003 to approximately 14% in the six months ended 30 September 2004 due to lower pricing for the services provided as a result of increasing competitive and challenging business environment in the logistic industry.

During the six months ended 30 September 2004, despite an increase in turnover, selling and distribution costs decreased by approximately 28% to approximately HK\$1.0 million due to the decrease in entertainment and business trip expenses as the Group executed stricter costs control. Administrative expenses also decreased by approximately 1% to approximately HK\$3.7 million due to the decrease in overseas related expenses. The decrease was partially offset by increase in salary expenses due to the increase in the number of staff to cope with the expansion of business.

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 2004, the Group had net current assets of approximately HK\$21.5 million (31 March 2004: approximately HK\$23.7 million) including cash and cash equivalent of approximately HK\$3.1 million (31 March 2004: approximately HK\$4.7 million).

As at 30 September 2004, overdraft facilities amounting to HK\$11.5 million had been granted to a subsidiary of the Company (31 March 2004: HK\$11 million). 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 million. As at 30 September 2004, the Group has approximately HK\$10.8 million of bank borrowings (31 March 2004: approximately HK\$7 million). The debt ratio (defined as total liabilities over total assets) of the Group as at 30 September 2004 was approximately 0.41 (31 March 2004: approximately 0.27).

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 or 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 2004: Nil).

Material acquisition or disposal of subsidiaries and affiliated companies

During the six months ended 30 September 2004, there were no material acquisitions or disposal of subsidiaries and affiliated companies.

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 30 September 2004, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at	As at
	30 September	31 March
	2004	2004
	(Unaudited)	(Audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	642	473
In the second to fifth years, inclusive	364	420
	1,006	893

Contingent liabilities

As at 30 September 2004, the Company provided guarantees to a subsidiary company for its utilized banking facilities amounting to approximately HK\$10.8 million (31 March 2004: approximately HK\$7 million).

The Group had no other material contingent liabilities as at 30 September 2004 (31 March 2004: Nil).

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, 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 2004.

As at 30 September 2004, the Group's contracts on hand were approximately HK\$2.3 million for the various services of the Group.

Future plans for material investments or capital assets 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 dated 31 October 2002 ("Prospectus") under sections headed "Statement of Business Objectives" and "Reasons for the Share Offer and the Use of Proceeds" respectively. Other than those disclosed therein and 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 other plans for material investments or capital assets. Nevertheless, the Group is constantly looking for opportunities for investment or capital assets to enhance shareholders' value.

Employees and remuneration policies

As at 30 September 2004, the Group had 26 (31 March 2004: 25) employees including directors. Total staff costs (including directors' emoluments) were approximately HK\$2.0 million in the six months ended 30 September 2004. Remuneration is determined with 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 2004, the Group recorded growth in its turnover but a decline in its net profit attributable to shareholders. This was due to a substantial decrease in gross profit margin due to increasing competitive and challenging business environment in the logistic industry. The Group has implemented various measures in controlling operating costs. Selling and distribution costs and administrative expenses both recorded a decline despite an increase in turnover during the six months ended 30 September 2004, but this was not enough to offset the decline in gross profit.

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, together with the moderate and stable growth pace the economy of the PRC is expected to have, which will in turn drive the growth of the transportation and logistics industry, the Group is confident of the prospects of the Group.

The Board believes the key factor is to continue to implement costs control measures by keeping operating costs low and at the meantime, the Group will continue to implement various plans to expand its operational network, its operational facilities, its images and services and acquiring an interest in an enterprise in the PRC with the license to carry on business in international freight agency sector.

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 2004 to 30 September 2004 (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

The Group continues to identify and negotiate with potential agents for the marketing of the Group's services. No alliances with agents were formed during the Review Period.

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 arrangement with potential agents. No new joint marketing arrangement was formed during the Review Period.

Set up marketing offices in Taiwan

Due to costs reasons, the Group has used its marketing agent in Taiwan to perform the services similar to that of the marketing office. Plan to set up marketing office in Taiwan is suspended and the Group will review the situation when appropriate.

Set up marketing offices in Singapore

The Group is assessing the feasibility of setting up a marketing office in Singapore. As at today, no marketing office in Singapore was set up.

Expansion of operational facilities

Acquisition of its own fleet of trucks

The Group acquired a truck during the Review Period.

Acquisition of its own warehouses

The Group has identified various warehouses for consideration and is in the process of selecting, negotiating and performing due diligence 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 2004, there were 9 staff at the operation department (31 March 2004: 7). 7 staff joined and 5 staff left 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 2004, there were 4 staff at the sales and marketing department (31 March 2004: 6). 2 staff left 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 its due diligence work on the intended investment in a foreign invested enterprise in the PRC. Pending the results of the due diligence, which is expected to complete by the end of the calendar year 2004, no binding agreement would be entered into by the Group.

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 2004 to 30 September 2004 and from 29 October 2002 (Latest Practicable Date, as defined in the Company's Prospectus) to 30 September 2004, the Group has applied the net proceeds as follows:

	1 April 2004 to 30 September 2004		29 October 2002 to 30 September 2004	
	Proposed HK\$'000	Actual HK\$'000	Proposed HK\$'000	Actual HK\$'000
Expenditure in relation to geographical expansion	400	400	1,600	1,600
Expenditure in relation to operational facilities (<i>Note 1</i>)	500	900	2,000	1,450
Expenditure in relation to marketing and promotional activities	400	400	1,600	1,600
Expenditure in relation to business development (<i>Note 2</i>)	1,000	1,000	6,000	3,050
	2,300	2,700	11,200	7,700

Notes:

1. The Group intends to utilise the proceeds in accordance with the purpose in subsequent periods. The Group continues with the lookout for the acquisition of more trucks and warehouses for expanding its operational facilities.
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 2004 was approximately HK\$4.3 million and was placed on short-term interest bearing deposits with a bank in Hong Kong.

DIRECTORS' INTERESTS IN SHARES

As at 30 September 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 September 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 September 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 September 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 September 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 September 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 September 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.

INTEREST OF SPONSOR

As at 30 September 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 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 from 15 November 2002 to 31 March 2005.

COMPLIANCE WITH RULES 5.34 TO 5.45 OF THE GEM LISTING RULES

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 during the six months ended 30 September 2004.

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 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 six months ended 30 September 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, 12th November 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.