



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 Third 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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

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 full 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 of the Company, 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 and nine months ended 31 December 2004 together with the comparative unaudited figures for the corresponding periods in 2003 as follows:

	Notes	Nine months ended 31 December		Three months ended 31 December	
		2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
TURNOVER	2	59,594	35,581	23,896	10,042
Cost of sales		(54,059)	(27,222)	(23,371)	(7,404)
Gross profit		5,535	8,359	525	2,638
Other revenue		95	53	10	5
Selling and distribution costs		(1,594)	(2,087)	(561)	(652)
Administrative expenses		(7,397)	(5,641)	(3,685)	(1,905)
(LOSS)/PROFIT FROM OPERATING ACTIVITIES		(3,361)	684	(3,711)	86
Finance costs		(310)	(216)	(105)	(79)
(LOSS)/PROFIT BEFORE TAX		(3,671)	468	(3,816)	7
Tax	3	-	(96)	25	(1)
NET (LOSS)/PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		(3,671)	372	(3,791)	6
(LOSSES)/EARNINGS PER SHARE					
Basic (cent)	4	(1.22)	0.12	(1.26)	0.002
Diluted (cent)		N/A	N/A	N/A	N/A

Notes:

1. BASIS OF PREPARATION

The unaudited consolidated results have been prepared under the historical cost convention and in accordance with accounting principles generally accepted in Hong Kong and comply with Statements of Standard Accounting Practice issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). 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.

An analysis of the Group's turnover derived from various logistics services is as follows:

	Nine months ended		Three months ended	
	31 December		31 December	
	2004	2003	2004	2003
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover				
Sea freight forwarding	32,419	16,209	15,342	4,111
Road freight forwarding	21,281	13,705	6,927	3,257
Air freight forwarding	4,773	1,004	1,151	552
Other related logistics services	1,121	4,663	476	2,122
	59,594	35,581	23,896	10,042

3. TAX

No Hong Kong profits tax for the three months and nine months ended 31 December 2004 has been provided as the Group has no assessable profit for the periods. Hong Kong Profits Tax for the three months and nine months ended 31 December 2003 were provided at the rate of 17.5% on the estimated assessable profits arising in Hong Kong during the periods.

The Group has not recorded deferred tax assets as they may not be recovered in the foreseeable future. There is no material deferred taxation effect on the results of the Group for the current or prior accounting periods.

4. (LOSSES)/EARNINGS PER SHARE

The calculations of basic (losses)/earnings per share for the three months and nine months ended 31 December 2004 are based on the unaudited consolidated net loss from ordinary activities attributable to shareholders for the three months and nine months ended 31 December 2004 of approximately HK\$3,791,000 and HK\$3,671,000 respectively (unaudited consolidated net profit from ordinary activities attributable to shareholders for the three months and nine months ended 31 December 2003: approximately HK\$6,000 and HK\$372,000 respectively) and 300,000,000 shares in issue during the three months and nine months ended 31 December 2004 (three months and nine months ended 31 December 2003: 300,000,000 shares).

No diluted (losses)/earnings per share has been presented as no dilutive events existed during the three months and nine months ended 31 December 2004 and the corresponding periods in 2003.

5. RESERVES

	Share premium (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	-	-	366	366
At 30 September 2003	14,946	3,867	3,841	22,654
Net profit for the period	-	-	6	6
At 31 December 2003	14,946	3,867	3,847	22,660
At 1 April 2004	14,946	3,867	3,676	22,489
Net profit for the period	-	-	120	120
At 30 September 2004	14,946	3,867	3,796	22,609
Net loss for the period	-	-	(3,791)	(3,791)
At 31 December 2004	14,946	3,867	5	18,818

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 31 December 2004 (nine months ended 31 December 2003: Nil).

FINANCIAL REVIEW

During the nine months ended 31 December 2004, the Group recorded a turnover of approximately HK\$59,594,000 (nine months ended 31 December 2003: approximately HK\$35,581,000), an increase of approximately 67% 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 54%, 36%, 8% and 2% respectively of the Group's total turnover (nine months ended 31 December 2003: approximately 46%, 38%, 3% and 13% respectively).

Net loss from ordinary activities attributable to shareholders for the nine months ended 31 December 2004 amounted to approximately HK\$3,671,000 (nine months ended 31 December 2003: net profit of approximately HK\$372,000). The decrease was attributed to a decrease in gross profit margin from approximately 23% in the nine months ended 31 December 2003 to approximately 9% in the nine months ended 31 December 2004 due to lower pricing for services provided owing to the increasing competitive and challenging business environment in the logistic industry and an increase in administrative expenses by approximately 31% compared to the corresponding period in previous year. Selling and distribution costs decreased by approximately 24% from approximately HK\$2,087,000 in the corresponding period in previous year to approximately HK\$1,594,000, due to the decrease in entertainment and business trip expenses as the Group executed stricter costs control. Administrative expenses of the Group increased by approximately 31% to HK\$7,397,000 during the nine months ended 31 December 2004 compared to the corresponding period in previous year due to increase in fee paid to a china agent due to increased sales activities and increase in salary expenses due to increase in the number of staff to cope with the expansion of business.

BUSINESS REVIEW AND PROSPECTS

General

The Group is principally engaged in coordinating various logistics services for its customers. The logistics services provided by the Group include sea freight forwarding, road freight forwarding, air freight forwarding and other related logistics services such as customs clearance and declaration, purchasing on behalf of customers of insurance policies, repackaging and storage. The services provided for each assignment may consist of a combination of the services described above. It is the objective of the Group to become one of the pivotal players in the logistics services markets in the Greater China Region.

During the nine months ended 31 December 2004, the Group recorded growth in its turnover of approximately 67% compared to the corresponding period in previous year which was very promising. However, during the same period, the Group also recorded a substantial decrease in gross profit margin due to the intense competition in the logistics industry. The Group is aware of this challenge and is working on various measures to either gradually increase the prices charged for its services by introducing some value added services to its customers or negotiate a better and lower fee with its various services providers.

The Group is confident of the prospects of the logistics industry and hence of the Group with the continued promotion by the Hong Kong Government to promote Hong Kong as a leading global logistics center and as the principal center in the Pearl River Delta region. The key factors are to continue to implement costs control in keeping operating costs low and at the meantime, continue to implement various plans to expand the Group's operational network, its operational facilities, its images and services and acquiring an interest in an enterprise in the People's Republic of China with the license to carry on business in international freight agency sector.

DIRECTORS' INTERESTS IN SHARES

As at 31 December 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 31 December 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 31 December 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 31 December 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 31 December 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 31 December 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 31 December 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 31 December 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

During the nine months ended 31 December 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.

AUDIT COMMITTEE

The Company set up an audit committee (the “Committee”) on 26 October 2002, with written terms of reference based on the guidelines set out in “A Guide for the Formation of an Audit Committee” of the HKICPA. 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 three months and nine months ended 31 December 2004 have been reviewed by the Committee, who was 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, 4 February 2005

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.