MP Logistics International Holdings Limited

MP物流國際控股有限公司*

(incorporated in the Cayman Islands with limited liability)

ANNUAL REPORT 2004-2005

* 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.

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Corporate Information

Executive Directors
Wong Kwong Kwok *(Chairman)*
Yeung Leung Kong

Independent Non-executive Directors
Wong Ah Chik
Leung Wai Ling, Wylie
Liu Feng

Registered Office
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Cricket Square
Hutchins Drive
P.O. Box 2681GT
George Town
Grand Cayman
Cayman Islands
British West Indies

Head Office and Principal Place of Business
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143 Connaught Road Central
Hong Kong

Company Homepage/Website
http://www.marinepower.org

Compliance Officer
Yeung Leung Kong

Authorised Representatives
Yeung Leung Kong
Wong Kwong Kwok

Qualified Accountant
Leung King Fai, *CPA (Aust.), HKICPA*

Company Secretary
Leung King Fai, *CPA (Aust.), HKICPA*

Audit Committee
Wong Ah Chik
Leung Wai Ling, Wylie
Liu Feng

Principal Banker
DBS Bank (Hong Kong) Limited

Auditors
Baker Tilly Hong Kong Limited
Certified Public Accountants

Legal Adviser
Vincent T.K. Cheung, Yap & Co.

Principal Share Registrar and Transfer Office
Bank of Bermuda (Cayman) Limited
P.O. Box 513 GT
Strathvale House
North Church Street
George Town
Grand Cayman
Cayman Islands
British West Indies

Hong Kong Branch Share Registrar and Transfer Office
Tengis Limited
Ground Floor
Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

Stock Code
8239

On behalf of the Board, I am pleased to present the Annual Report of MP Logistics International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") for the year ended 31 March 2005 to our shareholders.

MARKET OVERVIEW

With the strong demand for quality freight forwarding and logistics services in the People's Republic of China ("PRC") resulting from its increased trading activities with other countries, the Group recorded a turnover that increased approximately 52.5% from the previous corresponding year. With the phase-out of restrictions in distribution-related services for foreign-participation in the logistics industry in the PRC since its entry to the World Trade Organisation ("WTO"), the Group expects the competition in the logistics industry to increase. Nevertheless the Group also sees opportunities in the logistics sector in the PRC as the trade volume in the PRC with the world increases with PRC's entry to the WTO.

FINANCIAL REVIEW

For the year ended 31 March 2005, the Group recorded a turnover of approximately HK$81.9 million, an increase of approximately 52.5%, compared to the previous corresponding year. The increase in turnover was attributed to the increase in services provided to new and existing customers. During the year, income derived from logistics services relating to sea freight forwarding, road freight forwarding, air freight forwarding and other related logistics services accounted for approximately 60%, 32%, 6% and 2% respectively of the Group's total turnover (2004: 51%, 35%, 3% and 11% respectively).

During the year, the Group has net loss from ordinary activities attributable to shareholders amounted to approximately HK$7.9 million compared to net profit from ordinary activities attributable to shareholders of approximately HK$201,000 in the previous corresponding year. The gross profit margin decreased from approximately 21.3% for the previous corresponding year to 9.3% for the year ended 31 March 2005 owing to increasing competitive and challenging business environment in the logistic industry. Selling and distribution costs decreased by approximately 7.4% from approximately HK$2.7 million in the previous corresponding year to approximately HK$2.5 million in the current year as less spending in entertainment took place due to stricter costs control. Administrative expenses of the Group amounted to approximately HK$14.5 million, an increase of approximately 79% compared to approximately HK$8.1 million in the previous corresponding year. The increase was mainly due to increase in fee paid to a PRC agent owing to increased sales activities in the PRC, increase in salary expenses due to increase in the number of staff to cope with the expansion of business and write-off of bad debts.

PROSPECTS AND APPRECIATION

Logistics services in the PRC are still in their infancy and there are considerable untapped opportunities in a period of extended market growth and the Group believes that it needs to position itself in terms of market sector and geographical area in order to compete effectively in the new competitive and challenging environment. Together 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 as a whole.

The Group will continue to review and/or implement various plans to expand its operating network, its operating facilities, its images and services and to acquire potential interest in a foreign invested enterprise in the PRC, which is licensed to carry on business in international freight agency sector. In the meantime, the Group will continue to implement the costs control measures in order to place itself in a stronger position in a competitive environment.

Lastly, on behalf of the Board, I would like to take this opportunity to express our gratitude to all employees, shareholders, partners and customers for their continued support and dedication.

Wong Kwong Kwok
Chairman

Hong Kong
22 June 2005

Operational 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 other related logistics services such as customs clearance and declaration, arranging insurance policies for customers, repackaging and storage services. The services provided for each assignment may consist of a combination of the above services. It is the objective of the Group to become one of the pivotal players in the logistics services markets in the Greater China Region.

With the strong demand for quality freight forwarding and logistics services in the PRC resulting from its increased trading activities with other countries, the Group recorded a turnover that increased approximately 52.5% from the previous corresponding year. With the phase-out of restrictions in distribution-related services for foreign-participation in the logistics industry in the PRC since its entry to the WTO, the Group expects the competition in the logistics industry to increase. Nevertheless the Group also sees opportunities in the logistics sector in the PRC as the trade volume in the PRC with the world increases with PRC's entry to the WTO.

Financial Review

Results

For the year ended 31 March 2005, the Group recorded a turnover of approximately HK$81.9 million, an increase of approximately 52.5%, compared to the previous corresponding year. The increase in turnover was attributed to the increase in services provided to new and existing customers. During the year, income derived from logistics services relating to sea freight forwarding, road freight forwarding, air freight forwarding and other related logistics services accounted for approximately 60%, 32%, 6% and 2% respectively of the Group's total turnover (2004: 51%, 35%, 3% and 11% respectively).

During the year, the Group has net loss from ordinary activities attributable to shareholders amounted to approximately HK$7.9 million compared to net profit from ordinary activities attributable to shareholders of approximately HK$201,000 in the previous corresponding year. The gross profit margin decreased from approximately 21.3% for the previous corresponding year to 9.3% for the year ended 31 March 2005 owing to increasing competitive and challenging business environment in the logistic industry. Selling and distribution costs decreased by approximately 7.4% from approximately HK$2.7 million in the previous corresponding year to approximately HK$2.5 million in the current year as less spending in entertainment took place due to stricter costs control. Administrative expenses of the Group amounted to approximately HK$14.5 million, an increase of approximately 79% compared to approximately HK$8.1 million in the previous corresponding year. The increase was mainly due to increase in fee paid to a PRC agent owing to increased sales activities in the PRC, increase in salary expenses due to increase in the number of staff to cope with the expansion of business and write-off of bad debts.

Liquidity, financial resources and capital structure

For the year ended 31 March 2005, 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 has been adhering to a prudent financial management policy.

As at 31 March 2005, cash and cash equivalent of the Group amounted to approximately HK$10.5 million (2004: HK$11.6 million).

As at 31 March 2005, the Group was granted general banking facilities of HK$12 million (2004: HK$11 million) with a condition such that deposits with the bank shall be maintained of not less than HK$10 million (2004: HK$10 million). The debt ratio (defined as total liabilities over total assets) of the Group as at 31 March 2005 was approximately 0.49 (2004: 0.27). Bank overdrafts of the Group amounted to approximately HK$11.1 million (2004: HK$7 million) as at 31 March 2005.

The functional currencies of the Group's operations are Hong Kong Dollars and Renminbi, the Board considers that the exposure to foreign exchange risk is limited. Hence, 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

As at 31 March 2005, there was no significant investment held by the Group (2004: Nil).

Material acquisitions or disposals of subsidiaries and affiliated companies

There were no material acquisitions or disposals of subsidiaries and affiliated companies during the year.

Segment information

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 segment based on the location where the services are rendered, and assets are attributed to the segment based on the location of the assets. As all the Group's services are rendered in Hong Kong, no further geographical analysis of revenue or results is presented.

No information in respect of the Group's business segments is presented as the Group is solely engaged in the provision of logistics services.

Details of the segment information are presented in note 4 to the financial statements in this annual report.

Employee information

As at 31 March 2005, the Group employed a total of 18 (2004: 17) employees. The salaries and benefits of the Group's employees are maintained at a competitive level and employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus system, which is reviewed annually. The Group also operates a share option scheme where options to subscribe for shares of the Company may be granted to the executive directors and full-time employees of the Group. As at 31 March 2005, no share options have been granted to employees.

Staff costs, excluding directors' remuneration, increased by approximately 10.1% to approximately HK$2,687,000 (2004: approximately HK$2,440,000). The increase is attributed to the increase in the number of staff due to the expansion of business. The Group believes that the recruitment decision was necessary for building up a strong team of staff for long term growth and profitability.

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 (the "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 and under the sections headed "Comparison of Business Objectives with Actual Business Progress" and "Use of Proceeds" in this annual report, the Group did not have any plans for material investments or capital assets.

Contingent liabilities

As at 31 March 2005, the Company provided guarantee to a subsidiary company for its utilised banking facilities amounting to approximately HK$11.1 million (2004: HK$7 million).

The Group and the Company had no other material contingent liabilities (2004: Nil) as at 31 March 2005.

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 October 2004 to 31 March 2005 (the "Review Period").

Business Objectives as Stated in the Prospectus	Actual Business Progress
Sales and marketing	
Promote the Group's services through advertisements and direct marketing	The Group promoted and continued 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 continued 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	
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 in the 6 months ended 30 September 2004. No other truck was purchased during the Review Period.
Acquisition of its own warehouse	Due to limited resources and cost reason, the Group no longer intends to acquire its own warehouse as the cost of acquisition is expected to exceed the economic benefits.

Human resources deployment

Expand the operational team by recruiting additional staff	As at 31 March 2005, there were 9 staff in the operation department (30 September 2004: 9). 2 staff left and 2 staff joined the Group during the Review Period.
Expand the sales team in Hong Kong and the PRC by recruiting additional staff members	As at 31 March 2005, there were 4 staff at the sales and marketing department (30 September 2004: 4). No staff left or 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 completed due diligence on the intended investment in a foreign invested enterprise in the PRC and is in discussion with the entity on the terms and conditions for the acquisition. If the negotiation is successful, the Group expects to complete the acquisition by the end of calendar year 2005. The Group has placed a deposit for the acquisition with the foreign invested enterprise.

Use of Proceeds

The Company obtained net proceeds, after deducting related expenses, of approximately HK$12 million from the placing of shares. During the period from 15 November 2002 (date of listing the Company's shares on GEM) to 31 March 2005, the Group has applied the net proceeds as follows:

	15 November 2002 to 31 March 2005	
	Proposed	**Actual**
	HK$'000	HK$'000
Expenditure in relation to geographical expansion	2,000	2,000
Expenditure in relation to operational facilities *(Note 1)*	2,000	1,500
Expenditure in relation to marketing and promotional activities	2,000	2,000
Expenditure in relation to business development *(Note 2)*	6,000	6,000
For additional working capital *(Note 3)*	–	500
	12,000	12,000

Notes:

1. The original planned fund for expenditure in relation to operational facilities has not been used up as the Group has not acquired the number of trucks as intended. In addition, due to limited resource and cost reason, the Group no longer intends to acquire the warehouse as the cost of acquisition exceeds the expected economic benefits. The Group has reallocated the funding for working capital.

2. If the negotiation is successful, the Group expects to complete the acquisition by the end of calendar year 2005. The Group has placed a deposit for the acquisition with the foreign invested enterprise.

3. Proceeds used for working capital due to the operating loss of the Group during the six months ended 31 March 2005.

The net proceeds from the placing of shares on GEM of the Stock Exchange on 15 November 2002 of approximately HK$12 million have all been applied as at 31 March 2005.

Executive Directors

Wong Kwong Kwok, aged 43, is the chairman of the Group. Mr. Wong is responsible for the overall strategic planning and management of the Group and oversees the operational functions of the Group. Prior to joining the Group, he was the operational manager of a general trading company in Hong Kong. Mr. Wong was appointed as an executive director in June 2002.

Yeung Leung Kong, aged 44, is the managing director and founder of the Group. Mr. Yeung is responsible for the operational and marketing functions of the Group. He holds a certificate in shipping practise and management from the Hong Kong Polytechnic. Prior to founding the Group, Mr. Yeung was the operational director of a shipping and logistics company in Hong Kong. Mr. Yeung was appointed as an executive director in June 2002.

Non-executive Directors

Xiao Fei Yan, resigned as a non-executive director of the Company with effect from 24 March 2005.

Deng Hui, resigned as a non-executive director of the Company with effect from 31 March 2005.

Wang Li Yun, resigned as a non-executive director of the Company with effect from 18 February 2005.

Independent Non-executive Directors

Wong Ah Chik, aged 46, is a general manager of an electronics trading company in Hong Kong. He was appointed as an independent non-executive director in June 2002.

Leung Wai Ling, Wylie, aged 37, holds a bachelor degree in business administration from the City University of New York in the U.S. She is currently an accounting and administration manager for an international trading and manufacturing company in Hong Kong. She is also an independent non-executive director of IA International Holdings Limited, a company listed on the GEM of the Stock Exchange. She was appointed as an independent non-executive director in June 2002.

Liu Feng, aged 28, holds a bachelor degree in economic, major in international accounting, from Jiangxi University of Finance and Economics in July 2000. He has been working as a manager of the finance department in an electrical manufacturing company in Shenzhen since August 2000. He was appointed as an independent non-executive director in January 2004.

Senior Management

Wong Chun Fat, aged 53, is the operations manager of the Group. Mr. Wong is responsible for the operation functions of the Group. Prior to joining the Group in January 1999, he worked as a manager in a shipping company in Hong Kong.

Lee Chee Kin, aged 57, is the sales and marketing manager of the Group. Mr. Lee is responsible for the sales and marketing functions of the Group. Prior to joining the Group in October 1998, he worked as a manager in a transportation company in Hong Kong.

Leung King Fai, aged 33, is the accounting manager, company secretary and qualified accountant of the Group. Mr. Leung is responsible for the financial and accounting functions of the Group. He graduated from Deakin University, Victoria, Australia with a Bachelor of Commerce. He is a member of the Hong Kong Institute of Certified Public Accountants and the CPA Australia. Prior to joining the Group in April 2002, he was an accountant at a firm of certified public accountants in Hong Kong.

The directors herein present their annual report and the audited financial statements of MP Logistics International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") for the year ended 31 March 2005.

Principal activities

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries of the Company are set out in note 15 to the financial statements. There have been no significant changes in the nature of the Group's principal activities during the year.

Segment information

An analysis of the Group's turnover and contribution to results by principal activity and geographical areas of operations for the year is set out in note 4 to the financial statements.

Results and dividends

The Group's consolidated loss for the year ended 31 March 2005 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 23 to 50.

The directors do not recommend any dividends during the year.

Summary financial information

The following is a summary of the consolidated results of the Group for each of the five years ended 31 March 2005 and of the assets and liabilities of the Group as at 31 March 2005, 2004, 2003, 2002 and 2001 prepared on the basis set out in the note below.

Consolidated results

	Year ended 31 March				
	2005	2004	2003	2002	2001
	HK$	HK$	HK$	HK$	HK$
Turnover	**81,915,517**	53,719,738	32,647,984	17,840,933	16,698,146
(Loss)/Profit before taxation	**(9,700,621)**	376,784	2,638,176	1,619,712	748,017
Taxation	**1,755,060**	(175,564)	(417,411)	(220,000)	-
Net (loss)/profit from ordinary activities attributable to shareholders	**(7,945,561)**	201,220	2,220,765	1,399,712	748,017

Consolidated assets and liabilities

	As at 31 March				
	2005	2004	2003	2002	2001
	HK$	HK$	HK$	HK$	HK$
Non-current assets	**5,585,250**	2,087,550	1,707,446	875,405	424,309
Current assets	**28,563,783**	32,940,501	28,039,662	6,415,045	4,744,869
Current liabilities	**16,194,208**	9,200,791	3,863,774	2,062,082	1,464,859
Net current assets	**12,369,575**	23,739,710	24,175,888	4,352,963	3,280,010
Non-current liabilities	**411,000**	337,874	595,168	62,637	3,750,000
	17,543,825	25,489,386	25,288,166	5,165,731	(45,681)

Note: The summary of the combined results of the Group for each of two years ended 31 March 2002 and of the assets and liabilities of the Group as at 31 March 2001 and 2002 was extracted from the prospectus of the Company dated 31 October 2002. The consolidated results of the Group for the years ended 31 March 2004 and 2005 and the consolidated assets and liabilities of the Group as at 31 March 2004 and 31 March 2005 are set out on pages 23 and 24 respectively, of the annual report.

Fixed assets

Details of movements in the fixed assets of the Group during the year are set out in note 14 to the financial statements.

Share capital and share option scheme

Details of movements in the Company's issued share capital, together with the details of the Company's share option scheme, are set out in notes 21 and 22 to the financial statements respectively.

Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

Purchase, sale or redemption of the Company's listed shares

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed shares during the year.

Use of proceeds from the Company's initial public offering

Details of the use of proceeds from the Company's initial public offering are set out on page 10 of the annual report.

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in the statement of changes in equity on page 26 of the annual report and in note 23 to the financial statements.

Distributable reserves

As at 31 March 2005, the Company's reserve available for distribution, calculated in accordance with the laws of the Cayman Islands, amounted to HK$21,072,023 (2004: HK$21,215,547). This includes the Company's share premium account and capital reserve, of HK$21,455,732 (2004: HK$21,455,732) in aggregate at 31 March 2005, which may be distributed provided that immediately following the date on which a dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

Major customers and suppliers

During the year, turnover made to the Group's five largest customers accounted for approximately 78% (2004: 73%) of the total turnover for the year. Turnover made to the largest customer included therein accounted for approximately 35% (2004: 26%) of the total turnover for the year.

During the year, purchases from the Group's five largest suppliers accounted for approximately 60% (2004: 56%) of the total purchases for the year. Purchases from the Group's largest supplier included therein accounted for approximately 24% (2004: 20%) of the total purchases for the year.

As far as the directors are aware, neither the directors of the Company, any of their associates nor any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interests in the Group's five largest customers or five largest suppliers during the year.

Directors

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Mr. Wong Kwong Kwok
Mr. Yeung Leung Kong

Non-executive directors:

Mr. Deng Hui	(resigned on 31 March 2005)
Ms. Xiao Fei Yan	(resigned on 24 March 2005)
Ms. Wang Li Yun	(resigned on 18 February 2005)

Independent non-executive directors:

Mr. Wong Ah Chik
Ms. Leung Wai Ling, Wylie
Mr. Liu Feng

In accordance with Article 87 of the Company's Articles of Association, Mr. Wong Ah Chik will retire by rotation at the forthcoming annual general meeting of the Company and, being eligible, offer himself for re-election.

The Company confirmed that it has received from each of its independent non-executive director an annual confirmation of his/her independence pursuant to Rule 5.09 of the Rules Governing the Listing of Securities on Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and it still considered them to be independent as at the date of this report.

Directors' and senior management's biographies

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 11 to 12 of the annual report.

Directors' service contracts

Each of the two executive directors of the Company entered into service contracts with a subsidiary of the Company for an initial term of two years commencing from 1 November 2002 and will continue thereafter until terminated by either party by giving not less than 3 months' notice in writing to the other party.

The independent non-executive directors have no fixed terms of office, but are subject to the provisions governing the retirement and rotation of directors in the Articles of Association of the Company.

Save as aforesaid, none of the directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' interests in contracts

No director of the Company had a significant beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries was a party during or at the end of the year.

Directors' and chief executives' interests in shares

As at 31 March 2005, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (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 of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short position 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 standards of dealings by directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

	Number of Shares				
Director	**Corporate Interests**	**Personal Interests**	**Family Interests**	**Other Interests**	**Total 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 March 2005, none of the directors nor the chief executives 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 standards of dealings by directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules.

Director's rights to acquire shares

Apart from as disclosed under the paragraph headed "Directors' and chief executives' interests in shares" above and the share option scheme as disclosed in note 22 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or of any other body corporate granted to any directors 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 arrangements to enable the directors, their respective spouse or children under 18 years of age to acquire such rights in any other body corporate.

Share option scheme

On 26 October 2002, a share option scheme (the "Scheme") was approved by written resolutions of the then sole shareholder of the Company. The purpose of the Scheme is to recognise the contribution of selected persons to the growth of the Group. Up to the date of this report, no options have been granted to any persons under the Scheme.

Details of the Scheme are set out in note 22 to the financial statements.

Substantial shareholders

As at 31 March 2005, other than the interests of a director of the Company as disclosed under the section headed "Directors' and chief executives' interests in shares" above, the interests and short positions of persons, 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 ordinary 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' and chief executives' interests in shares" above.

Save as disclosed above, as at 31 March 2005, 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.

Sponsor's interests

As at 31 March 2005, neither Kingston Corporate Finance Limited (the "Sponsor"), nor any of its directors, employees or associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) had any interests in the securities of the Company or of any members of the Group, or had 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 dated 31 October 2002 entered into between the Company and the Sponsor, the Sponsor is entitled to receive a fee for acting as the Company's sponsor for the period from 15 November 2002 to 31 March 2005, or until the sponsor agreement is terminated upon the terms and conditions as set out therein. Following the expiry of the agreement between the Company and the Sponsor, Kingston Corporate Finance Limited ceased to act as the Company's retained sponsor with effect from 1 April 2005.

Competition and conflict of interests

Up to the date of this report, none of the directors, the management shareholders or substantial shareholders of the Company or any of their respective associates (as referred to in Note 3 to Rule 6.35 of 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.

Corporate governance

The Company has complied with the board's practices and procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules during the year.

The board's practices and procedures set out in Rules 5.35 to 5.45 of the GEM Listing Rules were replaced by the Code on Corporate Governance Practices (the "CCGP") as set out in Appendix 15 to the GEM Listing Rules which has become effective for accounting periods commencing on or after 1 January 2005. Appropriate actions are being taken by the Company for complying with the CCGP.

Audit committee

The Company established an audit committee on 26 October 2002 with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group. The audit committee comprises three members, Mr. Wong Ah Chik, Ms. Leung Wai Ling, Wylie and Mr. Liu Feng, all are independent non-executive directors of the Company. The audit committee held four meetings during the year. The Group's audited results for the year ended 31 March 2005 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures have been made.

Auditors

Ernst & Young resigned as auditors of the Company on 4 May 2004. At the extraordinary general meeting of the Company held on 25 May 2004, Baker Tilly Hong Kong Limited was appointed as auditors of the Company to fill the causal vacancy.

The financial statements have been audited by Baker Tilly Hong Kong Limited who retire and being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Wong Kwong Kwok
Chairman

Hong Kong
22 June 2005

AUDITORS' REPORT TO THE MEMBERS OF
MP LOGISTICS INTERNATIONAL HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 23 to 50 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the financial statements give a true and fair view of the state of the affairs of the Company and of the Group as at 31 March, 2005 and of the Group's loss and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

BAKER TILLY HONG KONG LIMITED
Certified Public Accountants
Hong Kong

22 June 2005

Chan Cheuk Chi
Practising Certificate number P01137

For the year ended 31 March 2005

	Notes	2005 HK$	2004 HK$
TURNOVER	5	**81,915,517**	53,719,738
Cost of sales		**(74,271,306)**	(42,289,144)
Gross profit		**7,644,211**	11,430,594
Other revenue	5	**110,216**	54,267
Selling and distribution costs		**(2,506,250)**	(2,743,952)
Administrative expenses		**(14,535,777)**	(8,058,258)
(LOSS)/PROFIT FROM OPERATING ACTIVITIES	6	**(9,287,600)**	682,651
Finance costs	7	**(413,021)**	(305,867)
(LOSS)/PROFIT BEFORE TAXATION		**(9,700,621)**	376,784
Taxation	10	**1,755,060**	(175,564)
NET (LOSS)/PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	11	**(7,945,561)**	201,220
DIVIDENDS	12	**–**	–
(LOSS)/EARNINGS PER SHARE	13		
– Basic		**(2.65) cents**	0.07 cent
– Diluted		**N/A**	N/A

The accompanying notes form an integral part of these financial statements.

Consolidated Balance Sheet

As at 31 March 2005

	Notes	2005 HK$	2004 HK$
NON-CURRENT ASSETS			
Fixed assets	14	**3,572,450**	2,015,550
Deferred tax assets	18(a)	**2,012,800**	72,000
		5,585,250	2,087,550
CURRENT ASSETS			
Accounts receivable	16	**11,314,484**	13,262,517
Prepayments, deposits and other receivables		**6,735,180**	7,592,790
Taxes refundable		**–**	435,408
Time bank deposits	19	**10,000,000**	10,000,000
Cash and bank balances		**514,119**	1,649,786
		28,563,783	32,940,501
CURRENT LIABILITIES			
Accounts payable	17	**3,984,135**	1,262,676
Accrued expenses and other payables		**882,794**	503,293
Taxes payable		**36,260**	–
Bank overdrafts – secured	19	**11,124,562**	6,952,528
Current portion of finance lease payables	20	**166,457**	482,294
		16,194,208	9,200,791
NET CURRENT ASSETS		**12,369,575**	23,739,710
TOTAL ASSETS LESS CURRENT LIABILITIES		**17,954,825**	25,827,260
NON-CURRENT LIABILITIES			
Finance lease payables	20	**–**	112,874
Deferred tax liabilities	18(b)	**411,000**	225,000
		411,000	337,874
NET ASSETS		**17,543,825**	25,489,386
CAPITAL AND RESERVES			
Share capital	21	**3,000,000**	3,000,000
Reserves	23	**14,543,825**	22,489,386
		17,543,825	25,489,386

Wong Kwong Kwok
Director

Yeung Leung Kong
Director

The accompanying notes form an integral part of these financial statements.

As at 31 March 2005

	Notes	2005 HK$	2004 HK$
NON-CURRENT ASSETS			
Investments in subsidiaries	15	**6,554,062**	6,554,062
Deferred tax assets	18(a)	**81,000**	–
		6,635,062	6,554,062
CURRENT ASSETS			
Prepayments, deposits and other receivables		**75,000**	75,000
Amounts due from subsidiaries	15	**17,468,682**	17,660,639
Cash and bank balances		**3,770**	8,252
		17,547,452	17,743,891
CURRENT LIABILITY			
Accrued expenses and other payables		**110,491**	82,406
NET CURRENT ASSETS		**17,436,961**	17,661,485
NET ASSETS		**24,072,023**	24,215,547
CAPITAL AND RESERVES			
Share capital	21	**3,000,000**	3,000,000
Reserves	23	**21,072,023**	21,215,547
		24,072,023	24,215,547

Wong Kwong Kwok
Director

Yeung Leung Kong
Director

The accompanying notes form an integral part of these financial statements.

Year ended 31 March 2005

Group

	Share capital HK$	Share premium HK$	Capital reserve HK$	Retained earnings/ (Accumulated losses) HK$	Total HK$
Balance at 1 April 2003	3,000,000	14,946,270	3,867,100	3,474,796	25,288,166
Net profit for the year	–	–	–	201,220	201,220
Balance at 31 March 2004	3,000,000	14,946,270	3,867,100	3,676,016	25,489,386
Net loss for the year	–	–	–	(7,945,561)	(7,945,561)
Balance at 31 March 2005	3,000,000	14,946,270	3,867,100	(4,269,545)	17,543,825

Company

	Share capital HK$	Share premium HK$	Capital reserve HK$	Accumulated losses HK$	Total HK$
Balance at 1 April 2003	3,000,000	14,946,270	6,509,462	(45,952)	24,409,780
Net loss for the year	–	–	–	(194,233)	(194,233)
Balance at 31 March 2004	3,000,000	14,946,270	6,509,462	(240,185)	24,215,547
Net loss for the year	–	–	–	(143,524)	(143,524)
Balance at 31 March 2005	3,000,000	14,946,270	6,509,462	(383,709)	24,072,023

The accompanying notes form an integral part of these financial statements.

For the year ended 31 March 2005

	2005 HK$	2004 HK$
(Loss)/Profit before taxation	(9,700,621)	376,784
Adjustments for:		
Interest expenses	413,021	305,867
Interest income	(30,216)	(54,267)
Depreciation	1,092,974	653,121
(Gain)/Loss on disposals of fixed assets	(80,000)	11,988
Operating cash flows before movements in working capital	(8,304,842)	1,293,493
Decrease/(Increase) in accounts receivable	1,948,033	(228,502)
Decrease/(Increase) in prepayments, deposits and other receivables	857,610	(5,583,497)
Increase /(Decrease) in accounts payable	2,721,459	(522,232)
Increase /(Decrease) in accrued expenses and other payables	379,501	(784,867)
Cash used in operating activities	(2,398,239)	(5,825,605)
Interest paid	(376,646)	(241,949)
Interest element of finance lease rental payments	(36,375)	(63,918)
Profits tax refunded/(paid)	471,928	(738,279)
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(2,339,332)	(6,869,751)
INVESTING ACTIVITIES		
Interest received	30,216	53,842
Purchases of fixed assets	(2,255,024)	(973,213)
NET CASH OULFLOW FROM INVESTING ACTIVITIES	(2,224,808)	(919,371)
FINANCING ACTIVITIES		
Capital element of finance lease rental payments	(743,561)	(510,399)

For the year ended 31 March 2005

	2005 HK$	2004 HK$
NET CASH OUTFLOW FROM FINANCING ACTIVITIES	**(743,561)**	(510,399)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(5,307,701)**	(8,299,521)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**4,697,258**	12,996,779
CASH AND CASH EQUIVALENTS AT END OF YEAR	**(610,443)**	4,697,258
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**514,119**	1,649,786
Time bank deposits with original maturity of less than three months	**10,000,000**	10,000,000
Bank overdrafts	**(11,124,562)**	(6,952,528)
	(610,443)	4,697,258
NON-CASH INVESTING ACTIVITIES		
Trade-in of fixed assets	**80,000**	–

The accompanying notes form an integral part of these financial statements.

1. CORPORATION INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 12 June 2002 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company were listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 15 November 2002.

The principal activity of the Company is investment holding. The subsidiaries are principally engaged in the provision of logistics services. There were no significant changes in the nature of the Group's principal activities during the year.

In the opinion of the directors, the ultimate holding company of the Company is Best Method Investments Limited, a company incorporated in the British Virgin Islands.

2. BASIS OF PRESENTATION

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). They have been prepared under the historical cost convention.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 March 2005. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

3. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these accounts are set out below:

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March. Subsidiaries are those entities in which the Company, directly or indirectly, controls more than one half of the voting power; has the power to govern the financial and operating policies; to appoint or remove the members of the board of directors; or to cast majority of votes at the meeting of the board of directors.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(a) Consolidation (continued)

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant inter-company transactions and balances within the Group are eliminated on consolidation.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(b) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(i) Revenue from the provision of logistics services is recognised when the services are rendered; and

(ii) Interest income is recognised on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

(c) Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation and any impairment losses. Cost represents its purchase price and any directly attributable costs of bringing the asset to its working condition for its intended use. Subsequent expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

Depreciation is calculated to write off the cost of each asset over its estimated useful life on the straight-line basis at the following annual rates:

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(c) Fixed assets and depreciation (continued)

Leasehold improvements	20% or over the lease terms, whichever is shorter
Furniture, fixtures and office equipment	20%
Motor vehicles	20%

The gain or loss on disposal or retirement of a fixed asset recognised in the income statement is the difference between the net sales proceeds and the carrying amount of the relevant asset.

(d) Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the income statement in the period in which it arises.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/ amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to the income statement in the period in which it arises.

(e) Taxation

The charge for taxation is based on the results for the year as adjusted for items, which are non-assessable or disallowable. Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date is used to determine deferred taxation.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(e) Taxation (continued)

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiary companies, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

(f) Provisions

Provisions are recognised when a present obligation (legal or constructive) has arisen as a result of past events and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

(g) Leased assets

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in fixed assets and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a finance nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(g) Leased assets (continued)

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

(h) Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

(i) Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

(j) Foreign currencies

Foreign currency transactions are recorded at the applicable exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable exchange rates ruling at that date. Exchange differences are dealt with in the income statement.

On consolidation, the financial statements of overseas subsidiaries are translated into Hong Kong dollars using the net investment method. The income statements of overseas subsidiaries are translated into Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheets are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(j) Foreign currencies (continued)

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

(k) Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheet, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

(l) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past event that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(m) Borrowing costs

All borrowing costs are charged to the income statement in the year in which they are incurred.

4. SEGMENT INFORMATION

(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.

As all the Group's services are rendered in Hong Kong, 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:

	Hong Kong		PRC (excluding Hong Kong)		Consolidated	
	2005	2004	**2005**	2004	**2005**	2004
	HK$	HK$	**HK$**	HK$	**HK$**	HK$
Segment assets	**15,285,815**	15,708,267	**17,676,423**	17,562,483	**32,962,238**	33,270,750
Unallocated assets	**–**	–	**–**	–	**1,186,795**	1,757,301
Total assets					**34,149,033**	35,028,051
Segment liabilities	**15,374,785**	9,174,039	**931,443**	259,131	**16,306,228**	9,433,170
Unallocated liabilities	**–**	–	**–**	–	**298,980**	105,495
Total liabilities					**16,605,208**	9,538,665
Other segment information:						
Depreciation	**779,177**	653,121	**313,797**	–	**1,092,974**	653,121
Capital expenditure	**560,752**	973,213	**2,089,122**	–	**2,649,874**	973,213

4. SEGMENT INFORMATION (continued)

(b) Business segments

No further information on the business segments of the Group is presented as the Group is solely engaged in the provision of logistics services.

5. TURNOVER AND OTHER REVENUE

Turnover represents the invoiced value of logistics services provided. All significant transactions amongst the companies comprising the Group have been eliminated on consolidation. An analysis of the Group's turnover and other revenue is as follows:

	2005 **HK$**	2004 HK$
Turnover		
Fees for logistics services provided	**81,915,517**	53,719,738
Other revenue		
Gain on disposals of fixed assets	**80,000**	–
Interest income	**30,216**	54,267
	110,216	54,267
	82,025,733	53,774,005

6. (LOSS)/PROFIT FROM OPERATING ACTIVITIES

The Group's (loss)/profit from operating activities is arrived at after charging/(crediting) the following:

	2005 HK$	2004 HK$
Cost of services provided	**74,271,306**	42,289,144
Auditors' remuneration	**240,000**	280,000
Bad debts written off	**2,005,400**	–
Depreciation		
Owned assets	**721,703**	370,222
Assets held under finance leases	**371,271**	282,899
Directors' remuneration	**1,638,040**	1,524,000
Staff costs (excluding directors' remuneration)		
Salaries and wages	**2,574,889**	2,333,386
Pension scheme contributions	**111,714**	106,306
Minimum lease payments under operating leases rental for land and buildings*	**639,417**	634,467
Exchange losses, net	**31,178**	591
Interest income	**(30,216)**	(54,267)
(Gain)/Loss on disposals of fixed assets	**(80,000)**	11,988

* Included in the balance for the year ended 31 March 2005 is HK$219,417 (2004: HKD210,000) in respect of rental expenses for a director's quarters. This balance has been included in the amount of directors' remuneration disclosed in note 8 to the financial statements.

7. FINANCE COSTS

	Group	
	2005 HK$	2004 HK$
Interest on bank overdrafts repayable on demand	**376,646**	241,949
Interest on finance leases	**36,375**	63,918
	413,021	305,867

8. DIRECTORS' REMUNERATION

Details of directors' remuneration, disclosed pursuant to the Rules Governing the Listing of Securities on the GEM and Section 161 of the Hong Kong Companies Ordinance, are as follows:

	Group	
	2005	2004
	HK$	HK$
Fees of an independent non-executive director	**120,000**	120,000
Other emoluments of executive directors:		
Basic salaries, allowances and benefits in kind	**1,494,040**	1,380,000
Pension scheme contributions	**24,000**	24,000
	1,638,040	1,524,000

The remuneration of each of the directors fell within the band of nil to HK$1,000,000.

Two executive directors and an independent non-executive director of the Group received emoluments of HK$959,536 (2004: HK$872,000), HK$558,504 (2004: HK$532,000) and a fee of HK$120,000 (2004: HK$120,000), respectively, for the year ended 31 March 2005. There were no emoluments paid or payable to other non-executive directors of the Company during the year (2004: Nil).

There was no arrangement under which a director waived or agreed to waive any remuneration during the year. In addition, no emoluments were paid by the Group to the directors as an inducement to join, or upon joining the Group, or as a compensation for loss of office (2004: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2004: two) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining three (2004: three) non-director, highest paid employees are as follows:

	Group	
	2005	2004
	HK$	HK$
Basic salaries, allowances and benefits in kind	**910,000**	832,667
Pension scheme contributions	**34,900**	33,000
	944,900	865,667

The remuneration of each of the above three highest paid employees fell within the band HK$Nil to HK$1,000,000.

During the year, no emoluments were paid by the Group to any of the highest paid employees as an inducement to join or upon joining the Group, or as compensation for loss of office (2004: Nil).

There was no arrangement under which any of the five highest paid employees waived or agreed to waive any remuneration during the year (2004: Nil).

10. TAXATION

No provision for taxation has been made (2004: 17.5%) as the Group has an estimated loss for Hong Kong profits tax purposes in the current year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

10. TAXATION (continued)

(a) The amount of taxation in the consolidated income statement represents:

	2005 HK$	2004 HK$
The taxation comprises:		
Current year provision	–	11,000
(Over)/Under provision in prior years	(260)	11,564
Deferred taxation	(1,754,800)	153,000
Tax (credit)/charge for the year	(1,755,060)	175,564

The provision for the year can be reconciled from taxation based on the (loss)/profit on the consolidated income statement as follows:

	2005 HK$	2004 HK$
(Loss)/Profit before taxation	(9,700,621)	376,784
Tax at the domestic tax rate of 17.5% (2004: 17.5%)	(1,697,609)	65,937
Tax effect of non-deductible expenses	751	71,763
Tax effect of non-taxable revenue	(16,094)	(9,497)
Tax effect of unused tax losses not recognised	770	34,146
Tax effect on accelerated depreciation allowance	(587)	1,651
Recognition of deferred tax assets on prior years tax losses	(42,031)	–
(Over)/Under provision in prior years	(260)	11,564
Tax (credit)/charge for the year	(1,755,060)	175,564

(b) Details of deferred taxation of the Group are set out in note 18.

11. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

Net loss from ordinary activities attributable to shareholders for the year ended 31 March 2005 dealt with in the financial statements of the Company was HK$143,524 (2004: HK$194,233).

12. DIVIDENDS

No dividends have been paid or declared by the Company during the year (2004: Nil).

13. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the net loss from ordinary activities attributable to shareholders for the year of HK$7,945,561 (2004: net profit of HK$201,220) and on the weighted average number of 300,000,000 (2004: 300,000,000) ordinary shares of the Company in issue during the year.

Diluted (loss)/earnings per share is not presented as there are no diluting events during the year.

14. FIXED ASSETS

Group

	Leasehold improvements HK$	Furniture, fixtures and office equipment HK$	Motor vehicles HK$	Total HK$
Cost:				
At 1 April 2004	233,316	700,865	3,060,644	3,994,825
Additions	400,376	912,985	1,336,513	2,649,874
Disposals	–	–	(512,000)	(512,000)
At 31 March 2005	633,692	1,613,850	3,885,157	6,132,699
Accumulated depreciation:				
At 1 April 2004	233,316	268,928	1,477,031	1,979,275
Charge for the year	116,776	243,333	732,865	1,092,974
Eliminated on disposals	–	–	(512,000)	(512,000)
At 31 March 2005	350,092	512,261	1,697,896	2,560,249
Net book value:				
At 31 March 2005	283,600	1,101,589	2,187,261	3,572,450
At 31 March 2004	–	431,937	1,583,613	2,015,550

14. FIXED ASSETS (continued)

Included in the net book value of the Group's fixed assets as at 31 March 2005 are motor vehicles with net book value of HK$1,038,624 (2004: HK$885,045) held under finance leases. Motor vehicles with net book value of HK$716,969 were held under the name of third party through trust deeds.

15. INVESTMENTS IN SUBSIDIARIES AND AMOUNTS DUE FROM SUBSIDIARIES

	Company	
	2005	2004
	HK$	HK$
Unlisted shares, at cost	**6,554,062**	6,554,062
Amounts due from subsidiaries	**17,468,682**	17,660,639
	24,022,744	24,214,701

Amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Details of subsidiaries are as follows:

Name	**Place of incorporation and operations**	**Nominal of value of issued share capital**	**Percentage of equity attributable to the Company** Direct	Indirect	**Principal activities**
Precious Logistics Limited ("PLL")	British Virgin Islands	US$10,000 Ordinary	100	–	Investment holding
Marine Power Company Limited	Hong Kong	HK$100,000 Ordinary	–	100	Provision of logistics services
June (China Hong Kong) Transportation Company Limited	Hong Kong	HK$10,000 Ordinary	–	100	Provision of transportation services

16. ACCOUNTS RECEIVABLE

The Group's trading terms with its customers are on credit for which the credit period is generally up to 60 days (2004: 60 days), except for certain well-established customers having strong financial strength, good repayment history and creditworthiness, where the terms are extended beyond 60 days.

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

	Group	
	2005	2004
	HK$	HK$
Within 90 days	**7,014,263**	12,555,671
Between 91 and 180 days	**4,184,632**	200,697
Between 181 and 365 days	**115,589**	176,685
Over 365 days	**–**	329,464
	11,314,484	13,262,517

17. ACCOUNTS PAYABLE

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

	Group	
	2005	2004
	HK$	HK$
Within 90 days	**3,107,935**	1,262,286
Between 91 and 180 days	**876,200**	390
	3,984,135	1,262,676

18. DEFERRED TAXATION

(a) Deferred tax assets

	Company		Group	
	2005	2004	**2005**	2004
	HK$	HK$	**HK$**	HK$
Balance at the beginning of the year	**–**	–	**72,000**	–
Credited to income statement *(Note c)*	**81,000**	–	**1,940,800**	72,000
Balance at the end of the year	**81,000**	–	**2,012,800**	72,000
Amounts to be recovered after more than one year	**81,000**	–	**2,012,800**	72,000

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. As at 31 March 2005, the Group has unrecognised tax losses of HK$4,400 (2004: HK$411,418) to carry forward against future taxable income.

(b) Deferred tax liabilities

	Group	
	2005	2004
	HK$	HK$
Balance at the beginning of the year	**225,000**	–
Debited to income statement *(Note c)*	**186,000**	225,000
Balance at the end of the year	**411,000**	225,000
Amounts to be payable after more than one year	**411,000**	225,000

18. DEFERRED TAXATION (continued)

(c) Deferred taxation (credited)/charged to income statement is as follows:

	Company		Group	
	2005	2004	**2005**	2004
	HK$	HK$	**HK$**	HK$
Deferred tax assets *(Note a)*	**(81,000)**	–	**(1,940,800)**	(72,000)
Deferred tax liabilities *(Note b)*	**–**	–	**186,000**	225,000
Deferred taxation (credited)/ charged to income statement *(Note 10)*	**(81,000)**	–	**(1,754,800)**	153,000

19. BANKING FACILITIES

At 31 March, 2005, the Group has general banking facilities available of HK$12,000,000 (2004: HK$11,000,000). These facilities, provided to the subsidiary of the Company, are guaranteed by the Company and are secured under a condition such that deposits with the bank are maintained at not less than HK$10,000,000 (2004: HK$10,000,000).

20. FINANCE LEASE PAYABLES

During the year, the Group leased certain motor vehicles for its business operations. These leases are classified as finance leases and have remaining lease terms ranging between one and three years.

At 31 March 2005, the total future minimum lease payments under finance leases and their present values were as follows:

Group

	Minimum lease payments		Present value of minimum lease payments	
	2005	2004	**2005**	2004
	HK$	HK$	**HK$**	HK$
Amounts payable:				
Within one year	**168,368**	510,336	**166,457**	482,295
In the second year	**–**	114,448	**–**	112,873
Total minimum finance lease payments	**168,368**	624,784	**166,457**	595,168
Future finance charges	**(1,911)**	(29,616)		
Total net finance lease payables	**166,457**	595,168		
Portion classified as current liabilities	**(166,457)**	(482,294)		
Long term portion	**–**	112,874		

21. SHARE CAPITAL

	2005 HK$'000	2004 HK$'000
Authorised:		
10,000,000,000 ordinary shares of HK$0.01 each	**100,000**	100,000
Issued and fully paid:		
300,000,000 ordinary shares of HK$0.01 each	**3,000**	3,000

There have been no movements in share capital during the years ended 31 March 2004 and 31 March 2005.

22. SHARE OPTION SCHEME

Under the terms of the share option scheme (the "Scheme") adopted by the Company on 26 October 2002, the board of directors (the "Board") and a duly authorised committee (the "Committee") of the Company is authorised, at their absolute discretion, to invite any employees, directors, advisers, consultants, distributors, suppliers, agents, customers, business partners and service providers to or of any member of the Group, shareholders (including their directors and employees) of any member of the Group and such other persons whom the Board or the Committee considers to have contributed or will contribute to the Group to take up options to subscribe for shares of the Company. The purpose of the Scheme is to encourage its participants to contribute to the growth of the Group.

The Scheme became effective on 15 November 2002 and, unless otherwise cancelled or amended, remains in force for ten years from that date.

The maximum number of shares in respect of which options may be granted under the Scheme and any other share option scheme of the Company may not exceed 10% of the issued share capital of the Company, or may not exceed a maximum of 30% should the shareholders renew the 10% limit, from time to time which have been duly allotted and issued. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

22. SHARE OPTION SCHEME (continued)

Share options granted to a director, chief executive, substantial shareholder or management shareholders of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors (excluding any independent non-executive directors who are the prospective grantees in question). In addition, any share options granted to a substantial shareholder or any independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

An option may be exercised in accordance with the terms of the Scheme at any time during the option period after the option has been granted by the Board. The option period, during which an option may be exercised, is determined by the Board or the Committee, but may not be later than ten years after the date of the grant of the option. According to the Scheme, there is no provision requiring a minimum holding period before an option may be exercised. A nominal consideration of HK$1 is payable on acceptance of the grant of an option under the Scheme.

The exercise price will be determined by the Board or the Committee, but may not be less than the higher of (i) the closing price of the shares on the GEM of the Stock Exchange on the date of the options granted; (ii) the average of the closing prices of the shares on the GEM of the Stock Exchange for the five trading days immediately preceding the date of the options granted; and (iii) the nominal value of the shares.

No share options had been granted under the Scheme as at 31 March 2005 (2004: Nil) or up to the date of approval of these financial statements. As at the date of approval of these financial statements, 30,000,000 shares are available for issue under the Scheme, representing 10% of the issued share capital of the Company at that date.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

23. RESERVES

Movements of reserves of the Group and Company are set out under the statement of changes in equity.

The capital reserve of the Group represents (i) the difference between the aggregate nominal value of the share capital of the subsidiaries acquired by the Company and the nominal value of the share capital of the Company issued as consideration in exchange thereof pursuant to the group reorganisation in October 2002; and (ii) the premium arising from the issue of shares by PLL in settlement of the loans from the former shareholders of a subsidiary.

The capital reserve of the Company represents the excess of the then consolidated net assets of the subsidiaries acquired pursuant to the group reorganisation in October 2002 over the nominal value of the Company's shares issued in exchange thereof. Under the Companies Law of the Cayman Islands, the capital reserve may be distributable to the shareholders of the Company, provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

24. CONTINGENT LIABILITIES

At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	Company	
	2005	2004
	HK$	HK$
Guarantee provided to a subsidiary company for its utilised banking facilities at the balance sheet date	**11,060,268**	6,952,528

25. OPERATING LEASE COMMITMENTS

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 31 March 2005, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2005	2004
	HK$	HK$
Within one year	**642,000**	472,500
In the second to fifth years, inclusive	**43,105**	420,000
	685,105	892,500

26. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 22 June 2005.