



MP Logistics International Holdings Limited

MP 物流國際控股有限公司*

(incorporated in the Cayman Islands with limited liability)



2005 / 2006 First Quarterly Report

* For identification purposes only

Characteristics of the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board 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, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

FINANCIAL RESULTS

The board of directors (the "Board") of the Company announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the three months ended 30 June 2005 together with the comparative unaudited figures for the corresponding period in 2004 as follows:

	Notes	Three months ended	
		30 June	
		2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000
Turnover	2	24,657	18,270
Cost of sales		(22,994)	(15,545)
Gross profit		1,663	2,725
Other revenue		50	81
Selling and distribution costs		(473)	(548)
Administrative expenses		(2,788)	(2,161)
(Loss)/profit from operating activities		(1,548)	97
Finance costs		(24)	(96)
(Loss)/profit before tax		(1,572)	1
Tax	3	-	-
Net (loss)/profit from ordinary activities attributable to shareholders		(1,572)	1
(Loss)/earnings per share			
– Basic (cent)	4	(0.52)	-
– Diluted (cent)		N/A	N/A

Notes:

1. BASIS OF PRESENTATION

The accounts have been prepared under the historical cost convention and in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The accounting policies adopted are consistent with those set out in the annual financial statements for the year ended 31 March 2005.

In 2004, the HKICPA issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards (the "new HKFRSs") which are effective for accounting periods beginning on or after 1 January, 2005. The Group has adopted the new HKFRSs in the preparation of accounts for the period from 1 April 2005 onwards. The adoption of the new HKFRSs had no material impact on the Group's results of operations and financial position.

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

2. TURNOVER

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

	Three months ended	
	30 June	
	2005	2004
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Turnover		
Sea freight forwarding	18,850	9,372
Road freight forwarding	5,047	6,968
Air freight forwarding	366	1,589
Other related logistics services	394	341
	24,657	18,270

3. TAX

No provision for taxation has been made (three months ended 30 June, 2004: 17.5%) as the Group has an estimated loss for Hong Kong profits tax purposes in the current period.

No deferred tax had been provided for the Group because there were no significant temporary differences at the respective balance sheet dates.

4. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the unaudited net loss from ordinary activities attributable to shareholders for the three months ended 30 June 2005 of approximately HK\$1,572,000 (three months ended 30 June 2004: unaudited net profit of approximately HK\$1,000) and 300,000,000 shares in issue during the three months ended 30 June 2005 (three months ended 30 June 2004: 300,000,000 shares).

No diluted (loss)/earnings per share has been presented as no dilutive events existed during the three months ended 30 June 2005 and the corresponding period in 2004.

5. RESERVES

	Share premium account (Unaudited) <i>HK\$'000</i>	Capital reserve (Unaudited) <i>HK\$'000</i>	Retained profits/ (accumulated loss) (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
At 1 April 2004	14,946	3,867	3,676	22,489
Net profit for the period	–	–	1	1
At 30 June 2004	14,946	3,867	3,677	22,490
At 1 April 2005	14,946	3,867	(4,269)	14,544
Net loss for the period	–	–	(1,572)	(1,572)
At 30 June 2005	14,946	3,867	(5,841)	12,972

DIVIDEND

The Board does not recommend the payment of any dividend for the three months ended 30 June 2005 (three months ended 30 June 2004: Nil).

FINANCIAL REVIEW

During the three months ended 30 June 2005, the Group recorded a turnover of approximately HK\$24,657,000, an increase of approximately 35% compared to the corresponding period in previous year. The increase in turnover was attributed to the increase in services provided to new and existing customers. For the three months ended 30 June 2005, the income derived from logistics services relating to sea freight forwarding, road freight forwarding, air freight forwarding and other related logistics services represented approximately 76%, 20%, 2% and 2% respectively (three months ended 30 June 2004: approximately 51%, 38%, 9% and 2% respectively) of the Group's total turnover. Details of the breakdown of turnover are disclosed in note 2 to the section headed "Financial Results" of this report.

The gross profit of the Group decreased from approximately HK\$2,725,000 in the three months ended 30 June 2004 to approximately HK\$1,663,000 in the three months ended 30 June 2005 and gross profit margin decreased from approximately 15% in the corresponding period in previous year to approximately 7% in the current period due to increasing competitive and challenging business environment in the logistics industry.

Selling and distribution costs decreased by approximately 14% to approximately HK\$473,000 in the period under review, although turnover increased by approximately 35%, compared to approximately HK\$548,000 for the corresponding period in previous year due to costs control by the Group. The administrative expenses of the Group increased to approximately HK\$2,788,000, an increase of approximately 29% compared to approximately HK\$2,161,000 for the corresponding period in previous year. The increase was mainly attributed to increase in fee paid to an agent in the People's Republic of China (the "PRC") to support the Group's operations as a result of increased sales activities. During the three months ended 30 June 2005, the Group's net loss from ordinary activities attributable to shareholders amounted to approximately HK\$1,572,000 compared to net profit of approximately HK\$1,000 for the corresponding period in previous year. The decrease was mainly attributed to lower gross profit margin despite an increase in turnover.

OPERATION REVIEW

General

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

The progress of the Group's operations during the three months ended 30 June 2005 ("Review Period") were as follows:

Sales and marketing

The Group promoted and continued to promote its services through advertisements in shipping gazette and through direct marketing by holding meetings and by giving out brochures introducing the services of the Group to existing or potential customers.

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.

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.

PROSPECTS

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 the PRC's entry to the WTO.

The Board views that logistics services in the PRC are still in their infancy. There shall be considerable untapped opportunities in a period of extended market growth. In addition, 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 operational network, its operational facilities, its images and services and to acquire potential interest in a foreign invested enterprise in the PRC with the license to carry on business in international freight agency sector. The Group will also continue to implement costs control measures in order to place itself in a stronger position in a competition environment.

DIRECTORS' INTERESTS IN SHARES

As at 30 June 2005, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept by the Company under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors as referred to in Rule 5.46 of the GEM Listing Rules were as follows:

Director	Number of Shares				Total Interests
	Corporate Interests	Personal Interests	Family Interests	Other Interests	
Mr. Wong Kwong Kwok (Note)	223,000,000	-	-	-	223,000,000

Note: These shares are registered in the name of Best Method Investments Limited. Best Method Investments Limited is beneficially owned by Profound Wise International Limited, Accent On Investments Limited and Absolute Prime Investments Limited in the proportion of 40%, 30%, and 30% respectively. Profound Wise International Limited is owned by Mr. Wong Kwong Kwok and Mr. Yeung Leung Kong, the executive directors of the Company, in the proportion of 70% and 30% respectively. Accent On Investments Limited is 100% owned by Mr. Wong Kwong Kwok. Absolute Prime Investments Limited is 100% owned by Mr. Chan Chi Yin.

Save as disclosed above, as at 30 June 2005, none of the directors nor the chief executive of the Company had any other interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register kept by the Company under Section 352 of the SFO or otherwise required to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors as referred to in Rule 5.46 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 30 June 2005, other than a director of the Company as disclosed under the section headed "Directors' interests in shares" above, the interests and short positions of person, in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or substantial shareholders as recorded in the register of substantial shareholders required to be kept by the Company under Section 336 of the SFO were as follows:

Name	Number of shares held	Approximate percentage of shareholding in the Company
Best Method Investments Limited (Note)	223,000,000	74.33%

Note: The details are disclosed under the section headed "Directors' interests in shares" above.

Save as disclosed above, as at 30 June 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.

SHARE OPTION SCHEME

On 26 October 2002, the Company adopted the Share Option Scheme under which share options to subscribe for the shares of the Company may be granted under the terms and conditions stipulated therein. As at 30 June 2005, no share option was granted under the Share Option Scheme.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Apart from as disclosed under the paragraphs 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

Neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the three months ended 30 June 2005.

COMPETING OF INTERESTS

As at 30 June 2005, 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.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is in the process of reviewing its corporate governance practices and will report in its half-year financial announcement on the compliance of the Code on Corporate Governance Practices as set out in Appendix 15 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 in compliance with the GEM Listing Rules. The primary duties of the Committee are to review and provide supervision over the financial reporting process and internal control system of the Group. The Committee comprises the three independent non-executive directors of the Company, Mr. Wong Ah Chik, Ms. Leung Wai Ling, Wylie and Mr. Liu Feng. The unaudited consolidated results of the Group for the three months ended 30 June 2005 have been reviewed by the Committee, who were of the opinion that such statements complied with the applicable accounting standards, the Stock Exchange and legal requirements and that adequate disclosures had been made.

By order of the Board
MP Logistics International Holdings Limited
Wong Kwong Kwok
Chairman

Hong Kong, 10 August 2005

As at the date of this report, the executive directors are Mr. Wong Kwong Kwok and Mr. Yeung Leung Kong, and the independent non-executive directors are Mr. Wong Ah Chik, Ms. Leung Wai Ling, Wylie and Mr. Liu Feng.