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Wako Logistics Group, Inc.

OTC BB: WKOL

CURRENT PRICE: $3.00
52-WEEK RANGE: $0.35 - $3.50
AVERAGE DAILY VOLUME (50-DAY): 300
FLOAT: 0.5 million
OUTSTANDING SHARES: 25.4 million
MARKET CAPITALIZATION: $76.2 million

INITIATING COVERAGE

COMPANY PROFILE

Wako Logistics Group, Inc. (www.wakogroup.com), headquartered in Hong Kong, with operations in several worldwide locations, is a global non-asset based third-party logistics company providing integrated freight forwarding and supply chain management services concentrating on international trade between Asia, Australia, North America and Europe. Through its subsidiaries with offices in Hong Kong, eight locations on Mainland China, including three most important commercial centers of Beijing, Shanghai and Guangzhou, and hubs in Los Angeles, Chicago, Detroit and Houston, as well as on the southeastern Australian seaboard in Sydney, Melbourne and Brisbane, the Company coordinates the shipping and the storage of raw materials, supplies, components and finished goods for multi-national companies in a wide range of industries. Leveraging its quarter-century operating experience in international transportation, the Company focuses on air and ocean forwarding of large cargo shipments and provides a full-range of accompanying supply chain logistics services, including door-to-door ground transportation, warehousing, customs clearance, information management and other value-added logistics solutions. The Company's service capability is extended globally through a network of more than 150 agents in over 50 strategic cities worldwide, primarily in Europe, throughout the Middle East and on the Indian subcontinent. Following a series of acquisitions in 2005, the Company had over 200 full-time employees worldwide, mostly engaged in operations, and served more than 8,900 customers last year, generating revenues of $52,723,000 and net income of $592,000, or $0.03 per share. Trading on the OTC Bulletin Board since July 2005, the Company is emerging as a leading provider of international freight transportation and management services positioned to take advantage of China's enormous economic growth and its increasingly dominant role in the flourishing global trade.

SERVICES

The Company offers complete single-source flexible freight forwarding and logistics solutions for management of the client's entire supply chain, encompassing multi-modal transshipment of cargo by air, sea, river, rail and road, as well as a full range of inventory management, storage and distribution services. The Company contracts with commercial freight carriers on behalf of its customers to arrange smooth integrated shipments including local pick-up and direct delivery at the final destination. Products shipped by the Company include textiles and apparel, shoes, office and residential furniture, household appliances, such as refrigerators, freezers and microwave ovens and other electrical products, kitchenware, industrial machinery, computer and electronic equipment, such as DVD players, TV's and camcorders, printed materials, such as books and magazines, giftware, as well as specialty cargo, such as garments on hangers, refrigerated and perishable goods and hazardous materials. The Company also provides custom clearance and cargo insurance services. Finally, the Company offers warehousing solutions, which in addition to storage, consolidation and deconsolidation of shipments include value-added services such as packing, bar coding, price ticketing, quality control inspection and other preparation for efficient distribution, like placing garments on hangers.

STRATEGY

The Company conducts its business through several wholly-owned subsidiaries concentrated in the Australasian region and the U.S., areas of the most profuse international trading activity. Through Wako Express (HK) Co. Ltd. and Wako Air Express (HK) Co. Ltd., established in 1982 and 1989 respectively, the Company has a well-established domicile in Hong Kong, the world's preeminent transportation center, where demand for cargo space usually exceeds the supply, especially in peak season from August to November. Hong Kong, which functions as a Special Administrative Region of the People's Republic of China (PRC) since its return from under the British rule in 1997, maintained its stable legal framework and world-famous favorable tax environment for international trade. Pursuant to the introduction of the Closer Economic Partnership Agreement ("CEPA") between the PRC and Hong Kong in 2003 permitting Hong Kong entities to set up wholly-owned enterprises in the PRC, the Company has Class A License approvals to operate its freight forwarding and logistics business in Beijing, Shanghai and Guangzhou, three of China's key commercial centers, and has five additional pending applications for cities, where it currently operates under liaison office classification.

Building on the original core business of its two Hong Kong based subsidiaries and its foothold on the Chinese Mainland under Wako Express (China) Ltd acquired in February 2005, the Company expanded and gained greater control over its major Pacific trade lanes last year by acquiring three additional freight forwarders. In April 2005, the Company purchased Chicago based Kay O'Neill (USA) LLC, the U.S. division of a U.K. based logistics group Kay O'Neill Ltd., and subsequently opened new offices in Detroit and Houston, in August 2005 and February 2006, respectively. In October 2005, the Company acquired Asean Cargo Services Pty Ltd with offices in Sydney, Melbourne and Brisbane, as well as Asean Logistics, Inc. based in Los Angeles. The Company's service reach is extended to over fifty other cities worldwide through an independent network of over 150 sales and marketing agents, who generate extra additional business and coordinate fright activities on a non-exclusive basis, without the costs typically associated with the ownership and maintenance of corporate branch offices. The agency network strengthens the Company's position in its focus markets, especially in the U.S. where it covers approximately twenty extra cities, and provides additional access to trade activity in Europe and other countries of southeast Asia, including India and Japan, as well as selective locations in South America and Africa. In most cities, the Company is represented by multiple agents.

The Company's marketing and sales efforts are directed primarily to distribution, procurement and marketing managers of multi-national manufacturers, distributors and retailers, as well as other businesses with substantial requirements for the international transportation of cargo, including other freight forwarders and other shippers. As a non-asset based freight forwarder, the Company generates the majority of its revenues by reselling cargo capacity purchased in bulk from independent commercial carriers. Relying on the inverse relationship between shipment size and transportation rate charged by direct carriers, the Company is generally able to secure significantly more favorable prices than its clients could negotiate on their own. The diversity of cargo shipped further enhances the Company's ability to achieve economies of scale by adding flexibility in loading a perfect mix of light and heavy consumer goods, which ensures that both the weight and the cubic capacity is used to the maximum.

In an effort to continually improve the efficiency of its clients' supply chain management and gain a competitive advantage within the freight forwarding industry, the Company also focuses on complete one-stop transportation solutions with special emphasis on mass-customized value-added logistics services to fit the specific needs of its clients. By contracting with warehouse facilities near strategic points of shipment in the Australasian region, the Company has the capability to prepare shipments for direct retail distribution, a time and cost saving strategy utilized by both export and import clients. At the same time, the Company's value-added customs brokerage services are also significantly enhanced by its access to a container freight station, processing facility in a Free Trade Zone, customs approved facilities in Special Economic Zone and bonded import zones in various locations. During the year ended December 31, 2005, approximately 11% of the Company's revenues were derived from the arrangement of customs and other value-added services. Overall, providing these sought-after services improves customer satisfaction often leading to longer term contractual relations, in addition to immediate increase and diversification of revenue sources.

In addition to organic growth of its existing business, the Company is positioned to continue its aggressive acquisition strategy implemented and successfully integrated in 2005. Central to its goal of consistent high quality service in light of a continuing rapid global growth, all of the Company's operations are supported by a sophisticated logistics IT system developed by Eagle Datamation International Pty Ltd, an industry leading Australian software developer. The system consists of a freight forwarding operating module interfacing directly with customs agencies in various countries, online tracking and tracing capabilities and a complete automated warehouse management system with electronic bar code scanning for inventory control and packing functions, along with an integrated document processing, accounting and reporting package. As a member of the International Air Transport Association, Hong Kong Association of Freight Forwarding Agents Ltd and various local freight forwarding associations in countries of its focus and an associate member of the International Federation of Freight Forwarders Association, the Company also enjoys a favorable industry reputation that helps foster strong relationships with customers on one side and direct transportation carriers on the other.

LOGISTICS MARKETS AND GLOBAL TRADE

Driven by progressive globalization of production and commercial trade, the growing demand for logistics services is contributing to the development of a more flexible and cost-efficient international infrastructure that can effectively support a diversified global supply chain. Depending on the research source, total annual business expenditures devoted to logistics in the past decade were estimated to have ranged between $2.5 and $3.5 trillion worldwide, with the U.S. and the European Union accounting for up to $1 trillion each. As companies strived to minimize the overall cost of their supply chain, performing manufacturing and assembly operation in lowest cost locations, as well as optimizing inventory management towards just-in-time delivery of products and components, the need for logistic solutions expanded. With time, analogous to other non-core competencies, increasingly competitive global sourcing and distribution of goods and materials led to outsourcing of parts or all of the logistics functions to third party logistics providers – 3PLs, independent companies that design, implement and/or manage a client's supply chain logistics needs.

According to Armstrong & Associates, Inc., a leading logistics outsourcing consulting firm, total revenues for the U.S. 3PL market rose 16.1% to $103.7 billion in 2005. The international transportation management segment, which reached gross revenues of $38.2 billion in 2005, reflected continued growth in global product movements, particularly from China. Armstrong & Associates, Inc. expects the Chinese logistics industry to expand at a compound annual growth rate of 33% until 2007, as the practice gradually gains credibility and as more sophisticated logistics companies enter the Mainland market.

The current global macroeconomic climate clearly supports continued growth of freight forwarding and logistics services. WTO International Trade Statistics show that in 2004 world merchandise trade increased by 21% to $8.9 trillion, while trade in commercial services grew by 18% to $2.1 trillion, in nominal terms, accelerating with respect to an average growth rate of 9% since 2000 for both sectors. This trend is even more evident in China, which is quickly becoming a major global trading power. More than two decades of gradual liberalization of foreign trade by the Chinese government, marked by the country's accession to the WTO in 2001, spurred enviable macroeconomic growth and led to historic laissez-faire policies, such as the Foreign Trade Law last amended in July 2004, which now allows all types of enterprises and even individual citizens to conduct foreign trade. As a result, China's trade with the world reported by the PRC General Administration of Customs more than quadrupled between 1995 and 2004, from $280.9 billion to over $1.15 trillion, consistently realizing a surplus. Having surpassed Japan and ranking third in the world behind the U.S. and Germany, the total global trade in 2005 grew 23.2% and exceeded $1.42 trillion. Following the transition from British to Chinese authority in 1997, Hong Kong has remained one of the busiest commercial centers in the world and is one of the major beneficiaries of China's economic emergence. Hong Kong is not subject to the laws of Mainland China and under the Basic Law of Hong Kong, a mini-constitution codified prior to the return of Hong Kong to China, Hong Kong will continue to have, until 2047, the same political, economic, and legal system it enjoyed under the British administration. As an ideal regional hub with the shortest total distance to all other urban centers in East Asia, Hong Kong consistently ranks within a dozen of largest trading economies globally and has a reputation of the world's freest economy. The Hong Kong international airport leads the world in total cargo volume and its sea port ranks second globally in container traffic. Hong Kong Air Cargo Terminals Limited reported its air cargo throughput for 2005 grew 7.5% to a total of 2,432,759 tons, still leading the world by beating its own 2004 record. In the first six months of 2005, throughput at the Hong Kong port rose 1.3% to 10.74 million TEU, comparing to Singapore's 11.38 million TEU. Finally, as China's third largest trading partner and second export destination, Hong Kong plays a critical role in China's global commerce. According to China's Customs Statistics, bilateral trade between the Mainland and Hong Kong amounted to $136.7 billion, or 9.6% of the Mainland's total external trade in 2005, of which exports from the Chinese Mainland to Hong Kong grew to $124.5 billion. This unique relationship is supported by the Closer Economic Partnership Arrangement (CEPA) signed in 2003, which rescinded the restriction of foreign business ownership on the Mainland, eliminating the need for joint ventures with the Chinese, and gradually removes tariffs for import items of Hong Kong origin. For the first three months of 2006, the U.S. has been China's second largest trading partner with the trade volume reaching $55.62 billion, slightly trailing the European Union.

Meanwhile, in an attempt to partially alleviate intensifying foreign political pressure, the Chinese government in July 2005 revalued its currency, which was artificially pegged to a dollar at a rate of 8.28 for nearly a decade. Upon the decision by The People's Bank of China, the yuan, also called the renminbi, was appreciated by 2.1% to a rate of 8.11 to a dollar and tied to a basket of foreign currencies and allowed it to fluctuate within a narrow 0.3% band on a daily basis, resulting in further gradual appreciation to the current exchange rate of about 8.01. Although largely symbolic, the revaluation was well received among major US industry associations, and the President and Chief Executive Officer of the US Chamber of Commerce, Thomas Donahue, stated that "continued movement toward a fully flexible exchange rate will remove a major barrier to stronger US-China commercial and economic relations." As supply chain management becomes more complicated, we believe companies will increasingly seek full service solutions from a single or limited number of service providers that are familiar with the requirements, processes and procedures for serving customers that do business globally.

COMPETITION

The global freight forwarding industry is extremely competitive and highly fragmented, ranging from thousands of regional and local niche players to a number of large diversified international transportation and logistics companies with full-service wordwide capabilities. The Company's principal competitors include major private and public global companies from around the world with substantial Australoasian presence, such as Schenker AG and Stinnes AG, which are part of the Transportation and Logistics Division of German government owned Deutsche Bahn AG, Kuehne & Nagel, Inc., the U.S. based unit of freight forwarding and logistics giant Kuehne & Nagel International AG, Panalpina World Transport (Holding)

Ltd, a publicly traded company in Switzerland and DHL Logistics owned by DHL International GmbH, which is part of Deutche Post World Net Group traded publicly in Germany. Non-asset based international forwarders focusing on worldwide heavy cargo shipments trading on the U.S. capital markets include, such as UTi Worldwide, Inc. (NasdaqNM: UTIW), C.H. Robinson Worldwide, Inc. (NasdaqNM: CHRW), EGL, Inc. (NasdaqNM: EAGL) and Expeditors International of Washington, Inc. (NasdaqNM: EXPD). Smaller companies with global reach and complete logistics offerings publicly traded in the U.S., and hence most comparable, include Pacific CMA, Inc. (AMEX: PAM), Stonepath Group, Inc. (AMEX: STG), Janel World Trade Ltd (OTC BB: JLWT), Target Logistics, Inc. (OTC BB: TARG) and SembCorp Logistics Ltd (OTC Pink Sheets: SMBPF). The Company also competes with fully integrated asset based transportation providers such as CNF, Inc. (NYSE: CNF). Due to its focus on heavy cargo, the Company does not generally compete with the most popular global shipment carriers, such as FedEx Corporation or United Parcel Service, Inc., which focus on expedited delivery of smaller packages, but does encounter competition from associations of shippers organized to consolidate their members' shipments to obtain lower freight rates and Internet based freight exchanges.

MANAGEMENT

Christopher Wood, the Company's Chief Executive Officer and sole director is a seasoned logistics industry veteran with three decades of experience. Having co-founded Wako Express (HK) Co. Ltd. and Wako Air Express (HK) Co. Ltd., the Company's core subsidiaries, Mr. Wood has served as their Chief Executive Officer and director since July 1982 and February 1989, respectively, and has played a critical role in the Company's daily operations and business development since its formation. He also served as the Company's Chief Financial Officer until August 2005. Mr. Wood received a First Class Honours Bachelor of Science in Physics from Imperial College in June 1966, and a Doctor of Philosophy in Theoretical Physics from Balliol College, Oxford University in July 1969.

Phillip Forsyth, the Company's Chief Operating Officer also serves as the Chief Executive Officer of Wako Express (China) Ltd since February 2005. Prior to joining the Company, Mr. Forsyth was a General Manager for South China with Maersk Logistics from January 2001 to February 2005 and the Managing Director of World Connect Limited from June 1996 to December 31, 2000.

David Koontz, Chief Financial Officer, joined the Company in August 2005, immediately prior to which he served for over three years as the Chief Financial Officer and director of an AMEX listed company in the alternative energy sector. Previously in his career, Mr. Koontz served as Chief Financial officer and Director of Business Development of a large private garment manufacturer and retailer headquartered in Hong Kong and also provided consulting services to various entities, including companies in Hong Kong and China. Mr. Koontz began his career with Arthur Andersen & Co. and served as a partner in its offices in Los Angeles, Hong Kong, Singapore and Tokyo. He earned a CPA certificate granted by the state of California, and holds a Bachelors Degree in Business from California State University at Northridge.

Kelvin Tang, the Company's Secretary who is serving in this position since March 2005, has previously been the Finance and Accounts Manager of Wako Express (HK) Co. Ltd. and Wako Air Express (HK) Co. Ltd. from June 2004. Mr. Tang also has five years of experience working as an auditor for public accounting firms. Mr. Tang is a member of the Hong Kong Institute of Certified Public Accountants and Association of Chartered Certified Accountants. He has a Masters Degree in Corporate Finance from Hong Kong Polytechnics University.

FINANCIALS AND OUTLOOK

The Company's total revenue for the year ended December 31, 2005 reached $52.72 million, growing approximately 131% compared to $22.86 million in the same period of 2004. Approximately $2.07 million or 7% of the revenue increase was attributable to organic growth, representing an annual internal growth rate of approximately 9%. The Company's acquired business in China contributed $9.16 million, or 31%, of the increase in total revenues, acquisition of two U.S. based operations added $6.96 million, or 23%, and the Australian acquisition accounted for $11.67 million, or 39%. Revenues from operations related to sea freight services increased 195% and airfreight revenues rose 90%, resulting in a nearly equally divided respective mix of $25.81 million and $26.91 million.

The acquired operations also contributed to the Company's improved profitability, increasing the overall gross profit margins to 17.34% in 2005, from 15.29% in 2004, and generating additional earnings. With sea freight yielding 24% gross profit versus 11% for airfreight, the Company benefited from the service mix shift in favor of sea freight, elevating its overall gross profit margins to 17.34% in 2005, from 15.29% in 2004. For the year ended December 31, 2005, the Company's total net income increased 52% to $592,000, from approximately $389,000 in 2004, with both the air and sea segments contributing rapidly growing earnings.

The Company also has a strong balance sheet revealing ample liquidity for its operations and negligible long term liabilities. As of December 31, 2005, the Company had a net working capital of $2,366,000, resulting in a current ratio of over 1.2. In November 2005, the Company raised $928,080 in a private placement of common stock at $1.00 per share, with registration rights withheld for a period of two years. The Company's net worth at the end of 2005 was $7,951,000.

Having established a dedicated sales department last year and strengthened its agency network by signing approximately ten new agreements and eliminating non-performing agents, the Company is well positioned to experience further organic growth, possibly at an accelerated double-digit rate. Nevertheless, the most significant growth is expected to result from a continuing aggressive acquisition strategy. Per recent announcements, the Company's management anticipates the Company to generate revenues of up to $100 million in 2006. Provided the Company can limit corporate administrative costs incurred last year largely in relation to the integration of the acquisitions, realize further economies of scale and additional operating cost savings, and as a result improve its net margin from the current 1.1% level to 2-3%, the EPS in 2006 could possibly exceed $0.08 per share.

As such, the shares may present an excellent buying opportunity at current levels for speculative long-term investors willing to accept the high risks associated with emerging growth companies, such as the general lack of trading liquidity and share price volatility, potential dilution, certain foreign risks like foreign exchange fluctuations and other more particular in the case of doing business in China, including complex political system and continually evolving regulatory climate, as well as general business risks, such as intense competition within the global transportation industry and the potential for earnings disappointment.

Despite the Company's current high PE ratio, which presents considerable risk in near term decline in value, the Company's solid industry leading revenue growth trends in 2005, which are expected to approach triple-digit rates again in 2006, combined with a seasoned management team and growing critical business mass, should bode well for the Company's improved profitability and corresponding share valuation over the long term.

Alan Stone, Managing Director

OTC BB: WKOL

Having commenced public trading in July 2005 with relatively high initial volume, the Company's shares appreciated until December. With the trading volume diminishing, the stock traded in a range of $2.50 - $3.50, recently stabilizing at $3.00. Given very low float and low trading volumes, significant announcements of positive developments and intensified investor relations campaign could result in a further valuation increase.

Wako Logistics Group, Inc. OTC BB: WKOL

Comparative Public Companies Valuations

Market - Third Party Freight Forwarders

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Most Recent FYE - Source: SEC 10K Filings

SORTED BY MARKET CAPITALIZATION
(figures in thousands, except for precentages, stock prices and multiples)

Company	Ticker	FYE	Mkt Cap	4/25/06 Stock Price	Shares O/S	FYE Sales	Prior FYE Sales	Sales Growth	Net Income	Net Margin	Total Assets	Long Term Debt	Book Value	EPS	P/E	MUTLIPLES Mkt Cap/ Sales	Mkt Cap/ BV	Mkt Cap/ TA
WAKO LOGISTICS GROUP	**WKOL**	**Dec-05**	**76,170**	**3.00**	**25,390**	**52,720**	**22,860**	**131%**	**592**	**1.1%**	**19,075**	**0**	**7,951**	**0.03**	**100**	**1.4**	**9.6**	**4.0**
JANEL WORLD TRADE	JLWT	Sep-05	18,022	1.07	16,843	73,484	69,982	5%	430	0.6%	6,731	14	3,241	0.03	36	0.2	5.6	2.7
PACIFIC CMA	PAM	Nov-05	18,931	0.70	27,044	125,009	99,600	26%	(357)	-0.3%	36,559	3,505	12,499	(0.01)	NM	0.2	1.5	0.5
STONEPATH GROUP	STG	Nov-05	34,563	0.79	43,750	410,255	367,081	12%	(9,738)	-2.4%	135,282	1,137	36,500	(0.22)	NM	0.1	0.9	0.3
TARGET LOGISTICS	TARG	Jun-05	41,608	2.55	16,317	138,392	126,089	10%	1,561	1.1%	42,600	0	19,160	0.08	32	0.3	2.2	1.0
EGL	EAGL	Nov-05	1,880,711	46.89	40,109	3,096,516	2,741,392	13%	58,160	1.9%	1,089,241	214,555	321,728	1.23	38	0.6	5.8	1.7
UTi WORLDWIDE	UTIW	Dec-05	3,078,884	32.03	96,125	2,785,575	2,259,793	23%	88,424	3.2%	1,258,764	13,775	586,520	0.94	34	1.1	5.2	2.4
C.H. ROBINSON WORLDWIDE	CHRW	Dec-05	8,674,634	50.04	173,354	5,688,948	4,341,538	31%	203,358	3.6%	1,395,068	0	780,037	1.20	42	1.5	11.1	6.2
EXPEDITORS INT'L	EXPD	Dec-05	9,667,137	90.49	106,831	3,901,781	3,317,499	18%	218,634	5.6%	1,566,044	0	913,721	2.05	44	2.5	10.6	6.2
														AVERAGE	**38**	**0.8**	**5.4**	**2.6**

NM - NOT MEANINGFUL

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