



MP Logistics International Holdings Limited
MP 物 流 國 際 控 股 有 限 公 司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8239)



FIRST QUARTERLY REPORT
2006-2007

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 2006 together with the comparative unaudited figures for the corresponding period in 2005 as follows:

		Three months ended	
		30 June	
		2006	2005
		(Unaudited)	(Unaudited)
	<i>Note</i>	HK\$'000	HK\$'000
Turnover	2	9,058	24,657
Cost of sales		(8,324)	(22,994)
Gross profit		734	1,663
Other revenue		41	50
Selling and distribution costs		(424)	(473)
Administrative expenses		(2,447)	(2,788)
Loss from operating activities		(2,096)	(1,548)
Finance costs		(33)	(24)
Loss before income tax		(2,129)	(1,572)
Income tax	3	-	-
Net loss from ordinary activities attributable to shareholders		(2,129)	(1,572)
Loss per share			
– Basic (cent)	4	(0.71)	(0.52)
– Diluted (cent)		N/A	N/A

*Notes:***1. Basis of Preparation**

The unaudited consolidated results have been prepared in accordance with Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and with the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules.

The accounting policies and methods of computation adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2006.

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	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Turnover		
Sea freight forwarding	4,822	18,850
Road freight forwarding	3,952	5,047
Air freight forwarding	35	366
Other related logistics services	249	394
	9,058	24,657

3. Income tax

No provision for income tax has been made (three months ended 30 June 2005: Nil) 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 per share

The calculation of basic loss per share is based on the unaudited net loss from ordinary activities attributable to shareholders for the three months ended 30 June 2006 of approximately HK\$2,129,000 (three months ended 30 June 2005: approximately HK\$1,572,000) and 300,000,000 shares in issue during the three months ended 30 June 2006 (three months ended 30 June 2005: 300,000,000 shares).

No diluted loss per share has been presented as no dilutive events existed during the three months ended 30 June 2006 and the corresponding period in 2005.

5. Reserves

	Share premium (Unaudited) HK\$'000	Capital reserve (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
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
At 1 April 2006	14,946	3,867	(10,888)	7,925
Net loss for the period	–	–	(2,129)	(2,129)
At 30 June 2006	14,946	3,867	(13,017)	(5,796)

DIVIDEND

The Board does not recommend the payment of any dividend for the three months ended 30 June 2006 (three months ended 30 June 2005: Nil).

FINANCIAL REVIEW

During the three months ended 30 June 2006, the Group recorded a turnover of approximately HK\$9,058,000, a decrease of approximately 63% compared to the corresponding period in previous year. The decrease in turnover was due to lower pricing for services provided to new and existing customers owing to increased competition in the logistics industry and decrease in services provided to some existing customers as they adopted a change in their logistics flow of goods. For the three months ended 30 June 2006, the income derived from logistics services relating to sea freight forwarding, road freight forwarding, air freight forwarding and other related logistics services represented approximately 53.2%, 43.6%, 0.4% and 2.8% respectively (three months ended 30 June 2005: approximately 76.4%, 20.5%, 1.5% and 1.6% 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\$1,663,000 in the three months ended 30 June 2005 to approximately HK\$734,000 in the three months ended 30 June 2006 due to decrease in turnover. However, gross profit margin increased from approximately 7% in the corresponding period in previous year to approximately 8% in the current period as the Group had negotiated a more competitive fee with its services providers.

Selling and distribution costs compared to corresponding period in previous year decreased by approximately 10% from approximately HK\$473,000 to approximately HK\$424,000 in the period under review due to decrease in turnover. The administrative expenses of the Group decreased to approximately HK\$2,447,000, a decrease of approximately 12% compared to approximately HK\$2,788,000 for the corresponding period in previous year. The decrease was mainly attributed to decrease in rent, rates and building management fee as the Group had relocated to a smaller office after the expiry of the previous tenancy agreement and decrease in staff cost due to reduction in staff number. During the three months ended 30 June 2006, the Group's net loss from ordinary activities attributable to shareholders amounted to approximately HK\$2,129,000 (three months ended 30 June 2005: approximately HK\$1,572,000). The unfavorable result was mainly attributed to a substantial decrease in turnover and gross profit.

BUSINESS REVIEW AND PROSPECTS

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.

During the three months ended 30 June 2006, the Group recorded a substantial decline in turnover as compared to the corresponding period in previous year as some customers adopted changes in their logistics flow of goods, which has resulted in the discontinuance of the use of the Group's services. The Group is working on various measures to increase its customer base, the prices charged for its services by introducing some value added services to its customers and to negotiate a more competitive fee with its services providers. The Group is also looking at suitable business opportunities to strengthen its revenue base, while at the same time, the Group is looking at ways to minimize its costs.

The Group is cautious of its prospects as competition in the logistics industry is high. However, with the continued commitment from the Hong Kong Government in enhancing and strengthening Hong Kong's role as a logistics hub and with the opening of the Shenzhen Western Corridor which links Hong Kong and Shenzhen together and the planning of the Hong Kong-Zhuhai-Macau Bridge, the Group believes that opportunities for the logistics industry, hence that of the Group will increase. The Group also expects the trade volume in the People's Republic of China (the "PRC") with the world to continue to increase following the PRC's entry to the World Trade Organisation (WTO). At the same time, the Group is also exploring other business opportunities to expand its revenue base and maximize shareholders returns.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 30 June 2006, none of the directors and chief executives of the Company had any interests or short positions in any shares, underlying shares or 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 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 Rules 5.48 to 5.67 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 30 June 2006, the interests and short positions of persons, other than the directors or chief executives of the Company, 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 are, 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 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 (<i>Note 1</i>)	223,000,000	74.33%
Richance Limited (<i>Note 2</i>)	123,000,000	41.00%

Notes: 1. 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, an ex-director of the Company, and Mr. Yeung Leung Kong, the executive director of the Company, in the proportion of 70% and 30% respectively. Accent On Investments Limited is 100% owned by Mr. Wong Kwong Kwok, an ex-director of the Company. Absolute Prime Investments Limited is 100% owned by Mr. Chan Chi Yin.

2. On 23 January 2006, 123,000,000 of 223,000,000 shares of the Company held by Best Method Investments Limited were pledged in favour of Richance Limited, a company incorporated in the British Virgin Islands and accordingly, Richance Limited had a security interest in these 123,000,000 shares.

Save as disclosed above, as at 30 June 2006, the directors or chief executives of the Company were not aware of any other person (other than the directors or chief executives 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 2006, no share option was granted under the Share Option Scheme.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Apart from as disclosed under the paragraphs headed "Directors' and chief executives' 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 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.

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 2006.

COMPETITION AND CONFLICT OF INTERESTS

As at 30 June 2006, 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) has engaged in any business that competes or may compete with the business of the Group, or has any other conflict of interests with the Group.

CODE ON CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the code of conduct for securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "Code"). Having made specific enquiry of all directors, the Company was not aware of any non-compliance with the required standard set out in the Code.

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, namely, Mr. Wong Ah Chik, Ms. Leung Wai Ling, Wylie and Mr. Liu Feng, all are independent non-executive directors of the Company. The unaudited consolidated results of the Group for the three months ended 30 June 2006 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.

By order of the Board
MP Logistics International Holdings Limited
Yeung Leung Kong
Chairman

Hong Kong, 11 August 2006

As at the date of this report, the Company's executive director is Mr. Yeung Leung Kong, the Company's non-executive director is Mr. Ong Chor Wei and the Company's independent non-executive directors are Mr. Wong Ah Chik, Ms. Leung Wai Ling, Wylie and Mr. Liu Feng.