



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)



**INTERIM 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 of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

RESULTS

The board of directors (the “Board”) of the Company herein presents the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months and six months ended 30 September 2006 together with the comparative unaudited figures for the corresponding periods in 2005 as follows:

	Notes	Six months ended 30 September		Three months ended 30 September	
		2006 (unaudited) HK\$'000	2005 (unaudited) HK\$'000	2006 (unaudited) HK\$'000	2005 (unaudited) HK\$'000
TURNOVER	2	18,567	43,399	9,509	18,742
Cost of sales		(17,083)	(40,334)	(8,759)	(17,340)
Gross profit		1,484	3,065	750	1,402
Other revenue		144	96	103	46
Selling and distribution costs		(708)	(898)	(284)	(425)
Administrative expenses		(5,067)	(5,933)	(2,620)	(3,145)
LOSS FROM OPERATING ACTIVITIES		(4,147)	(3,670)	(2,051)	(2,122)
Finance costs		(63)	(55)	(30)	(31)
LOSS BEFORE INCOME TAX	3	(4,210)	(3,725)	(2,081)	(2,153)
Income tax	4	(3,149)	–	(3,149)	–
NET LOSS ATTRIBUTABLE TO SHAREHOLDERS		(7,359)	(3,725)	(5,230)	(2,153)
LOSS PER SHARE	5				
Basic		HK(2.45) cent	HK(1.24) cent	HK(1.74) cent	HK(0.72) cent
Diluted		N/A	N/A	N/A	N/A

2006/2007 Interim Report

CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	As at 30 September 2006 (Unaudited) HK\$'000	As at 31 March 2006 (Audited) HK\$'000
NON-CURRENT ASSETS			
Fixed assets		1,988	2,762
Deferred tax assets		180	3,329
		2,168	6,091
CURRENT ASSETS			
Accounts receivable	6	5,166	6,841
Prepayments, deposits and other receivables		5,366	5,040
Cash and bank balances		953	1,455
		11,485	13,336
CURRENT LIABILITIES			
Accounts payable	7	2,316	2,098
Accrued expenses and other payables		6,133	4,409
Current portion of finance lease payables		370	727
		8,819	7,234
NET CURRENT ASSETS		2,666	6,102
TOTAL ASSETS LESS CURRENT LIABILITIES		4,834	12,193
NON-CURRENT LIABILITIES			
Finance lease payables		1,004	1,004
Deferred tax liabilities		264	264
		1,268	1,268
NET ASSETS		3,566	10,925
FINANCED BY			
Share capital		3,000	3,000
Reserves		566	7,925
TOTAL EQUITY		3,566	10,925

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 September 2006 (Unaudited) HK\$'000	Six months ended 30 September 2005 (Unaudited) HK\$'000
Net cash (used in)/generated from operating activities	(126)	801
Net cash (used in)/generated from investing activities	(19)	147
Net cash (used in)/generated from financing activities	(357)	714
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(502)	1,662
Cash and cash equivalents at beginning of period	1,455	(611)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	953	1,051
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	953	1,051

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Capital reserve (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1 April 2005	3,000	14,946	3,867	(4,269)	17,544
Net loss for the period	-	-	-	(3,725)	(3,725)
At 30 September 2005	3,000	14,946	3,867	(7,994)	13,819
At 1 April 2006	3,000	14,946	3,867	(10,888)	10,925
Net loss for the period	-	-	-	(7,359)	(7,359)
At 30 September 2006	3,000	14,946	3,867	(18,247)	3,566

*Notes:***1. BASIS OF PREPARATION**

The accounts have been prepared under the historical cost convention and in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and the GEM Listing Rules. The accounting policies adopted are consistent with those set out in the annual financial statements for the year ended 31 March 2006.

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

The condensed consolidated interim financial statements have not been audited by the Company's auditors, but have been reviewed by the Company's audit committee.

2. TURNOVER AND SEGMENT INFORMATION

Turnover represents the invoiced value of logistics services provided.

The logistics services provided by the Group consists of co-ordinating various logistics services in the following areas:

- (i) Sea freight forwarding;
- (ii) Road freight forwarding;
- (iii) Air freight forwarding; and
- (iv) Other related logistics services such as customs declaration and clearance, purchasing insurance policies on behalf of the customers, repackaging and storage.

An analysis of the Group's turnover derived from various logistics services during the six months ended 30 September 2006 and 2005 is as follows:

	Six months ended	
	30 September	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Turnover		
Sea freight forwarding	8,769	31,646
Road freight forwarding	9,121	10,427
Air freight forwarding	212	523
Other related logistics services	465	803
	18,567	43,399

(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.

All the Group's services are rendered in Hong Kong, therefore no further geographical analysis of revenue or results is presented.

(b) Business segments

Further information has not been disclosed in respect of the Group's business segments as the Group is solely engaged in the provision of logistics services.

3. LOSS BEFORE INCOME TAX

The Group's loss before income tax is arrived at after (crediting)/charging:

	Six months ended 30 September		Three months ended 30 September	
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Interest income	-	(1)	-	-
Interest on bank overdrafts repayable on demand	-	11	-	-
Interest on finance leases	63	44	30	30
Depreciation	514	616	257	318

4. INCOME TAX

The amount of income tax in the consolidated results of the Group represents:

	Six months ended 30 September		Three months ended 30 September	
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Hong Kong profits tax for the period	-	-	-	-
Deferred tax:				
Reversal of deferred tax assets	(3,149)	-	(3,149)	-
Tax charge for the period	(3,149)	-	(3,149)	-

2006/2007 Interim Report

No provision for income tax has been made (three months and six months ended 30 September 2005: Nil) as the Group has an estimated loss for Hong Kong profits tax purposes during the three months and six months ended 30 September 2006.

The Group has reviewed the carrying amount of deferred tax assets at 30 September 2006 and reduced the carrying amount of deferred tax assets of approximately HK\$3.1 million of a subsidiary in respect of tax loss in view of the unpredictable future profit stream.

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

5. LOSS PER SHARE

The calculations of basic loss per share for the three months and six months ended 30 September 2006 are based on the unaudited net loss attributable to shareholders for the three months and six months ended 30 September 2006 of approximately HK\$5,230,000 and HK\$7,359,000 respectively (three months and six months ended 30 September 2005: approximately HK\$2,153,000 and HK\$3,725,000 respectively) and 300,000,000 shares in issue during the three months and six months ended 30 September 2006 (three months and six months ended 30 September 2005: 300,000,000 shares).

No diluted loss per share has been presented as no dilutive events existed during the three months and six months ended 30 September 2006 and 2005.

6. ACCOUNTS RECEIVABLE

The Group's trading terms with its customers are on credit for which the credit period is generally up to 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:

	30 September 2006 (Unaudited) HK\$'000	31 March 2006 (Audited) HK\$'000
Within 90 days	4,956	5,421
Between 91 and 180 days	210	1,400
Between 181 and 365 days	–	20
	5,166	6,841

7. ACCOUNTS PAYABLE

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

	30 September 2006 (Unaudited) HK\$'000	31 March 2006 (Audited) HK\$'000
Within 90 days	2,314	2,098
Between 91 and 180 days	–	–
Between 181 and 365 days	2	–
	2,316	2,098

8. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2006 (six months ended 30 September 2005: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

General

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

FINANCIAL REVIEW

Results

During the six months ended 30 September 2006, the Group recorded a turnover of approximately HK\$18.6 million (six months ended 30 September 2005: approximately HK\$43.4 million), a decrease of approximately 57% compared to the corresponding period in previous year. The decrease in turnover was attributed to the decrease in number of existing customers due to increasing competition in the logistics industry. During the period under review, income derived from logistics services relating to sea freight forwarding, road freight forwarding, air freight forwarding and other related logistics services represented approximately 47%, 49%, 1% and 3% respectively of the Group's total turnover (six months ended 30 September 2005: approximately 73%, 24%, 1% and 2% respectively).

The Group's gross profit decreased by approximately 52% from approximately HK\$3.1 million for the six months ended 30 September 2005 to approximately HK\$1.5 million for the current period due to decrease in turnover. Net loss attributable to shareholders for the six months ended 30 September 2006 amounted to approximately HK\$7.4 million (six months ended 30 September 2005: approximately HK\$3.7 million). The increase in net loss compared to the corresponding period in previous year was mainly attributed to decrease in turnover and gross profit and the charge of deferred tax of approximately HK\$3.1 million. The deferred tax was charged by reversing some of the deferred tax assets as the Group is of the opinion that the deferred tax assets may not be utilised in view of the continuing loss making position. Gross profit margin increased from approximately 7% in the six months ended 30 September 2005 to approximately 8% in the six months ended 30 September 2006 as the Group had negotiated a more competitive fee with its services providers.

During the six months ended 30 September 2006, selling and distribution costs decreased by approximately 22% to approximately HK\$0.7 million compared to approximately HK\$0.9 million for the corresponding period in previous year due to the decrease in entertainment expenses and business travel expenses as the Group executed stricter costs control. Administrative expenses decreased by approximately 14% to approximately HK\$5.1 million compared to approximately HK\$5.9 million 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 expiry of the previous tenancy agreement.

Liquidity, financial resources and capital structure

The shares of the Company have been listed on GEM since 15 November 2002. The Group financed its operations primarily with internally generated cash flows. The Group adheres to a prudent financial management policy.

As at 30 September 2006, the Group had net current assets of approximately HK\$2.7 million (31 March 2006: approximately HK\$6.1 million) including cash and bank balances of approximately HK\$1.0 million. The Group had no bank overdraft as at 30 September 2006. As at 31 March 2006, the Group had cash and bank balances of approximately HK\$1.5 million and no bank overdraft.

The Group had no overdraft facilities and bank borrowings as at 31 March 2006 and 30 September 2006. As at 30 September 2006, the Group had obligations under finance leases of approximately HK\$1.4 million (31 March 2006: approximately HK\$1.7 million), of which approximately HK\$0.4 million was repayable within one year (31 March 2006: approximately HK\$0.7 million) and approximately HK\$1.0 million was repayable beyond one year but within five years (31 March 2006: approximately HK\$1.0 million). The debt ratio (defined as total liabilities over total assets) of the Group as at 30 September 2006 was approximately 0.74 (31 March 2006: approximately 0.44).

The functional currencies of the Group's operations are HK Dollars and Renminbi, hence the Board considers that the exchange rate risk of the Group is minimal. No hedging or other arrangements to reduce the currency risk have been implemented.

Significant investment

During the period under review, there was no significant investment held by the Group (31 March 2006: Nil).

Material acquisition or disposal of subsidiaries and affiliated companies

During the six months ended 30 September 2006, there were no material acquisitions or disposals of subsidiaries and affiliated companies.

Operating lease arrangements

The Group leases its office premises and an employee's quarters under operating lease arrangements, with leases negotiated for terms ranging from one to two years.

At 30 September 2006, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 30 September 2006 (Unaudited) HK\$'000	As at 31 March 2006 (Audited) HK\$'000
Within one year	346	552
In the second to fifth years, inclusive	101	317
	447	869

Contingent liabilities

On 13 April 2006, a customer filed a writ of summon against Marine Power Company Limited, a wholly owned subsidiary of the Group as the second defendant, to recover the cargo of goods. According to the documentation filed to the court, the potential claim for failing to recover the cargo of goods amounts to approximately HK\$580,000. No provision has been made in the accounts as the case is still under negotiation with the lawyer for the plaintiff.

The Group had no other material contingent liabilities as at 30 September 2006 (31 March 2006: Nil).

Treasury policies

The Group adopts a conservative approach towards its treasury policies. The Group strives to reduce exposure to credit risk by performing ongoing credit evaluations of the financial conditions of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

Segment information

Segment information is presented in respect of the Group's geographical segments. In determining the Group's geographical segments, revenue 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. All the Group's services are rendered in Hong Kong, therefore no further geographical analysis of revenue or results is presented.

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

Details of the segment information is presented in note 2 to the section headed "Results" of this report.

New services

The Group did not introduce new services during the six months ended 30 September 2006.

Future plans for material investments or capital assets

As at 30 September 2006, the Group did not have any plan for material investment or capital assets. Nevertheless, the Group is constantly looking for opportunities for investment or capital assets to enhance shareholders' value.

Employees and remuneration policies

As at 30 September 2006, the Group had 12 (31 March 2006: 18) employees. Total staff costs were approximately HK\$1.4 million for the six months ended 30 September 2006. Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. Year-end bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include contributions to statutory mandatory provident fund scheme to its employees in Hong Kong. To date, no share options have been granted to employees.

BUSINESS REVIEW AND PROSPECTS

During the six months ended 30 September 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 intense. However, with the continued commitment from the Hong Kong Government in enhancing and strengthening Hong Kong's role as a logistics hub, 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 exploring other business opportunities to expand its revenue base and maximize shareholders returns.

On 22 September 2006, the Company and Tolmen Star Limited (“Tolmen Star”) entered into a conditional subscription agreement (the “Subscription Agreement”) whereby, Tolmen Star has agreed to subscribe for and the Company has agreed to allot and issue 1,200,000,000 new shares in the Company, representing 80% of the issued share capital of the Company as enlarged by the allotment and issue of such shares, at an issue price of HK\$0.01 per share. The total consideration payable by Tolmen Star for the subscription of the new shares amounts to HK\$12,000,000 which will be payable in cash upon completion of the Subscription Agreement. Completion of the Subscription Agreement is conditional upon, among other things, the approval of the Subscription Agreement and the transactions contemplated thereunder by the independent shareholders of the Company at an extraordinary general meeting to be held and convened for such purpose. Subject to and upon completion of the Subscription Agreement, Tolmen Star will be required under Rule 26.1 of the Hong Kong Code on Takeovers and Mergers to make a mandatory unconditional cash offer (the “Offer”) for all the issued shares (other than those shares already owned or agreed to be acquired by it and parties acting in concert with it) at the offer price of HK\$0.01 per share. Shareholders and potential investors should note that the Offer is a possibility only and Tolmen Star is not obliged to make the Offer if the Subscription Agreement is not completed for whatever reason. For further details of the Subscription Agreement and the Offer and Tolmen Star’s intentions regarding the Group, please refer to the announcement dated 10 October 2006 (the “Joint Announcement”) issued jointly by the Company and Tolmen Star. Shareholders are advised not to take any action in connection with the Subscription Agreement and, if the Subscription Agreement is completed, the Offer until they have received the advices from the independent committee of the board of Directors, which will respectively be contained in a circular in relation to the Subscription Agreement and the composite offer document in relation to the Offer. The Company will make further announcement regarding the completion status of the Subscription Agreement and the commencement of the Offer as and when appropriate.

DIRECTORS’ AND CHIEF EXECUTIVES’ INTERESTS IN SHARES

As at 30 September 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 September 2006, the interests and short positions of persons, other than the directors or chief executive 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:

Long position in shares and underlying shares

Name	Capacity of interest	Number of shares	Number of underlying shares	Approximate percentage of existing issued share capital of the Company (Note 4)
Best Method Investments Limited ("Best Method") (Note 1)	Beneficial owner	223,000,000	–	74.33%
Mr. Wong Kwong Kwok (Note 1)	Interest of controlled corporation	223,000,000	–	74.33%
Richance Limited ("Richance") (Note 1)	Person having a security interest in shares	123,000,000	–	41.00%
Tolmen Star (Note 2)	Beneficial owner	–	1,200,000,000	400%
Mr. Guo Xu (Note 2)	Interest of controlled corporation	–	1,200,000,000	400%
Ms. Zhou Ya Ping (Note 2)	Interest of spouse	–	1,200,000,000	400%
Kingston Securities Limited ("Kingston Securities") (Note 3)	Interest of underwriter	–	375,000,000	125%
Ms. Chu Yuet Wah (Note 3)	Interest of controlled corporation	–	375,000,000	125%
Ms. Ma Siu Fong (Note 3)	Interest of controlled corporation	–	375,000,000	125%

Notes:

1. Best Method is beneficially owned as to (i) 40% by Profound Wise International Limited, which is in turn beneficially owned as to 70% by Mr. Wong Kwong Kwok and as to 30% by Mr. Yeung Leung Kong, (ii) 30% by Accent On Investments Limited, which is in turn wholly owned by Mr. Wong Kwong Kwok, and (iii) 30% by Absolute Prime Investments Limited, which is in turn wholly owned by Mr. Chan Chi Yin. Accordingly, Mr. Wong Kwong Kwok is deemed to be interested in the 223,000,000 shares in which Best Method is interested.

123,000,000 shares held by Best Method were pledged to Richance and accordingly, Richance is deemed to have a security interest in these shares.

As disclosed in the Joint Announcement, 100,000,000 shares held by Best Method were also pledged to a PRC financial institution. However, as at 30 September 2006 and up to the date of this report, the Company had not received any notification from any third party claiming to have a security interest in these 100,000,000 shares and accordingly, the identity of such PRC financial institution has not been disclosed herein.

2. These underlying shares represent the maximum number of shares to be issued by the Company to Tolmen Star or its nominee pursuant to the subscription agreement dated 22 September 2006 made between, among others, the Company and Tolmen Star.

Tolmen Star is wholly owned by Mr. Guo Xu who is the spouse of Ms. Zhou Ya Ping. Accordingly, each of Mr. Guo Xu and Ms. Zhou Ya Ping is deemed to be interested in the 1,200,000,000 shares in which Tolmen Star is interested.

3. These underlying shares form part of the 1,200,000,000 shares to be issued by the Company to Tolmen Star as mentioned in note 2 above and represent the maximum number of shares to be placed, on a fully underwritten basis, by Kingston Securities in its capacity as the placing agent of Tolmen Star to no less than six independent investors pursuant to the placing agreement dated 26 September 2006 made between Kingston Securities and Tolmen Star. Kingston Securities is beneficially owned as to 51% by Ms. Chu Yuet Wah and as to 49% by Ms. Ma Siu Fong. Accordingly, each of Ms. Chu Yuet Wah and Ms. Ma Siu Fong is deemed to be interested in the 375,000,000 shares in which Kingston Securities is interested.
4. The shareholding percentage of certain parties exceeds 100% given that the issued share capital of the Company as at 30 September 2006 is significantly less than the issued share capital of the Company upon completion of the subscription agreement as mentioned in note 2 above.

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 September 2006, no share option was granted under the Share Option Scheme.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Apart from as disclosed under the sections 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 had purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 September 2006.

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.

CODE OF 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 as set out in the Code.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the required code provisions set out in the Code on Corporate Governance Practices contained in Appendix 15 to the GEM Listing Rules for the six months ended 30 September 2006, except that the roles of chairman and managing director (equivalent to the position of chief executive director) are performed by Mr. Yeung Leung Kong. The Company is aware of the requirement of a clear division of responsibilities for these two roles and is actively seeking a suitable candidate to take up the role of the Chairman from Mr. Yeung Leung Kong to ensure that power is not concentrated on any one individual.

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 five members, namely, Mr. Wong Ah Chik, Ms. Leung Wai Ling, Wylie, Mr. Liu Feng, Mr. Wong Ming, Kerry and Mr. Hsu Shiu Foo, William, all of whom are independent non-executive directors of the Company. The unaudited consolidated results of the Group for the six months ended 30 September 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 disclosure have been made.

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

Hong Kong, 25 October 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, Mr. Liu Feng, Mr. Wong Ming, Kerry and Mr. Hsu Shiu Foo, William.