

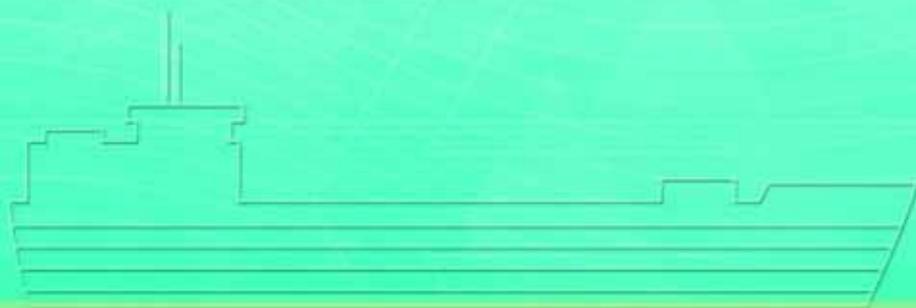


MP Logistics International Holdings Limited

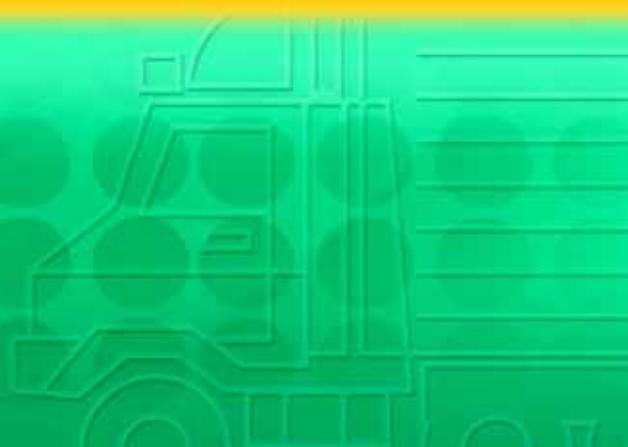
MP 物流國際控股有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8239)



FIRST QUARTERLY REPORT 2007-2008



* 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 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.

FINANCIAL RESULTS

The board of directors (the "Board") of MP Logistics International Holdings Limited (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the three months ended 30 June 2007 together with the comparative unaudited figures for the corresponding period in 2006 as follows:

	Note	Three months ended 30 June	
		2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Turnover	3	5,124	9,058
Cost of sales		(4,023)	(8,324)
Gross profit		1,101	734
Other income		339	41
Selling and distribution costs		(264)	(424)
Administrative expenses		(3,089)	(2,447)
LOSS FROM OPERATING ACTIVITIES		(1,913)	(2,096)
Finance costs		(29)	(33)
LOSS BEFORE INCOME TAX		(1,942)	(2,129)
Income tax	4	–	–
Net loss attributable to equity holders of the Company		(1,942)	(2,129)
LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
– Basic (cent)	5	(0.12)	(0.71)
– Diluted (cent)		N/A	N/A

Notes:

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 12 June 2002 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-111, Cayman Island.

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

2. 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 2007.

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

3. TURNOVER

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

	Three months ended 30 June	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Turnover		
Sea freight forwarding	1,786	4,822
Road freight forwarding	3,221	3,952
Air freight forwarding	—	35
Other related logistics services	117	249
	5,124	9,058

4. INCOME TAX

No provision for income tax has been made (three months ended 30 June 2006: 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.

5. LOSS PER SHARE

The calculation of basic loss per share is based on the unaudited net loss attributable to equity holders of the Company for the three months ended 30 June 2007 of approximately HK\$1,942,000 (three months ended 30 June 2006: approximately HK\$2,129,000) and 1,559,340,659 shares in issue during the three months ended 30 June 2007 (three months ended 30 June 2006: 300,000,000 shares).

No diluted loss per share has been presented as no dilutive events existed during the three months ended 30 June 2007 and the corresponding period in 2006.

6. UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 30 June 2007

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at 1 April 2006	3,000	14,946	3,867	(10,888)	10,925
Net loss for the period	–	–	–	(2,129)	(2,129)
Issue of new shares	12,000	–	–	–	12,000
At 30 June 2006	15,000	14,946	3,867	(13,017)	20,796
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at 1 April 2007	15,000	14,946	3,867	(21,388)	12,425
Net Loss for the period	–	–	–	(1,942)	(1,942)
Issue of new shares	3,000	90,300	–	–	93,300
Issuing Cost	–	(2,925)	–	–	(2,925)
At 30 June 2007	18,000	102,321	3,867	(23,330)	100,858

DIVIDEND

The Board does not recommend the payment of any dividend for the three months ended 30 June 2007 (three months ended 30 June 2006: Nil).

FINANCIAL REVIEW

During the three months ended 30 June 2007, the Group recorded a turnover of approximately HK\$5,124,000, a decrease of approximately 43.4% 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 2007, the income derived from logistics services relating to sea freight forwarding, road freight forwarding, air freight forwarding and other related logistics services represented approximately 34.9%, 62.9%, 0% and 2.2% respectively (three months ended 30 June 2006: approximately 53.2%, 43.6%, 0.4% and 2.8% 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 increased from approximately HK\$734,000 in the three months ended 30 June 2006 to approximately HK\$1,101,000 in the three months ended 30 June 2007 due to the change of the income mix and efficient cost control. Gross profit margin increased from approximately 8.1% in the corresponding period in previous year to approximately 21.5% in the current period as the Group had negotiated a more competitive fee with its services providers as well as change of the income mix.

Selling and distribution costs compared to corresponding period in previous year decreased by approximately 37.7% from approximately HK\$424,000 to approximately HK\$264,000 in the period under review due to decrease in turnover. The administrative expenses of the Group increased to approximately HK\$3,089,000, a increase of approximately 26.2% compared to approximately HK\$2,447,000 for the corresponding period in previous year. The increase was mainly attributed to increase in rent, rates and building management fee as the Group had relocated its head and principal place of business to a new office and increase in staff cost due to increase in staff number. During the three months ended 30 June 2007, the Group's net loss attributable to equity holders of the Company amounted to approximately HK\$1,942,000 (three months ended 30 June 2006: approximately HK\$2,129,000). The unfavorable result was mainly attributed to a substantial decrease in turnover.

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 customers clearance and declaration, purchasing on behalf of customers of insurance policies, repacking and storage. The services provided of each assignment may consist of a combination of the services described above.

During the three months ended 30 June 2007, the Group recorded a substantial decline in turnover as compared to the corresponding period in the previous years as decline in the numbers of customers as well as discontinuous of use of the Group's services.

The Group is aware of the intense competition in the logistics industry, with the entry of more new competitors into the market, the pricing for services provided are under pressure. Hence, the Group is working on various measures to either gradually increase the prices charged for its services by introducing some value added services to its customers or negotiate a better and lower fee with its various services providers.

While looking at ways to improve its existing business further, the Group is looking for any other business opportunities elsewhere to improve its standard performance and improve shareholders' return.

To seek more business opportunities and to maximize return to the Group in the long run, the Group entered into a sales and purchases agreement with independent third parties on 3 July 2007 in respect of an acquisition of the entire interest of a company which principally engaged in mining, sales and distribution of coal in Xinjiang Autonomous Region (新疆維吾爾自治區). For further details, please refer to the heading "**PROPOSED INVESTMENT**".

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 30 June 2007, 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 2007, 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
Tolmen Star Limited (the "Tolmen Star")	902,000,000	50.11
Mr. Guo Xu (<i>Note 1</i>)	902,000,000	50.11
Ms. Zhou Ya Ping (<i>Note 1</i>)	902,000,000	50.11

Note 1: Tolmen Star is wholly and beneficially 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 902,000,000 Shares in which Tolmen Star is interested.

Save as disclosed above, as at 30 June 2007, 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.

CAPITAL STRUCTURE

On 23 May 2007 the Company entered into the conditional placing agreement with the placing agent on a best endeavour basis for the placing of 300,000,000 new shares to not less than six placees at the placing price of HK\$0.311 per placing share. Following the completion of the placing of the new shares on 13 June 2007, the total issued share capital has been enlarged to 1,800,000,000 shares and remained the same as at three months ended of 30 June 2007.

PROPOSED INVESTMENT

On 3 July 2007, the Company's indirectly wholly owned subsidiary – Star Fortune International Investment Company Limited entered into the sales and purchases agreement (the "S&P Agreement") to acquire the entire issued share capital of Ming Kei International Holding Co. Limited, Mr. Wong Wai Sing and Mr. Wong Wai Ngok (all together the "Vendors") with a consideration of HK\$1 billion.

The Vendors are principally engaged in mining, sale and distribution of coal in Xinjiang Uygur Autonomous Region (新疆維吾爾自治區).

Details of the S&P Agreement have been set out in the announcement of the Company dated 9 July 2007.

SHARE OPTION SCHEME

On 26 October 2002, the Company adopted the Share Option Scheme (the "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 2007, share option was granted under the Scheme. Particulars and movements of the share options granted under the Scheme were as follows:

Categories of grantees	Date of grant	Exercisable Period	Exercise Price per share HK\$	Closing		Granted during the period	Exercise during the period	Outstanding as at 30/06/2006
				Price at the date of grant HK\$	Outstanding as at 01/04/2006			
Employees	21/05/2007	21/05/2007- 22/05/2017	0.45	0.355	-	68,000,000	-	68,000,000
Consultants	21/05/2007	21/05/2007- 22/05/2017	0.45	0.355	-	52,000,000	-	52,000,000

The directors consider that it is inappropriate to state the value of the options granted under the Scheme on the ground that certain crucial factors for such valuation are variables such as the expected volatility and interest rate, which cannot be reasonably determined at this stage. Any valuation of the share options based on speculation assumptions in respect of these variables would not be meaningful and would be misleading to the shareholders of the Company.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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 2007.

COMPETITION AND CONFLICT OF INTERESTS

As at 30 June 2007, 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 Ming, Kerry, Mr. Tam Chak Chi and Mr. Pang Hong Tao, all are independent non-executive directors of the Company. The unaudited consolidated results of the Group for the three months ended 30 June 2007 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.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 15 of the GEM Listing Rules. The Company has applied the principles in the Code and complied with the code provisions set out in the Code for the period ended 30 June 2007 except that (i) no nomination committee of the Board is established and (ii) all independent non-executive director of the Company are not appointed for a specific term.

PRE-EMPTIVE RIGHTS

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

By Order of the Board of
MP Logistics International Holdings Limited

Guo Xu
Chairman

Hong Kong, 14 August 2007

As at the date of this report, the executive Directors are Mr. Guo Xu, Mr. Cheung King Shan, Mr. Yeung Leung Kong and Mr. Cheung Chi Hua, Justin and the independent non-executive Directors are Mr. Wong Ming, Kerry, Mr. Tam Chak Chi and Mr. Pang Hong Tao.