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## **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)**

### **VERY SUBSTANTIAL ACQUISITION: THE ACQUISITION OF THE ENTIRE EQUITY INTERESTS IN MING KEI KAI YUAN INVESTMENT COMPANY LIMITED AND RESUMPTION OF TRADING**

**Financial Adviser**



**INCUB Corporate Finance Limited**

On 3 July 2007, the Purchaser entered into the S&P Agreement to acquire from the Vendors the Sale Shares for a total consideration of HK\$1 billion.

The Consideration shall be settled by the Purchaser in the following manner: (i) out of the Deposit of HK\$70,000,000, HK\$50,000,000 shall be payable in cash paid at the time of the entering into of the S&P Agreement and HK\$20,000,000 shall be payable in cash on the date one month from the date of the S&P Agreement; (ii) as to HK\$360,000,000 by the Purchaser procuring the Company to allot and issue the Consideration Shares to the Vendors credited as fully paid, at the Issue Price; (iii) as to HK\$288,000,000 by the Purchaser procuring the Company to issue the Convertible Bonds; and (iv) as to the balance of HK\$282,000,000 by issuing the Promissory Note to the Vendors. The payments referred to in items (ii) to (iv) above shall be made on Completion.

The Consideration Shares represent approximately 22.22% of the existing issued share capital of the Company, approximately 18.18% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares and approximately 15.87% of the issued share capital of the Company as enlarged by the allotment and issue of both the Consideration Shares and the Conversion Shares, assuming full conversion of the Convertible Bonds and the Conversion Shares were to be issued at the Initial Conversion Price. However, under the terms of the Convertible Bonds, the aggregate shareholdings of the Vendors on any conversion of the Convertible Bonds must not exceed 20% or more

\* For identification purposes only

of the issue share capital of the Company on the date of the conversion and that any conversion will not trigger off a mandatory offer under rule 26 of the Codes on the part of the Vendors.

The Conversion Shares represent approximately 17.78% of the existing issued share capital of the Company, approximately 14.55% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares and approximately 12.70% of the issued share capital of the Company as enlarged by the allotment and issue of both the Consideration Shares and the Conversion Shares, assuming full conversion of the Convertible Bonds and the Conversion Shares were to be issued at the Initial Conversion Price. However, under the terms of the Convertible Bonds, the aggregate shareholdings of the Vendors on any conversion of the Convertible Bonds must not exceed 20% or more of the issue share capital of the Company on the date of the conversion and that any conversion will not trigger off a mandatory offer under rule 26 of the Codes on the part of the Vendors.

The Proposed Acquisition constitutes a very substantial acquisition on the part of the Company pursuant to Rule 19.06(5) of the GEM Listing Rules. Accordingly, the Proposed Acquisition is subject to the approval of the Shareholders at the EGM. Under the GEM Listing Rules, no Shareholders will be required to abstain from voting on the resolution to approve the Proposed Acquisition and any vote exercised by the Shareholders at the EGM shall be taken by show of hands.

A circular containing, among other things, further details of the S&P Agreement, the Technical Report and a notice convening the EGM, will be despatched to the Shareholders as soon as practicable in accordance with the GEM Listing Rules.

**Shareholders and potential investors of the Company should note that Completion, which is subject to a number of conditions precedent, may or may not take place. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.**

At the request of the Company, trading in the Shares was suspended with effect from 9:30 a.m. on 3 July 2007 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 a.m. on 10 July 2007.

## **THE S&P AGREEMENT**

Date: 3 July 2007

Parties:

Purchaser: the Purchaser, an indirect wholly owned subsidiary of the Company

Vendors: (1) Vendor A;  
(2) Vendor B, the younger brother of Vendor C; and  
(3) Vendor C, the elder brother of Vendor B.

Guarantor: Vendor B

Vendor A is a company incorporated in Hong Kong, which is owned as to 50% by each of Vendor B and Vendor C. The principal business of Vendor A is investment holding.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendors and their ultimate beneficial owners (if applicable) are Independent Third Parties.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the guarantor is an Independent Third Party.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendors have no relationship with Mr. Guo Xu ("**Mr. Guo**"), an executive Director and sole director of Tolmen Star (as defined below) or Tolmen Star, a substantial Shareholder.

### **Assets to be acquired**

Pursuant to the S&P Agreement, the Purchaser has agreed to acquire and the Vendors have agreed to sell the Sale Shares, representing the entire issued share capital of the Target as at the date of this announcement.

### **Consideration**

The total consideration for the Sale Shares is HK\$1,000,000,000 and shall be settled by the Purchaser in the following manner:

- (i) out of the Deposit of HK\$70,000,000, HK\$50,000,000 shall be payable in cash at the time of the entering into of the S&P Agreement and HK\$20,000,000 shall be payable in cash on the date one month from the date of the S&P Agreement;
- (ii) as to HK\$360,000,000 by the Purchaser procuring the Company to allot and issue the Consideration Shares to the Vendors credited as fully paid, at the Issue Price;
- (iii) as to HK\$288,000,000 by the Purchaser procuring the Company to issue the Convertible Bonds; and
- (iv) as to the balance of HK\$282,000,000 by procuring the Company to issue the Promissory Note.

The payments referred to in items (ii) to (iv) above shall be made on Completion.

### **Conditions precedent**

Completion is subject to the following conditions having been fulfilled or waived (as the case may be):

- (a) the Purchaser being satisfied with the results of the due diligence review to be conducted on the assets, liabilities, operations and affairs of Target Group;
- (b) all approvals, consents, authorisations and licenses (so far as necessary) required to be obtained on the part of the Vendors, the Purchaser or the Guarantor in relation to the transactions contemplated under the S&P Agreement having been obtained, including but not limited to the approval from the necessary PRC authorities and the approval of the shareholders of the Vendors;
- (c) the Warranties remaining true and accurate in all respects;

- (d) the passing by the Shareholders at the EGM approving the S&P Agreement and the transactions contemplated thereunder, including but not limited to the allotment and issue of the Consideration Shares to the Vendors at the Issue Price credited as fully paid, the issue of the Convertible Bonds and allotment and issue of the Conversion Shares and the issue of the Promissory Note;
- (e) the GEM Listing Committee of the Stock Exchange granting listing of and permission to deal in the Consideration Shares and the Conversion Shares;
- (f) the obtaining of a PRC legal opinion (in form and substance satisfactory to the Purchaser) from a PRC legal adviser appointed by the Purchaser in relation to the PRC legal aspects of the S&P Agreement and the transaction contemplated thereby, including but not limited to any matter as may be reasonably required in relation to the business to be carried out by the Group;
- (g) the Acquisition not being treated as a new listing applicant by the Stock Exchange; and
- (h) the obtaining of the Technical Report (in form and substance satisfactory to the Purchaser) on the coal mines on which Subsidiary A and Subsidiary B may legally exploit to be prepared by the Coal Mine Expert indicating the recoverable reserves of those coal mines will not deviate substantially from the quantity as provided by the Vendors.

Conditions (a), (c), (f), (g) and (h) above are waivable by the Purchaser under the S&P Agreement. The Purchaser has no current intention to waive such conditions. Other than Conditions (a), (c), (f), (g) and (h), the other conditions are incapable of being waived.

### **Long stop date**

If any of the conditions is not satisfied (or, as the case may be, waived by the Purchaser) on or before 120 days from the date of the S&P Agreement or such later date as the Vendors and the Purchaser may agree, the S&P Agreement shall cease and determine.

### **Completion**

Completion shall take place at 4:00 p.m. within three Business Days after all the conditions of the S&P Agreement having been fulfilled or waived or such later date as may be agreed between the Vendors and the Purchaser.

In the event that that Completion does not take place as stipulated due to no fault of the Vendors and the Purchaser, the Vendors shall forthwith refund the Deposit to the Purchaser and neither party shall have any obligations and liabilities under the S&P Agreement.

Upon Completion, the Target, Subsidiary A and Subsidiary B will become indirect wholly-owned subsidiaries of the Company and their accounts will be consolidated into the financial accounts of the Group.

### **Profit Guarantee**

The Vendors have guaranteed to the Purchaser that the Audited Net Profit shall in aggregate be not less than the Profit Guarantee, being not less than an average of HK\$60,000,000 for each of the two financial years ending 31 December 2008 and 31 December 2009.

The basis for determination of the Profit Guarantee is as follows:

- (1) The future business growth of the Target Group with its increasing client base and hence, increasing demand for the products of the Target Group in the forthcoming years;
- (2) The well established business and personal networks of Vendor A and B in Xinjiang Uygur Autonomous Region (新疆維吾爾自治區) of the PRC, which would assist the future business development of the Target Group;
- (3) The experience and caliber of the management of the Target Group which would ensure that the Target Group will be probably managed;
- (4) The robust economic growth of the PRC and hence, the increasing demand for coal in the PRC; and
- (5) The estimated total reserve and estimated recoverable reserve of the two coal mine of the subsidiaries estimated by the Vendors (after consulting their own technical advisers).

In the event that the Profit Guarantee is not achieved, the amount of total consideration will be adjusted downwards by setting off against the payment obligations of the Purchaser under the Promissory Note on a dollar to dollar basis in an amount equivalent to the difference between the Audited Net Profit and the Profit Guarantee.

Further announcement will be made by the Company in the event that the Audited Net Profit is less than the Profit Guarantee.

## **CONSIDERATION**

The Consideration was agreed between the Vendors and the Purchaser after arm's length negotiations on normal commercial terms after considering: i) the Profit Guarantee; ii) an indicative price earnings ratio of approximately 16.67 times to the Profit Guarantee (being the Consideration divided by the Profit Guarantee of the average annual profit of HK\$60,000,000) which the Directors consider fair and reasonable (the indicative price earning ratio of 16.67 times is reached with reference to the current P/E ratio of companies engaged in mining business and listed on the Stock Exchange or overseas stock markets. The indicative price earning ratio of 16.67 times is within such range); iii) the estimation made by Vendors (after consulting their own technical advisers) on the estimated total coal reserve and recoverable coal reserve of the Kaiyuan Open Pit Coal Mine (凱源露天煤礦) of approximately 34.73 million tons and not less than 27.91 million tons respectively and the same on the Zexu Open Pit Coal Mine (澤旭露天煤礦) of approximately 182.52 million tons and not less than approximately 155.14 million tons respectively. The total recoverable reserve of the two coal mines are not less than approximately 183.05 million tons. With the Consideration of HK\$1 billion, the consideration per ton is approximately HK\$5.46. With reference to the audited financial figures for the four months ended 30 April 2007 and the quantity of 93,000 tons sold by the Target Group during the same period, the net profit per ton of the Target Group is approximately HK\$5.8; iv) the Mining Rights obtained by Subsidiary A; v) the Exploration Permit obtained by Subsidiary B and vi) the historical financial results of Subsidiary A. The Directors consider the terms and conditions of the Proposed Acquisition to be fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

For basis iii) mentioned above, total coal reserve refers to the overall coal deposits at the mining sites as inferred by the Vendors (after consulting their own technical advisers) from geological evidence and is

based on assumed geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The recoverable coal reserve equals to the total coal reserve times recovery rate, which is the percentage of coal that can be recovered from the coal deposits at the mining sites as estimated by the Vendors (after consulting their own technical advisers). Upon ascertaining the estimated total coal reserve and the recoverable coal reserve, the total quantity of coal exploitation from Kaiyuan Open Pit Coal Mine (凱源露天煤礦) and the Zexu Coal Open Pit Mine (澤旭露天煤礦) can be ascertained and so does the turnover or profits obtained from mining, distribution and selling of the coal, which are references among other factors as disclosed in this announcement, on reaching the Consideration.

No independent valuation will be conducted on the Mining Rights and Exploration Permit.

## **THE CONSIDERATION SHARES**

The 400,000,000 new Shares will be issued at an Issue Price of HK\$0.90 per Consideration Share, credited as fully paid. The Consideration Shares, when allotted and issued, shall rank pari passu in all respects with the Shares in issue on the date of allotment and issue of the Consideration Shares including the right to all dividends, distributions and other payments made or to be made, on the record date which falls on or after the date of such allotment and issue.

The Issue Price represents:

- (i) a discount of approximately 28.57% to the closing price of HK\$1.26 per Share as quoted on the Stock Exchange on 29 June 2007, being the last trading day immediately prior to the entering into of the S&P Agreement;
- (ii) the average of the closing prices of HK\$0.90 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 29 June 2007, being the last trading day immediately prior to the entering into of the S&P Agreement;
- (iii) a premium of approximately 18.58% over the average of the closing prices of HK\$0.759 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including 29 June 2007, being the last trading day immediately prior to the entering into of the S&P Agreement; and
- (iv) a premium of approximately 128 times over the net asset value per Share of approximately HK\$0.007 based on the audited consolidated financial statements of the Group as at 31 March 2007 and the total number of issued shares of the Company of 1,800,000,000 as at the date of this announcement.

The Consideration Shares will be allotted and issued pursuant to a specific mandate to be sought at the EGM and will be allotted and issued on the date of Completion.

Based on the closing price of HK\$1.26 per Share as quoted on the Stock Exchange on 29 June 2007, being the last trading day immediately prior to the entering into of the S&P Agreement, the Consideration Shares has a total market value of approximately HK\$504,000,000.

The Consideration Shares represent approximately 22.22% of the existing issued share capital of the Company, approximately 18.18% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares and approximately 15.87% of the issued share capital of the

Company as enlarged by the allotment and issue of both the Consideration Shares and the Conversion Shares, assuming full conversion of the Convertible Bonds and the Conversion Shares were to be issued at the Initial Conversion Price. However, under the terms of the Convertible Bonds, the aggregate shareholdings of the Vendors on any conversion of the Convertible Bonds must not exceed 20% or more of the issue share capital of the Company on the date of the conversion and that any conversion will not trigger off a mandatory offer under rule 26 of the Codes on the part of the Vendors.

The Issue Price was arrived at by the Vendors and the Purchaser after taking into consideration of the average recent trading prices of the Shares during the course of negotiation. Given that the Issue Price represents a premium of approximately 128 times over the net asset value per Share of HK\$0.007, the Directors (including the independent non-executive Directors) consider that the Issue Price is fair and reasonable. In addition, since the Vendors will become a substantial Shareholder upon Completion, the Board considers that the Consideration Shares will give extra incentive for them to manage the Subsidiaries.

Although the Vendors will become the second largest substantial Shareholder of the Company upon Completion, neither the Vendors nor any of their respective nominee(s) will be entitled to appoint representatives to the Board pursuant to the S&P Agreement. There are no terms or provisions contained in the S&P Agreement which confer the Vendors with the right to nominate any person to the Board.

### **Restriction on disposal**

The Vendors undertake to and covenants with the Purchaser that, it will not, within the period commencing on the date of Completion and ending on the date falling six months after Completion, transfer or otherwise dispose of or create any encumbrance or other rights in respect of the Consideration Shares or any interests therein or grant any options or rights in respect of any of the Consideration Shares without prior written approval from the Purchaser.

### **Application for listing**

Application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Consideration Shares.

## **THE CONVERTIBLE BONDS**

To satisfy part of the Consideration, the Company will issue to the Vendor (or its nominees) the Convertible Bonds in the principal amount of HK\$288,000,000.

The following is a summary of the principal terms of the Convertible Bonds:

Aggregate principal amount: HK\$288,000,000

Initial Conversion Price: HK\$0.90 per Share, subject to usual anti-dilution adjustments in certain events such as share consolidation, share subdivision, capitalisation issue, capital distribution, rights issue and other equity or equity derivatives issues. Such adjustments will be certified by an independent approved merchant bank or the auditors of the Company for the then time being.

The Initial Conversion Price of HK\$0.90 per Conversion Share represents:

- (i) a discount of approximately 28.57% to the closing price of HK\$1.26 per Share as quoted on the Stock Exchange on 29 June 2007, being the last trading day immediately prior to the entering into of the S&P Agreement;
- (ii) the average of the closing prices of HK\$0.90 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 29 June 2007, being the last trading day immediately prior to the entering into of the S&P Agreement;
- (iii) a premium of approximately 18.58% over the average of the closing prices of HK\$0.759 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including 29 June 2007, being the last trading day immediately prior to the entering into of the S&P Agreement; and
- (iv) a premium of approximately 128 times over the net asset value per Share of approximately HK\$0.007 based on the audited consolidated financial statements of the Group as at 31 March 2007 and the total number of issued shares of the Company of 1,800,000,000 as at the date of this announcement.

The Initial Conversion Price was determined after arm's length negotiations among the Purchaser, the Vendors and the Company with reference to average recent market prices of the Shares and the Issue Price.

Interest rate:	1% per annum payable monthly
Maturity:	The third anniversary from the date of issue of the Convertible Bonds
Redemption:	Unless previously converted or lapsed or redeemed by the Company, the Company will redeem the Convertible Bonds on the Maturity Date.

The Company may at any time before the Maturity Date by serving at least seven days' prior written notice on the Bondholder(s) with the total amount proposed to be redeemed from the Bondholder(s) specified therein, redeem the Convertible Bonds (in whole or in part) at par.

Any amount of the Convertible Bond(s) which remains outstanding on the Maturity Date shall be redeemed at its then outstanding principal amount, inclusive interest as accrued.

Transferability:	The Bondholder(s) may assign or transfer the Convertible Bonds to Independent Third Parties in whole or in part in integral multiples of HK\$1,000,000 or if the outstanding principal amount of the Convertible Bonds is less than HK\$1,000,000, the whole but not in part of the Convertible Bonds may be assigned or transferred.
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Conversion:	Under the terms of the Convertible Bonds, the aggregate shareholdings of the Vendors on any conversion of the Convertible Bonds must not exceed 20% or more of the issued share capital of the Company on the date of the conversion
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and that any conversion will not trigger off a mandatory offer under rule 26 of the Codes on the part of the Vendors. The Company will not issue the Conversion Shares to the Vendors if the aggregate shareholding of the Vendors upon any conversion of the Convertible Bonds exceeds 20% or more of the issue share capital of the Company.

Subject to above, the Vendors will have the right to convert the whole or part of the principal amount of the Convertible Bonds into Shares at any time and from time to time, from the date of issue of the Convertible Bonds in amounts of not less than a whole multiple of HK\$1,000,000 on each conversion.

**Conversion period:** Bondholder(s) shall have the right to convert, up to and including the Maturity Date, the whole or any part (in an amount or integral multiple of HK\$1,000,000) of the principal amount of the Convertible Bonds into Conversion Shares.

**Conversion Shares:** Upon full conversion of the Convertible Bonds at the Initial Conversion Price, an aggregate of 320,000,000 Conversion Shares will be issued by the Company (representing approximately 17.78% of the existing issued share capital of the Company, approximately 14.55% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares and approximately 12.70% of the issued share capital of the Company as enlarged by the allotment and issue of both the Consideration Shares and the Conversion Shares, assuming full conversion of the Convertible Bonds and the Conversion Shares were to be issued at the Initial Conversion Price. However, under the terms of the Convertible Bonds, the aggregate shareholdings of the Vendors on any conversion of the Convertible Bonds must not exceed 20% or more of the issue share capital of the Company on the date of the conversion and that any conversion will not trigger off a mandatory offer under rule 26 of the Codes on the part of the Vendors.

**Voting:** A Bondholder will not be entitled to receive notice of, attend or vote, at any general meeting of the Company by reason only of it being a Bondholder.

**Listing:** No application will be made for the listing of the Convertible Bonds on the Stock Exchange or any other stock exchange.

**Ranking:** The Convertible Bonds will rank *pari passu* with all other present and future unsecured and un-subordinated obligations of the Company.

The Conversion Shares to be issued as a result of the exercise of the conversion rights attaching to the Convertible Bonds will rank *pari passu* in all respects with all other Shares in issue at the date on which the conversion rights attached to the Convertible Bonds are exercised. The Conversion Shares will be allotted and issued pursuant to the specific mandate to be sought at the EGM and will be allotted and issued upon exercise by the Vendors.

An application will be made by the Company for the listing of and permission to deal in the Conversion Shares to be issued. The Company shall inform the Stock Exchange in the event that there is any dealing in the Convertible Bonds by any connected person of the Company.

## THE PROMISSORY NOTE

The aggregate principal amount of the Promissory Note is HK\$282,000,000, which is repayable in one lump sum on maturity of three years. The Promissory Note bears interest at 1% per annum payable monthly at the each of each calendar month. The Purchaser has the right to redeem the Promissory Note prior to its maturity in integral multiples of HK\$1,000,000. The Promissory Note may, with prior notice of the Purchaser, be freely transferable and assignable to any Independent Third Parties in whole or in integral multiples of HK\$1,000,000 and in whole only if the outstanding principal sum of this Note is less than HK\$1,000,000.

## CHANGES IN SHAREHOLDING STRUCTURE

The following table sets out the shareholding structure of the Company (i) as at the date of this announcement and before Completion; (ii) immediately after Completion and the allotment and issue of the Consideration Shares and (iii) immediately after conversion of the Convertible Bonds at the Initial Conversion Price subject to the terms and condition under the bond instrument of the Convertible Bonds:

Shareholders	As at the date of this announcement and before Completion		Immediately after Completion and the allotment and issue of the Consideration Shares		Immediately after Completion and the allotment and issue of the Consideration Shares and conversion of the Convertible Bonds at the Initial Conversion Price subject to the terms and condition under the bond instrument (Note 2)	
	No. of Shares	Approximate Percentage	No. of Shares	Approximate Percentage	No. of Shares	Approximate Percentage
Tolmen Star Limited (“Tolmen Star”) and parties acting in concert with it (Note 1)	902,000,000	50.11	902,000,000	41	902,000,000	40.09
Vendors (Note 2)	–	–	400,000,000	18.18	449,800,000	19.99
Public	898,000,000	49.89	898,000,000	40.82	898,000,000	39.92
<b>Total</b>	<b>1,800,000,000</b>	<b>100.00</b>	<b>2,200,000,000</b>	<b>100.00</b>	<b>2,249,800,000</b>	<b>100.00</b>

Notes:

1. Tolmen Star is wholly and beneficially owned by Mr. Guo Xu, an executive Director and sole director of Tolmen Star.

2. The shareholding structure is prepared for illustration purpose only and assuming (i) after allotment and issue of the Consideration Shares; and (ii) after conversion of the Convertible Bonds, with the aggregate shareholdings of the Vendors upon issue of the Conversion Shares does not exceed 20% or more of the issued share capital of the Company on the date of the Conversion nor will it trigger off a mandatory offer under rule 26 of the Codes on the part of the Vendors.

The Company will not issue the Conversion Shares to the Vendors if the aggregate shareholding of the Vendors upon any conversion of the Convertible Bonds exceeds 20% of the issue share capital of the Company.

## **INFORMATION ON THE TARGET GROUP**

The Target Group is principally engaged in mining, sale and distribution of coal. The Target is an investment holding company and the Subsidiaries are responsible for the main operation of the Target Group, with Subsidiary A principally engaged in the operation and management of the Kaiyuan Open Pit Coal Mine (凱源露天煤礦) and Subsidiary B principally engaged in the operation and management of the Zexu Open Pit Coal Mine (澤旭露天煤礦).

Kaiyuan Open Pit Coal Mine (凱源露天煤礦) is situated at Bei Ta Mountain (北塔山), Qi Tai County (奇台縣), Xinjiang Uygur Autonomous Region (新疆維吾爾自治區) of the PRC with a general mining area of approximately 1.158 square kilometers. Subsidiary A has obtained the mining exploitation permit (採礦許可証) issued by the Department of Land and Resources of Xinjiang Uygur Autonomous Region (新疆維吾爾自治區國土資源廳) on 20 July 2006 which allows Subsidiary A to conduct mining activities in the Kaiyuan Open Pit Coal Mine (凱源露天煤礦). The existing mining exploitation permit (採礦許可証) is valid for one year from 20 July 2006 to until 19 July 2007. As confirmed by the directors of the Target, Subsidiary A is in the process of applying for the extension of the mining exploitation permit (採礦許可証) and they do not foresee any difficulty on obtaining such extension.

Zexu Open Pit Coal Mine (澤旭露天煤礦) is situated at Bei Ta Mountain (北塔山), Qi Tai County (奇台縣), Xinjiang Uygur Autonomous Region (新疆維吾爾自治區) of the PRC with a general mining area of approximately 2.87 square kilometers. Subsidiary B is the registered owner of the mining resources Exploration Permit (礦產資源勘查許可証) issued by the Department of Land and Resources of Xinjiang Uygur Autonomous Region (新疆維吾爾自治區國土資源廳) which is valid until 21 June 2008 and allows Subsidiary B to conduct exploration work in Zexu Open Pit Coal Mine. According to the directors of the Target, the exploration work of Zexu Open Pit Coal Mine has not been completed as at the date of this announcement. As confirmed by the directors of the Target, it is currently expected that the exploration work will be completed by June 2008. Subsidiary B will apply for the mining exploitation permit (採礦許可証) upon completion of the exploration work.

### **Application for mining exploitation permit (採礦許可証)**

In order to apply for an exploitation permit (採礦許可証), applicants shall lodge an application with the relevant authority by applying to the registration and administration authority for designated mining areas based on the approved geological exploration and reserves report together with relevant documents such as their qualifications certificate, proposal for development and use of mineral resources and environmental report. When the application for registration is approved, the applicant shall pay the royalty for the Mining Rights.

As advised by the PRC legal adviser, Subsidiary B, if comply with all application requirement as referred to above, in general circumstance, will not have material legal impediments on obtaining the mining exploitation permit.

### **Renewal of mining exploitation permit (採礦許可証)**

According to the Administrative Measures on Registration of Mineral Resources Exploitation (礦產資源開採登記管理辦法), an applicant shall apply for the renewal of mining exploitation permit (採礦許可証) at least 30 days prior to the expiry date of the mining exploitation permit (採礦許可証). Pursuant to the Written Reply Regarding the Matters on the Registration Procedures of Renewal of Mining Licence (關於辦理採礦許可証延續登記手續有關問題的復函) issued by the Bureau of Land Resources, the relevant PRC authority may consider various matters including the conduct of the applicant and the term of the mining licence in approving the application.

The directors of the Target Group confirm that the renewal application has been submitted to the relevant governmental authorities for renewal. The relevant governmental authorities have accepted such application and are in the process of reviewing it. As advised by the PRC legal adviser, Subsidiary A, if comply with all renewal requirements as referred to above (including but not limited to making application for renewal within the time limits), in general circumstance, will not have material legal impediments on obtaining the mining exploitation permit, therefore the directors of the Target Group do not foresee any difficulties on obtaining such extension.

The estimated total coal reserve of the Kaiyuan Open Pit Coal Mine (凱源露天煤礦) and the Zexu Open Pit Coal Mine (澤旭露天煤礦), as assessed by the Vendors (after consulting their own technical advisers), was approximately 34.73 million tons and approximately 182.52 million tons respectively.

The recoverable coal reserve for Kaiyuan Open Pit Coal Mine(凱源露天煤礦) and Zexu Open Pit Coal Mine (澤旭露天煤礦), as assessed by the Vendors (after consulting their own technical advisers), was not less than approximately 27.91 million tons and not less than approximately 155.14 million tons respectively.

Both the Kaiyuan Open Pit Coal Mine(凱源露天煤礦) and the Zexu Coal Open Pit Mine (澤旭露天煤礦) are open pit coal mines. According to the management of the Target, in general, open pit mines are safer than coal mines applying underground mining method as open pit mines induce less risk of occurrence of accidents.

The coal extracted from the Kaiyuan Open Pit Coal Mine (凱源露天煤礦) and the Zexu Open Pit Coal Mine (澤旭露天煤礦) can be used for steel production, coal-fired electricity generation, power generation and for domestic purpose.

According to the audited consolidated financial statements of the Target Group, for the period commencing from 27 June 2006, being the date of incorporation, up to 31 December 2006, the turnover was approximately HK\$10.5 million and the net profit before and after taxation was approximately HK\$3.4 million and approximately HK\$3.3 million respectively. The net assets of the Target Group was approximately HK\$63.4 million as at 31 December 2006.

The Profit Guarantee was reached after considering the future business growth of the Target Group in 2008 and 2009.

Subsidiary A was established on 5 February 1996 with a registered capital of RMB30 million, which has been fully paid up as at the date of this announcement. As at the date of this announcement, the equity interests of Subsidiary A is owned as to 100% by the Target. Subsidiary A is a wholly owned foreign enterprise.

Subsidiary B was established on 5 February 2005 with a registered capital of RMB2 million, which has been fully paid up as at the date of this announcement. As at the date of this announcement, the equity interests of Subsidiary B is owned as to 100% by Subsidiary A.

Upon Completion, the Target, Subsidiary A and Subsidiary B will become indirect wholly-owned subsidiaries of the Company and their accounts will be consolidated into that of the financial accounts of the Group.

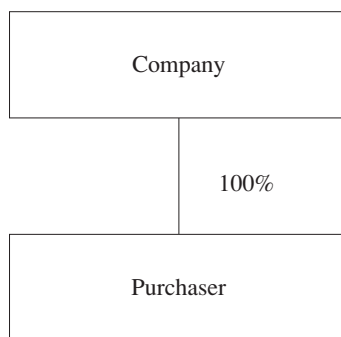
### **The Coal Mine Expert**

An independent technical adviser will be appointed by the Purchaser for the preparation of the Technical Reports and such reports will be included in the circular to in compliance with the requirements equivalent to which required in Rule 18.09 of the Main Board Listing Rules. The Company also confirms that it will comply with the requirements equivalent to which required in Rule 18.09 of the Main Board Listing Rules.

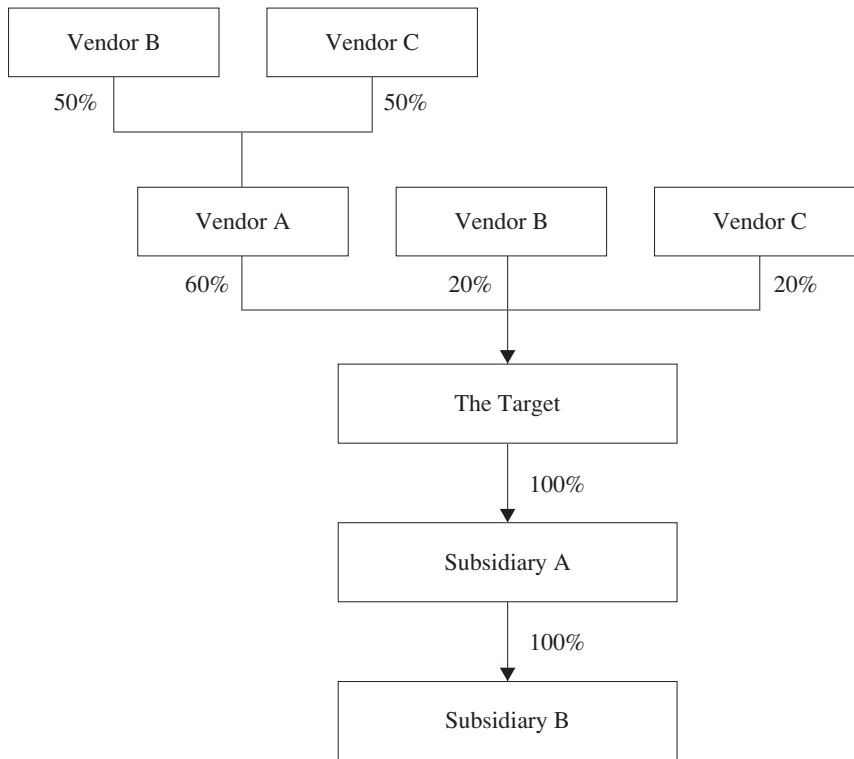
The following charts show the group structure of the Target Group immediately before and immediately after the Completion:

*Immediately before the Completion*

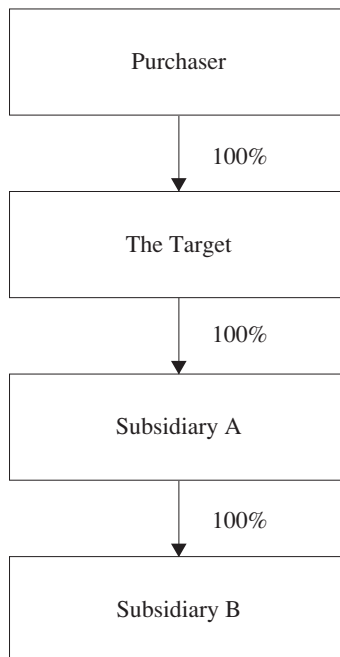
#### **Group structure**



**Existing structure of the Target Group immediately before Completion**



**Structure of the Target Group immediately after Completion**



## **REASONS FOR THE PROPOSED ACQUISITION**

The Group is principally engaged in coordinating various logistics services including sea, road and air freight forwarding, customs clearance and decoration, purchasing on behalf of customers of insurance policies, repackaging and storage.

The Group recorded net loss of approximately HK\$10.5 million for the financial year ended 31 March 2007 and a net assets of approximately HK\$12.4 million as at 31 March 2007.

In view of the increasing competition in the market of logistics services, the Directors have been actively and consistently seeking new investment opportunities, irrespective of whether these opportunities fall within the Company's principal business activities, in order to increase the value of the Company and improve the Shareholders' return.

The controlling Shareholder was changed in November 2006. Mr. Guo Xu ("Mr. Guo") has been appointed as an executive Director and chairman of the Company since then. By virtue of the experience of Mr. Guo in advising corporate clients in Hong Kong and the PRC with regard to PRC investments, mergers and acquisitions and his marketing network and synergistic effect, business opportunities would be brought to the existing business of the Group. Mr. Guo has always been actively seeking for business opportunities in the PRC to improve its standard performance and improve shareholders' return.

While pursuing the business relating to mining, sale and distribution of coal, the Company will continue its existing coordinating various logistics services including sea, road and air freight forwarding, customs clearance and decoration, purchasing on behalf of customers of insurance policies, repackaging and storage.

The Directors are of the opinion that as coal being one of the main natural energy resources in the world, and following the rapid demand as compare with limited supply of coal in the recent years, mining, sale and distribution of coal business is in a growing trend with immense potential. In view of the above and the Profit Guarantee provided by the Vendors, the Directors consider that the Proposed Acquisition provides an excellent opportunity for the development of future business of the Group, broadens its revenue base, and maintains a stable income stream for the Group. The Directors consider that the Proposed Acquisition represents a good opportunity for the Group to diversify the existing business into a new line of business with significant growth potential.

The Vendors and the management team of the Subsidiaries have been engaged in mining, sale and distribution of coal for over eleven years.

Although the Company has no previous experience in managing business related to mining, sale and distribution of coal, the Company will retain the existing management team of the Target Group, including the Vendors, to manage the business related to mining, sale and distribution of coal after Completion. The Company intends to further recruit experts to the Group upon Completion.

For the aforesaid reasons, The Directors believe that the Proposed Acquisition would further enhance the future growth of the Group in order to maximise returns to Shareholders.

Taking into account the benefits of the Proposed Acquisition, the Board is of the view that the terms of the Proposed Acquisition are fair and reasonable and the Proposed Acquisition is in the interests of the Company and the Shareholders as a whole.

## **RISK FACTORS FOR THE PROPOSED ACQUISITION**

### **The coal reserve are estimates and may be inaccurate**

The coal reserve data, are estimates that were made by the Vendors (after consulting their own technical advisers). These reserve estimates may be inaccurate and may differ materially from the actual production results. There are inherent uncertainties in estimating reserves, including many factors, assumptions and variables that are beyond the Company's control. The actual volume of reserves, rates of production and coal characteristics may be different from the estimates.

### **Potential accidents in the mining process**

The Company confirms that although open pit mining as adopted by Kaiyuan Open Pit Coal Mine (凱源露天煤礦) and Zexu Open Pit Coal Mine (澤旭露天煤礦) is relatively safer than underground mining, and to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, there had been no record of accidents in Kaiyuan Open Pit Coal Mine (凱源露天煤礦) and Zexu Open Pit Coal Mine (澤旭露天煤礦), the Company cannot assure that no future occurrence of accidents at Kaiyuan Open Pit Coal Mine (凱源露天煤礦) and Zexu Open Pit Coal Mine (澤旭露天煤礦). The occurrence of accidents may result in substantial disruptions of the coal mining operations and financial losses, damage to the Company's reputation, lawsuits and other compensatory claims and payouts, fines, penalties and mandatory suspension of production.

### **Natural disasters and operational risks**

The coal mining, transportation and sales, are subject to significant risks and hazards (including but not limited to natural disasters such as earthquakes, severe weather conditions such as storms and tornados, lack of water supplies, unexpected maintenance or technical problems, geological variations in coal quality, seam thickness and the amount and characteristics of rock and soil overlying and surrounding coal deposits) beyond the Company's control that can adversely affect the coal production and transportation capacities, cause significant business interruptions, personal injuries, property or environmental damage, as well as increase the mining cost.

### **PRC government regulation**

The operations of the coal mining business are subject to extensive regulation by the PRC government, including the central governmental authorities, provincial and local authorities and agencies. The PRC government regulates many aspects of the coal mining industries in the PRC, including, among others, the following aspects:

- (a) the granting and renewal of exploration permits;
- (b) the granting of coal production licences;
- (c) pricing of coal transport services;



- (d) allocation of the coal transportation capacity on the national rail system;
- (e) coal export quotas, permits and VAT rebates;
- (f) resource recovery rate requirements;
- (g) the adoption of temporary measures to limit increases in coal prices;
- (h) environmental, safety and health standards; and
- (i) taxes, duties and fees.

The Company cannot assure that the results of the operations of the Proposed Acquisition will not be materially adversely affected by any future changes in government regulations and policies.

### **Renewal of Mining Rights and Exploration Permit**

The renewal of the Mining Rights and the Exploration Permit issued to the Target Group upon its expiry in July 2007 and June 2008 respectively is subject to the approval of the relevant government authorities in the PRC. According to the PRC legal opinion, the application for the renewal of the Mining Rights and the Exploration Permit is a procedural matter subject to Subsidiary A and Subsidiary B respectively having satisfied with the required standards and other requirements under the relevant rules and regulations and by the relevant government authorities. However, in the event that the Mining Rights and the Exploration Permit issued to Subsidiary A and Subsidiary B respectively cannot be renewed accordingly, Subsidiary A and Subsidiary B will lose its Mining Rights and the Exploration Permit respectively in the mines which may in turn materially and adversely affect the operations of the Target Group.

### **Coal reserves declines upon continuous exploitation**

As the estimated total coal reserve would decline upon continuous exploitation, the Company cannot assure it can guarantee an acquisition of new coal reserves, development of new coal mining projects and expansion existing coal mining operations in the future.

### **Increase in competition in the PRC in coal mining industries**

Competition in the coal industry is based on many factors, including among others, price, production capacity, coal quality and characteristics, transportation capability and costs, blending capability and brand name.

The Company cannot assure the increase competition in the future, including competition from new competitors who may emerge as a result of the consolidation of the coal mining industries in the PRC, will not have a material adverse effect on the Company's results of operations and financial condition after the completion of the Proposed Acquisition.

## Country risk

The Company is entering into a new business in Xinjiang Uygur Autonomous Region (新疆維吾爾自治區), where the Company does not have any business. There can be risk on changes in the business environment that reduces the profitability of conducting business in Xinjiang Uygur Autonomous Region (新疆維吾爾自治區). The change of political and economic conditions in Xinjiang Uygur Autonomous Region (新疆維吾爾自治區) may adversely affect the Company.

**The Board wishes to emphasize that the Completion is subject to various conditions to be fulfilled. In the event that the conditions are not fulfilled by the long-stop date as stipulated in the S&P Agreement, the S&P Agreement will cease and terminate. As such, Shareholders and potential investors are urged to exercise caution when dealing in the securities of the Company.**

## GEM LISTING RULES IMPLICATIONS

The Proposed Acquisition constitutes a very substantial acquisition on the part of the Company pursuant to Rule 19.06(5) of the GEM Listing Rules. Accordingly, the Proposed Acquisition is subject to the approval of the Shareholders at the EGM. Under the GEM Listing Rules, no substantial shareholders will be required to abstain from voting on the resolution to approve the Proposed Acquisition at the EGM as no shareholders has material interest in the Proposed Acquisition.

A circular containing, among other things, details of the S&P Agreement, the Technical Report and a notice convening the EGM, will be dispatched to the Shareholders as soon as practicable in accordance with the GEM Listing Rules.

## SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares was suspended with effect from 9:30 a.m. on 3 July 2007 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 a.m. on 10 July 2007.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings when used herein:

“Audited Net Profit”	the audited net profit after tax and any extraordinary items or exceptional items of the Target Group for the financial years ending 31 December 2008 and/or 31 December 2009 to be determined under the Hong Kong Generally Accepted Accounting Principles
“Board”	the board of Directors
“Bondholder(s)”	holder or holder(s) of the Convertible Bond(s)

“Business Day(s)”	a day (other than a Saturday, Sunday or public or statutory holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“Coal Mine Expert”	An independent technical adviser to be appointed by the Purchaser for the preparation of the Technical Reports
“Codes”	The Hong Kong Codes on Takeovers and Mergers
“Company”	MP Logistics International Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on GEM
“Completion”	completion of the sale and purchase of the Sale Shares in accordance with the terms and conditions of the S&P Agreement, as the case may be
“Consideration”	the total consideration of HK\$1 billion to be paid by the Company to the Vendor pursuant to the S&P Agreement
“Consideration Shares”	400,000,000 new Shares to be allotted and issued by the Company at Issue Price as part consideration for the Proposed Acquisition
“Conversion Shares”	the new Shares to be issued to the Bondholder(s) upon conversion of the Convertible Bonds
“Convertible Bonds”	the convertible bond(s) in the agreed form in the principal amount of HK\$288,000,000 to be issued by the Company in favour of the Vendors at Completion to satisfy in part the Consideration
“Deposit”	the aggregate payment of HK\$70,000,000 in cash, HK\$50,000,000 paid by the Purchaser to the Vendors at the time of entering into of the S&P Agreement and HK\$20,000,000 on the date one month from the date of the S&P Agreement
“Director(s)”	the director(s), including the independent non-executive directors, of the Company from time to time
“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve, among other matters, the Proposed Acquisition
“Exploration Permit”	the exploration permit granted by the relevant authorities to conduct exploration activities in the Zexu Open Pit Coal Mine by Subsidiary B
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM

“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, are third parties independent of and not connected with any director, chief executive or substantial shareholders or management shareholders of the Company or its subsidiaries or any of their respective associates
“Initial Conversion Price”	HK\$0.90 per Conversion Share, subject to usual anti-dilution adjustments, being the initial price at which the Convertible Bonds may be converted into the Conversion Shares
“Issue Price”	the issue price of HK\$0.90 per Consideration Share
“Kaiyuan Open Pit Coal Mine”	Kaiyuan Open Pit Coal Mine (凱源露天煤礦) situated at Bei Ta Mountain (北塔山), Qi Tai County (奇台縣), Xinjiang Uygur Autonomous Region (新疆維吾爾自治區) of the PRC
“Main Board Listing Rules”	the Rules Governing the Listing of Securities on the main board of the Stock Exchange
“Mining Rights”	the mining rights granted by the relevant authorities to conduct mining activities in the Kaiyuan Open Pit Coal Mine by Subsidiary A
“Profit Guarantee”	the profit guarantee provided by the Vendors under the S&P Agreement in respect of the Audited Net Profit in aggregate will not be less than an average of HK\$60,000,000 for each of the two financial years ending 31 December 2008 and 31 December 2009 (i.e. HK\$120,000,000 in aggregate)
“Promissory Note”	the promissory note to be executed by the Purchaser in the favour of the Vendors for the purpose of settling partially the consideration for the Sale Shares under the S&P Agreement
“Proposed Acquisition”	the proposed acquisition of the Sale Shares by the Purchaser as contemplated under the S&P Agreement
“Purchaser”	Star Fortune International Investment Company Limited, an indirect wholly-owned subsidiary of the Company
“PRC”	the People’s Republic of China and for the purpose of this announcement excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan

“S&P Agreement”	the conditional legally binding sale and purchase agreement dated 3 July 2007 entered into between the Purchaser and the Vendors in relation to the sale and purchase of the Sale Shares
“Sale Shares”	60,000,000 ordinary shares of HK\$1.00 each in the issued share capital of the Target, representing the entire issued share capital of the Target
“Shareholders”	holders of the Shares from time to time
“Shares”	ordinary shares of HK\$0.01 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiaries”	together, Subsidiary A and Subsidiary B
“Subsidiary A”	木壘縣凱源煤炭有限責任公司 (Mu Lui County Kai Yuan Coal Company Limited) <sup>#</sup> , a company established in the PRC and is wholly-owned foreign enterprise and is wholly and beneficially owned by the Target
“Subsidiary B”	奇台縣澤旭商貿有限責任公司 (Qi Tai Ze Xu Trading Enterprise Limited) <sup>#</sup> , a company established in the PRC and is wholly and beneficially owned by Subsidiary B
“Target”	Ming Kei Kai Yuan Investment Company Limited, a company incorporated in Hong Kong which is wholly and beneficially owned by the Vendors
“Target Group”	the Target and the Subsidiaries
“Technical Report(s)”	the technical report(s) (in form and substance satisfactory to the Purchaser) on the Kaiyuan Open Pit Coal Mine and Zexu Open Pit Coal Mine to be prepared by the Coal Mine Expert to be appointed by the Purchaser in compliance with the Main Board Listing Rules
“Vendor A”	Ming Kei International Holding Co. Limited 明基國際集團有限公司, a company incorporated in Hong Kong which is owned as to 50% by Vendor B and 50% by Vendor C
“Vendor B”	Wong Wai Sing, the younger brother of Vendor C
“Vendor C”	Wong Wai Ngok, the elder brother of Vendor B
“Vendors”	together, Vendor A, Vendor B and Vendor C
“Zexu Open Pit Coal Mine”	Zexu Open Pit Coal Mine (澤旭露天煤礦) situated at Bei Ta Mountain (北塔山), Qi Tai County (奇台縣), Xinjiang Uygur Autonomous Region (新疆維吾爾自治區) of the PRC

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

By order of the Board  
**MP LOGISTICS INTERNATIONAL HOLDINGS LIMITED**  
**Guo Xu**  
*Chairman*

Hong Kong, 9 July 2007

# *The English transliteration of the Chinese names in this announcement, where indicated, is included for information purpose only and should not be regarded as the official English names of such Chinese names.*

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

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement 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 announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

*This announcement will remain on GEM website on the “Latest Company Announcements” page for at least 7 days from the date of its posting.*