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)

ANNUAL REPORT 2006-2007

* 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 of 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.

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Yeung Leung Kong
(resigned as Chairman on 24 April 2007)
Guo Xu
(appointed as executive Director on 24 November 2006 and chairman on 24 April 2007)
Darrell Bryce Sham
(appointed on 15 December 2006 and resigned on 24 April 2007)
Cheung Chi Hwa, Justin
(appointed on 24 April 2007)
Cheung King Shan
(appointed on 27 June 2007)

NON-EXECUTIVE DIRECTOR

Ong Chor Wei
(resigned on 15 December 2006)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Wong Ah Chik
(resigned on 15 December 2006)
Leung Wai Ling, Wylie
(resigned on 15 December 2006)
Liu Feng
(resigned on 15 December 2006)
Wong Ming, Kerry
(appointed on 7 September 2006)
Hsu Shiu Foo, William
(appointed on 14 September 2006 and *resigned on 24 April 2007)*
Pang Hong Tao, Peter
(appointed on 24 November 2006)
Tam Chak Chi
(appointed on 24 April 2007)

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 3308-3309, The Center
99 Queen's Road Central
Hong Kong

COMPANY HOMEPAGE

http://www.irasia.com/listco/hk/mplogistics/index.htm

COMPLIANCE OFFICER

Yeung Leung Kong
(resigned on 24 November 2006)
Guo Xu
(appointed on 24 November 2006)

AUTHORISED REPRESENTATIVES

Yeung Leung Kong
Ong Chor Wei
(resigned on 15 December 2006)
Darrell Bryce Sham
(appointed on 15 December 2006 and resigned on 2 April 2007)
Tsang Ho Ka, Eugene
(appointed on 2 April 2007)

QUALIFIED ACCOUNTANT

Wong Chi Ling, *FCCA, CPA*
(resigned on 15 December 2006)
Darrell Bryce Sham, *CA, CPA*
(appointed on 15 December 2006 and resigned on 2 April 2007)
Tsang Ho Ka, Eugene, *AMA, CPA (Aust.), CPA*
(appointed on 2 April 2007)

COMPANY SECRETARY

Wong Chi Ling, *FCCA, CPA*
(resigned on 15 December 2006)
Darrell Bryce Sham, *CA, CPA*
(appointed on 15 December 2006 and resigned on 2 April 2007)
Tsang Ho Ka, Eugene, *AMA, CPA (Aust.), CPA*
(appointed on 2 April 2007)

CORPORATE INFORMATION

AUDIT COMMITTEE

Liu Feng
(resigned on 15 December 2006)
Wong Ah Chik
(resigned on 15 December 2006)
Leung Wai Ling, Wylie
(resigned on 15 December 2006)
Wong Ming, Kerry
(appointed on 7 September 2006)
Hsu Shiu Foo, William
(appointed on 14 September 2006 and resigned on 24 April 2007)
Pang Hong Tao, Peter
(appointed on 24 November 2006)
Tam Chak Chi
(appointed on 24 April 2007)

PRINCIPAL BANKER

Standard Chartered Bank (Hong Kong) Limited

AUDITORS

Messrs. Grant Thornton
Certified Public Accountants

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Bank of Bermuda (Cayman) Limited
P.O. Box 513 GT
Strathvale House
North Church Street
George Town
Grand Cayman
Cayman Islands
British West Indies

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tengis Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

STOCK CODE

8239

CHAIRMAN'S STATEMENT

On behalf of the Board, I am pleased to present the Annual Report of MP Logistics International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") for the year ended 31 March 2007 to our shareholders.

MARKET OVERVIEW

The Group's turnover in the previous year was not maintained in this year due to lower pricing and decrease in services provided to existing customers as they adopted a change in their logistics flow of goods. However, eyeing the opportunities in the logistics sector in the People's Republic of China ("PRC") with the increased trade volume in the PRC with the world following the PRC's entry to the World Trade Organisation (WTO), the Group believes that it needs to position itself in terms of market sector and geographical area in order to compete effectively in the competitive and challenging environment.

FINANCIAL REVIEW

For the year ended 31 March 2007, the Group recorded a turnover of approximately HK$33.4 million, a decrease of approximately 49.1%, compared to the previous corresponding year. The decrease in turnover was due to lower pricing for services provided to new and existing customers owing to intensive 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. During the year, income derived from logistics services relating to sea freight forwarding, road freight forwarding, air freight forwarding and other related logistics services accounted for approximately 49%, 44%, 1% and 6% respectively of the Group's total turnover (2006: 66%, 31%, 1% and 2% respectively).

During the year, the Group has net loss attributable to shareholders amounted to approximately HK$10.5 million, an increase of 58.7% compared to approximately HK$6.6 million in the previous corresponding year. The gross profit margin decreased from approximately 8.2% for the previous corresponding year to 6.9% for the year ended 31 March 2007 owing to increasing competitive and challenging business environment in the logistics industry. Selling and distribution costs decreased by approximately 34.5% from approximately HK$1.9 million in the previous corresponding year to approximately HK$1.2 million in the current year as reduction in overseas traveling expenses and less spending in entertainment took place due to stricter costs control. Administrative expenses of the Group amounted to approximately HK$9.6 million, an decrease of approximately 17.6% compared to approximately HK$11.6 million in the previous corresponding year. The decrease was mainly due to decrease of staff salaries, directors' emolument and depreciation charge for the year.

CHAIRMAN'S STATEMENT

PROSPECTS AND APPRECIATION

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. It is the objective of the Group to become one of the pivotal players in the logistics services markets in the Greater China Region.

However, 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.

On 21 November 2006, the controlling shareholder of the Company was changed and Mr. Guo Xu (the "Mr. Guo") has been appointed as an executive Director and chairman with effect from 24 November 2006 and 24 April 2007 respectively. It is expected that by virtue of the experience of Mr. Guo in the advising corporate clients in Hong Kong and the PRC with regard to PRC investments, mergers and acquisitions, and other corporate matters and his marketing network, synergistic effect and more business opportunities would be brought to the existing business of the Group.

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.

Lastly, on behalf of the Board, I would like to take this opportunity to express our gratitude to all employees, shareholders, partners and customers for their continued support and dedication.

Guo Xu
Chairman

Hong Kong
29 June 2007

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONAL REVIEW

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, arranging insurance policies for customers, repackaging and storage services. The services provided for each assignment may consist of a combination of the above services. It is the objective of the Group to become one of the pivotal players in the logistics services markets in the Greater China Region.

The Group's high turnover in the previous year was not maintained this year due to lower pricing and decrease in services provided to some existing customers as they adopted a change in their logistics flow of goods. However, eyeing the opportunities in the logistics sector in the PRC with the increased trade volume in the PRC with the world following the PRC's entry to the World Trade Organisation (WTO), the Group believes that it needs to position itself in terms of market sector and geographical area in order to compete effectively in the competitive and challenging environment.

FINANCIAL REVIEW

Results

For the year ended 31 March 2007, the Group recorded a turnover of approximately HK$33.4 million, a decrease of approximately 49.1%, compared to the previous corresponding year. The decrease in turnover was due to lower pricing for services provided to new and existing customers owing to intensive 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. During the year, income derived from logistics services relating to sea freight forwarding, road freight forwarding, air freight forwarding and other related logistics services accounted for approximately 49%, 44%, 1% and 6% respectively of the Group's total turnover (2006: 66%, 31%, 1% and 2% respectively).

During the year, the Group has net loss attributable to shareholders amounted to approximately HK$10.5 million, an increase of 58.7% compared to approximately HK$6.6 million in the previous corresponding year. The gross profit margin decreased from approximately 8.2% for the previous corresponding year to 6.9% for the year ended 31 March 2007 owing to increasing competitive and challenging business environment in the logistics industry. Selling and distribution costs decreased by approximately 34.5% from approximately HK$1.9 million in the previous corresponding year to approximately HK$1.2 million in the current year as reduction in overseas traveling expenses and less spending in entertainment took place due to stricter costs control. Administrative expenses of the Group amounted to approximately HK$9.6 million, an decrease of approximately 17.6% compared to approximately HK$11.6 million in the previous corresponding year. The decrease was mainly due to decrease of staff salaries, directors' emolument and depreciation charge for the year.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity, financial resources and capital structure

As at 31 March 2007, the Group had net current assets of approximately HK$11.6 million (2006: approximately HK$6.1 million) including cash and bank balance of approximately HK$8.4 million. The Group had no bank overdraft as at 31 March 2007. As at 31 March 2006, the Group had cash and bank balance of approximately HK$1.5 million.

As at 31 March 2007 and 2006, the Group had no overdraft facilities. As at 31 March 2007 and 2006, the Group had no bank borrowings and as at the same date, the Group had obligations under finance leases of approximately HK$0.9 million (2006: approximately HK$1.7 million), of which approximately HK$0.3 million was repayable within one year (2006: approximately HK$0.7 million) and approximately HK$0.6 million was repayable beyond one year but within five years (2006: HK$1.0 million). The debt ratio (defined as total liabilities over total assets) of the Group as at 31 March 2007 was approximately 0.39 (2006: approximately 0.44).

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

The shares of the Company have been listed on GEM since 15 November 2002. On 10 October 2006, the Company announced to enter a subscription agreement with Tolmen Star Limited (the "Tolmen Star") and Tolmen Star has agreed to subscribe for, and the Company has agreed to allot and issue 1,200,000,000 subscription shares at an issue price of HK$0.01 per subscription share. Following the completion of the subscription agreement on 21 November 2006, the total issued share capital had been enlarged to 1,500,000,000 shares.

On 23 May 2007, the Company entered into the conditional placing agreement with a 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 agreement on 13 June 2007, the total issued share capital had been enlarged to 1,800,000,000 shares and there has been no change in the capital structure of the Company since the completion.

Significant investment

As at 31 March 2007, there was no significant investment held by the Group (2006: Nil).

Material acquisitions or disposals of subsidiaries and affiliated companies

There were no material acquisitions or disposals of subsidiaries and affiliated companies during the year.

Segment information

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 segment based on the location where the services are rendered, and assets are attributed to the segment based on the location of the assets. As all the Group's services are rendered in Hong Kong, no further geographical analysis of revenue or results is presented.

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

Details of the segment information are presented in note 5 to the accounts in this annual report.

MANAGEMENT DISCUSSION AND ANALYSIS

Employee information

As at 31 March 2007, the Group employed a total of 12 (2006: 18) employees. The salaries and benefits of the Group's employees are maintained at a competitive level and employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus system, which is reviewed annually. 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. The Group also operates a share option scheme where options to subscribe for shares of the Company may be granted to the executive directors and full-time employees of the Group. As at 31 March 2007, no share options have been granted to employees.

Staff costs, excluding directors' remuneration, decreased by approximately 16.1% to approximately HK$2,339,000 (2006: approximately HK$2,787,000). The increase is attributed to the increment of salaries.

Future plans for material investments or capital assets and expected source of funding

As at 31 March 2007, the Group did not have any plan for material investments or capital assets. Nevertheless, the Group is constantly looking for any other business opportunities elsewhere for investments or capital assets to improve its shareholders' value.

Contingent liabilities

On 13 April 2006, a customer filed a writ of summons against Marine Power Company Limited (the "Marine Power"), 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 of failing to recover the cargo of goods will be approximately HK$580,000.

Also on 13 April 2006, a customer issued a writ of summons in the High Court of Hong Kong against Marine Power as the defendant to recover certain cargoes from Marine Power, who acted as agent for another carrier in Taiwan in signing a number of bills of lading for transportation of such cargoes from Hong Kong to Brazil. No specified amount was claimed by that customer on the writ of summons.

In addition, on 15 May 2006, a customer issued a writ of summons in the High Court of Hong Kong against Marine Power as the defendant to recover certain cargoes from Marine Power, who acted as agent for another carrier in Taiwan in signing a number of bills of lading for transportation of such cargoes from Hong Kong to Brazil. No specified amount was claimed by that customer on the writ of summons.

Based on the advice of Marine Power's legal adviser, the directors are of the view that Marine Power has sufficient grounds to defend. Accordingly, no provision has been made in the financial statements for the year ended 31 March 2007.

The Group and the Company had no other material contingent liabilities as at 31 March 2007 (2006: Nil).

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Guo Xu, aged 43, graduated from Peking University with a bachelor's degree in laws and a master's degree in laws in 1985 and 1988 respectively. He is a partner of Bo An Law Office (北京市博安律師事務所), a law firm in Beijing, and has extensive experience in advising corporate clients in Hong Kong and the PRC with regard to PRC investments, mergers and acquisitions, and other corporate matters. Apart from being a PRC lawyer, he is also an owner of a consultancy firm named Beijing Yicao Contac Consultancy Limited (北京逸超康泰咨詢有限公司) in the PRC. Mr. Guo was appointed as an executive Director of the Company on 24 November 2006 and chairman of the Group on 24 April 2007.

Yeung Leung Kong, aged 47, is the managing director and founder of the Group. Mr. Yeung is responsible for the operational and marketing functions of the Group. He holds a certificate in shipping practise and management from the Hong Kong Polytechnic. Prior to founding the Group, Mr. Yeung was the operational director of a shipping and logistics company in Hong Kong. Mr. Yeung, resigned as the Chairman of the Group with effect from 24 April 2007, while remain as the executive Director of the Company.

Cheung Chi Hwa, Justin, aged 53, holds a bachelor degree of laws from Manchester Metropolitan University in the United Kingdom and a master of business administration degree from California State University in the United States. Mr, Cheung is a member of the American Institute of Certified Public Accountants and has over 20 years of banking, accounting and company secretarial experiences. Mr. Cheung was previously an independent non-executive director of Maxitech International Holdings Limited (formerly known as FX Creations International Holdings Limited) which is a company listed on the GEM of the Stock Exchange. Mr. Cheung was appointed as the executive Director of the Company with effect from 24 April 2007.

Cheung King Shan, aged 72, has been engaging in the shipping industry since 1962. He has over 45 years of experience in the field of shipping, which includes ship financing, shipping consultancy, shipping management, river trade transportation, inter-nodal transportation, cargo forwarding business, wharf operation and container truck transportation. He also has extensive experience on the management of leisure cruise hospitality, hotel and gaming facilities management in both Hong Kong and Asia Pacific region. Mr. Cheung has engaged in the management and operation of famous vessels, namely MV New Orient Princess (former MV Orient Princess), MV Omar (former MV Columbus Caravelle), MV Neptune Star (former MV Heaven Star), MV Omar III and MV Asia Star. Mr. Cheung holds a certificate of radar observer on merchant ships from the Macau Marine Department and has completed an internal auditor training course for safety and quality management system internal auditing issued from the Det Norske Veritas, Norway.

Mr. Cheung is currently a director of the Asia Cruiser Club Limited and a consultant of the Conning Shipping Limited, which are both engaged in the provision of leisure cruise hospitality, hotel and gaming facilities management in both Hong Kong and Asia Pacific region as well as the provision of service of port, vessel management and wharf operation. Mr. Cheung was previously a registered sea man and retired with a rank of Master issued by the Hong Kong Immigration Department. He was a Master of ocean-going vessels for all kind of gross register (the "GRT") tonnage issued by the Panamanian Consul at Yokohama, Japan. He was also a Captain (Master) qualified for handling vessels over 1,600 GRT as issued by the Ministry of Finance and Treasury of the Republic of Panama. Mr. Cheung was appointed as the executive Director on the Company with effect from 27 June 2007.

Darrell Bryce Sham, appointed as the executive Director of the Company on 15 December 2006 and resigned with effect on 24 April 2007.

DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTOR

Ong Chor Wei, resigned as the non-executive Director of the Company with effect from 15 December 2006.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Wong Ming, Kerry, aged 52, is a member of the American Institute of Certified Public Accountants and is a fellow member of the Hong Kong Institute of Certified Public Accountants. Mr. Wong graduated in United States of America with a bachelor and a master degree in accounting. Mr. Wong has over 20 years of experience in auditing, accounting, financial and general management. He is currently a vice president of an EMS (Electronic Manufacturing Services) company taking care of the human resources area in the Greater China Region. Mr. Wong was appointed the independent non-executive Director of the Company with effect from 7 September 2006.

Pang Hong Tao, Peter, aged 37, holds a bachelor's degree in economics from Nankai University, the PRC and a master degree in economics from Renmin University of China. Mr. Pang is the chairman of Finance Committee of ShanDong-HongKong SME Association. He is a member of Chinese Institute of Certified Public Accountants, China Appraisal Society, Shan Dong Certified Consultant Expert Society and China Enterprise Risk Management Society. Mr. Pang has over ten years of experience in financial management, risk management, financial budgeting and corporate finance. He has worked as chief accountant in an international five-star hotel, deputy general manager in a management consultants company and partner in a Certified Public Accountants firm. Mr. Pang is currently the partner and deputy general manager of a Certified Public Accountants firm in the PRC. Mr. Pang was appointed as the independent non-executive Director of the Company with effect from 24 November 2006.

Tam Chak Chi, aged 30, is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and an associate member of the American Institute of Certified Public Accountants. Mr. Tam has over 5 years experience in accounting, auditing and financial management and previously worked in a big four international accounting firm. Mr. Tam is currently a financial controller, qualified accountant and a company secretary of Wing Lee Holdings Limited, which is a company listed on the main board of The Stock Exchange of Hong Kong Limited. Mr. Tam was appointed as the independent non-executive Director of the Company with effect from 24 April 2007.

Hsu Shiu Foo, Willam, appointed as the independent non-executive Director of the Company on 14 September 2006 and resigned with effect on 24 April 2007.

Wong Ah Chik, resigned as the independent non-executive Director of the Company with effective from 15 December 2006.

Leung Wai Ling, Wylie resigned as the independent non-executive Director of the Company with effective from 15 December 2006.

Liu Feng, resigned as the independent non-executive Director of the Company with effective from 15 December 2006.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Wong Kwong Kwok, aged 45, is the ex-Director of the Company and co-founder of the Group. He is responsible for the operational functions of the Group. Prior to joining the Group, he was the operational manager of a general trading company in Hong Kong.

Lee Chee Kin, aged 59, is the sales and marketing manager of the Group. Mr. Lee is responsible for the sales and marketing functions of the Group. Prior to joining the Group in October 1998, he worked as a manager in a transportation company in Hong Kong.

Tsang Ho Ka, Eugene, aged 25, is a Certified Practising Accountant of the CPA Australia, a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and also an Associate Management Accountant of the Institute of Certified Management Accountants, Australia. Mr. Tsang holds a bachelor's degree in commerce from the University of New South Wales and also completed an accounting extension course of Australian Taxation Law and Australian Corporations Law in the University of Sydney. Mr. Tsang has over four years of experience in accounting, auditing, and financial management and previously worked in a big four international accounting firm and a company listed in the Hong Kong Special Administrative Region of the People's Republic of China. Prior joining to this Company, he was the company secretary and the qualified accountant of the Maxitech International Holdings Limited (formerly known as FX Creations International Holdings Limited) which is a company listed on the GEM of the Stock Exchange. Mr. Tsang was appointed as the qualified account, company secretary and the authorised representative of the Company with effect from 2 April 2007.

Wong Chi Ling, resigned as the company secretary and qualified accountant of the Company with effect from 15 December 2006.

Darrell Bryce Sham, appointed as the authorised representative, company secretary and qualified accountant of the Company with effect on 15 December 2006 and resigned with effect on 2 April 2007.

CORPORATE GOVERNANCE REPORT

(A) CORPORATE GOVERNANCE PRACTICES

The Group is committed to promoting high standards of corporate governance. The directors of the Company believe that sound and reasonable corporate governance practices are essential for the growth of the Group and for safeguarding the shareholders' interests and the Group's assets.

During the year ended 31 March 2007, the Company has complied with all the code provisions set out in the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 15 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules"), except the following:

1. A.2.1 of the CG Code requires the roles of chairman and chief executive officer to be separate and not be performed by the same individual. The roles of chairman and the chief executive officer of the Company was taken up by Mr. Yeung Leung Kong, an executive Director of the Company. The Company is aware of the requirement of a clear division of responsibilities for these two roles and is actively seeking for a suitable candidate to take up the role of the Chairman from Mr. Yeung Leung Kong to ensure that power is not concentrated in any one individual. Hence, on 24 April 2007, Mr. Guo Xu, the existing executive Director of the Company took up the role of the chairman of the Company.

2. A.4.1 of the CG Code requires that all non-executive director should be appointed for a specific term, subject to re-election. Currently, all independent non-executive director of the Company are not appointed for a specific term. They are, however, subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Articles of Association of the Company. Since their appointment will be reviewed when they are due for re-election, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those set out in the CG Code.

3. A.4.4 of the CG Code requires Company should establish a nomination committee at which the majority of the members of the nomination committee should be the independent non-executive directors. Currently, no nomination committee was established by the Company. The Company is in the progress of forming a nomination committee which is expected to be established in accordance with the GEM Listing Rules as and when appropriate.

(B) DIRECTORS' SECURITIES TRANSACTIONS

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"). During the year ended 31 March 2007, the Company had made specific enquiry to all Directors and the Company was not aware of any non-compliance with the required standard set out in the Code.

CORPORATE GOVERNANCE REPORT

(C) BOARD OF DIRECTORS

At present, the Board of the Company comprises seven members as follows:

Executive Directors:

Mr. Yeung Leung Kong *(resigned as chairman on 24 April 2007)*
Mr. Guo Xu *(appointed as executive Director on 24 November 2006 and chairman on 24 April 2007)*
Mr. Darrell Bryce Sham *(appointed on 15 December 2006 and resigned on 24 April 2007)*
Mr. Cheung Chi Hwa, Justin *(appointed on 24 April 2007)*
Mr. Cheung King Shan *(appointed on 27 June 2007)*

Non-executive Director:

Mr. Ong Chor Wei *(resigned on 15 December 2006)*

Independent non-executive Directors:

Mr. Wong Ah Chik *(resigned on 15 December 2006)*
Ms. Leung Wai Ling, Wylie *(resigned on 15 December 2006)*
Mr. Liu Feng *(resigned on 15 December 2006)*
Mr. Wong Ming, Kerry *(appointed on 7 September 2006)*
Mr. Hsu Shiu Foo, William *(appointed on 14 September 2006 and resigned on 24 April 2007)*
Mr. Pang Hong Tao, Peter *(appointed on 24 November 2006)*
Mr. Tam Chak Chi *(appointed on 24 April 2007)*

The Company believes that it is headed by an effective Board, lead by Mr. Guo Xu, which assumes responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising the Company's affairs.

The Board meets regularly on a quarterly basis. Apart from the regular board meetings of the year, the Board also meets on other occasions when a Board-level decision on a particular matter is required. All Directors are provided with details of agenda items for decisions making with reasonable notice. Directors have access to the advice and services of the company secretary who is responsible for ensuring that the Board procedures are complied with and advising the Board on compliance matters. Directors are also provided with access to independent professional advice, where necessary, in carrying out their obligations as Directors of the Company, at the expense of the Company. Directors who are considered to have conflict of interests or material interests in the proposed transactions or issues to be discussed would not be counted in the quorum of meeting and would abstain from voting on the relevant resolution.

CORPORATE GOVERNANCE REPORT

Generally, the responsibilities of the Board include:

- Formulation of operational strategies and review of its financial performance and results and the internal control systems;
- Policies relating to key business and financial objectives of the Company;
- Material acquisitions, investments, disposal of assets or any significant capital expenditure;
- Appointment, removal or reappointment of Board members and auditors;
- Remuneration of Directors;
- Communication with key stakeholders, including shareholders and regulatory bodies;
- Recommendation to shareholders on final dividend and the declaration of any interim dividends.

Decisions regarding the daily operation and administration of the Company are delegated to the management, lead by the Chief Executive Officer, Mr. Yeung Leung Kong.

The attendance rates of Directors at the Board meetings in the year ended 31 March 2007 are detailed in the following table.

	Board	
Directors	**No. of Meetings Held**	**No. of Meetings Attended**
Mr. Yeung Leung Kong	4	4
Mr. Guo Xu *(appointed on 24 November 2006)*	4	2
Mr. Darrell Bryce Sham *(appointed on 15 December 2006 and resigned on 24 April 2007)*	4	1
Mr. Cheung Chi Hwa, Justin *(appointed on 24 April 2007)*	4	1
Mr. Cheung King Shan *(appointed on 27 June 2007)*	4	1
Mr. Ong Chor Wei *(resigned on 15 December 2006)*	4	2
Mr. Wong Ah Chik *(resigned on 15 December 2006)*	4	2
Ms. Leung Wai Ling, Wylie *(resigned on 15 December 2006)*	4	2
Mr. Liu Feng *(resigned on 15 December 2006)*	4	2
Mr. Wong Ming, Kerry *(appointed on 7 September 2006)*	4	3
Mr. Hsu Shiu Foo, William *(appointed on 14 September 2006 and resigned on 24 April 2007)*	4	2
Mr. Pang Hong Tao, Peter *(appointed on 24 November 2006)*	4	2
Mr. Tam Chak Chi *(appointed on 24 April 2007)*	4	1

CORPORATE GOVERNANCE REPORT

All Directors, including independent non-executive Director of the Company assume the responsibilities to the shareholders of the Company for the well-being and success of the Company. They are aware of their duties to act in good faith and in the best interests of the Company.

The Board is responsible for maintaining proper accounting records so as to enable the Directors to monitor the Company's overall financial position. The Board updates shareholders on the operations and financial position of the Group through quarterly, half yearly and annual results announcements as well as the publication of timely announcements of other matters as prescribed by the relevant rules and regulations.

Each of the independent non-executive Director has made an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company is of the view that all independent non-executive Directors meet the independence guidelines set out in Rule 5.09 of the GEM Listing Rules and are independent in accordance with the terms of the guidelines.

(D) CHAIRMAN AND CHIEF EXECUTIVE OFFICER

As at 31 March 2007, the roles of both Chairman and Chief Executive Officer (the "CEO") are taken up 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 for a suitable candidate to take up the role of the Chairman from Mr. Yeung Leung Kong to ensure that power is not concentrated in any one individual. On 24 April 2007, Mr. Guo Xu, the existing executive Director of the Company took up the role of the Chairman of the Group, hence, the role of the Chairman and CEO are separate.

(E) INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has three independent non-executive Directors, namely Mr. Wong Ming, Kerry, Mr. Pang Hong Tao, Peter and Mr. Tam Chak Chi respectively.

The three independent non-executive Directors are not appointed for a fixed term of office, but they are subject to the provisions governing the retirement and rotation of Directors in the Articles of Association of the Company, which require one-third of the Directors in office to retire from office by rotation at each annual general meeting.

(F) REMUNERATION OF DIRECTORS

A remuneration committee ("RC") was set up on 20 March 2006 to oversee the remuneration policy and structure for all Directors and senior management. The RC is chaired by Mr. Wong Ming, Kerry and two other members Mr. Pang Hong Tao, Peter and Mr. Tam Chak Chi, all being independent non-executive Director. The role of the RC is to recommend to the Board a framework for remunerating the Directors and key executives and to determine specific remuneration packages for them. They are provided with sufficient resources by the Company to discharge its duties.

The remuneration package for executive Directors comprises a basic salary and a performance related bonus for their contributions. All revision to the remuneration packages of the Directors are subject to the review and approval of the Board. Details of Directors' remuneration are set out in note 9 to the accounts in this annual report.

CORPORATE GOVERNANCE REPORT

The attendance rates of RC members at the RC meetings in the year ended 31 March 2007 are detailed in the following table.

Directors	Remuneration Committee No. of Meetings Held	No. of Meetings Attended
Ms. Leung Wai Ling, Wylie *(resigned on 17 October 2005)*	1	0
Mr. Ong Chor Wei *(resigned on 15 December 2006)*	1	0
Mr. Wong Ah Chik *(resigned on 15 December 2006)*	1	0
Mr. Wong Ming, Kerry *(appointed on 7 September 2006)*	1	1
Mr. Hsu Shiu Foo, William *(appointed on 14 September 2006, resigned on 24 April 2007)*	1	0
Mr. Pang Hong Tao, Peter *(appointed on 24 November 2006)*	1	1
Mr. Tam Chak Chi *(appointed on 24 April 2007)*	1	1

(G) NOMINATION OF DIRECTORS

No nomination committee was established by the Company. The Company is in the progress of forming a nomination committee which is expected to be established in accordance with the GEM Listing Rules as and when appropriate.

(H) AUDITORS' REMUNERATION

During the year ended 31 March 2007, the fees paid to the auditors in respect of audit and non-audit services provided by the auditors of the Group were as follows:

Nature of services	**2007 Amount (HK$)'000**	2006 Amount (HK$)'000
Audit services	**330**	240
Non-audit services		
Taxation compliance services	**63**	15

CORPORATE GOVERNANCE REPORT

(I) AUDIT COMMITTEE

The Audit Committee ("AC") of the Company comprises the three independent non-executive Directors and headed by Mr. Pang Hong Tao, Peter. The AC performs, amongst others, the following functions:

- ensure that co-operation is given by the Company's management to the external auditors where applicable;
- review the Group's quarterly, half-yearly and annual results announcements and the financial statements prior to their recommendations to the Board for approval;
- review the Group's financial reporting process and internal control system; and
- review of transactions with interested persons.

The attendance rates of AC members at the AC meetings in the year ended 31 March 2007 are detailed in the following table.

	Audit Committee	
Directors	**No. of Meetings Held**	**No. of Meetings Attended**
Mr. Liu Feng *(resigned on 15 December 2006)*	4	2
Ms. Leung Wai Ling, Wylie *(resigned on 15 December 2006)*	4	2
Mr. Wong Ah Chik *(resigned on 15 December 2006)*	4	2
Mr. Wong Ming, Kerry *(appointed 7 September 2006)*	4	2
Mr. Hsu Shiu Foo, William *(appointed on 14 September 2006 and resigned on 24 April 2007)*	4	2
Mr. Pang Hong Tao, Peter *(appointed on 24 November 2006)*	4	2
Mr. Tam Chak Chi *(appointed on 24 April 2007)*	4	1

(J) ACCOUNTABILITY AND AUDIT

The Board acknowledges its responsibility to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group. The Board is not aware of any material uncertainties relating to events or condition that might cast significant doubt upon the Company's ability to continue in business. Accordingly, the Board has prepared the financial statements of the Company on a going concern basis.

The Board also acknowledges its responsibility to present a balanced, clear and understandable assessment in the Company's annual, half-yearly and quarterly reports, other price-sensitive announcements and other financial disclosures required under the GEM Listing Rules, and reports to the regulators as well as to information required to be disclosed pursuant to statutory requirements.

(K) INTERNAL CONTROL

The Board has conducted annual review on the system of internal control of the Group and its effectiveness covering the financial, operational, compliance controls and risk management functions. The Board is committed to implementing an effective and sound internal control system to safeguard the interest of shareholders and the Group's assets.

REPORT OF THE DIRECTORS

The directors herein present their annual report and the audited financial statements of MP Logistics International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2007.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries of the Company are set out in note 16 to the accounts. There have been no significant changes in the nature of the Group's principal activities during the year.

SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to results by principal activities and geographical areas of operations for the year is set out in note 5 to the accounts.

RESULTS AND DIVIDENDS

The Group's consolidated loss for the year ended 31 March 2007 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 26 to 54.

The directors do not recommend any dividends during the year.

SUMMARY FINANCIAL INFORMATION

The following is a summary of the consolidated results of the Group for each of the five years ended 31 March 2007 and of the assets and liabilities of the Group as at 31 March 2006, 2005, 2004 and 2003 prepared on the basis set out in the note below.

CONSOLIDATED RESULTS

	Year ended 31 March				
	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**33,444**	65,732	81,916	53,720	32,648
(Loss)/Profit before income tax	**(7,352)**	(8,128)	(9,701)	377	2,638
Income tax	**(3,149)**	1,510	1,755	(176)	(417)
Net (loss)/profit attributable to shareholders	**(10,501)**	(6,618)	(7,946)	201	2,221

REPORT OF THE DIRECTORS

CONSOLIDATED ASSETS AND LIABILITIES

	As at 31 March				
	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	**1,748**	6,091	5,585	2,088	1,707
Current assets	**18,826**	13,337	28,564	32,941	28,040
Current liabilities	**7,270**	7,234	16,194	9,201	3,864
Net current assets	**11,556**	6,103	12,370	23,740	24,176
Non-current liabilities	**879**	1,268	411	338	595
	12,425	10,926	17,544	25,490	25,288

Note: The consolidated results of the Group for the years ended 31 March 2007 and 2006 and the consolidated assets and liabilities of the Group as at 31 March 2007 and 31 March 2006 are set out on pages 26 and 27 respectively, of the annual report.

FIXED ASSETS

Details of movements in the fixed assets of the Group during the year are set out in note 15 to the accounts.

SHARE CAPITAL AND SHARE OPTION SCHEME

Details of movements in the Company's issued share capital, together with the details of the Company's share option scheme, are set out in notes 22 and 23 to the accounts respectively.

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.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed shares during the year.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in the statement of changes in equity on page 29 of the annual report and in note 24 to the accounts.

REPORT OF THE DIRECTORS

DISTRIBUTABLE RESERVES

At 31 March 2007, the Company's reserve available for distribution, calculated in accordance with the laws of the Cayman Islands, amounted to HK$20,554,000 (2006: HK$20,967,000). This includes the Company's share premium account of HK$14,946,000 (2006: HK$14,946,000) and capital reserve account of HK$6,509,000 (2006: HK$6,509,000) in aggregate at 31 March 2007 which may be distributed provided that immediately following the date on which a dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, turnover made to the Group's five largest customers accounted for approximately 76% (2006: 80%) of the total turnover for the year. Turnover made to the largest customer included therein accounted for approximately 47% (2006: 36%) of the total turnover for the year.

During the year, purchases from the Group's five largest suppliers accounted for approximately 91% (2006: 70%) of the total purchases for the year. Purchases from the Group's largest supplier included therein accounted for approximately 36% (2006: 39%) of the total purchases for the year.

As far as the directors are aware, neither the directors of the Company, any of their associates nor any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interests in the Group's five largest customers or five largest suppliers during the year.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive Directors:

Mr. Yeung Leung Kong	*(resigned as chairman on 24 April 2007)*
Mr. Guo Xu	*(appointed as executive Director on 24 November 2006 and chairman on 24 April 2007)*
Mr. Darrell Bryce Sham	*(appointed on 15 December 2006 and resigned on 24 April 2007)*
Mr. Cheung Chi Hwa, Justin	*(appointed on 24 April 2007)*
Mr. Cheung King Shan	*(appointed on 27 June 2007)*

Non-executive Director:

Mr. Ong Chor Wei	*(resigned on 15 December 2006)*

Independent non-executive Directors:

Mr. Wong Ah Chik	*(resigned on 15 December 2006)*
Ms. Leung Wai Ling, Wylie	*(resigned on 15 December 2006)*
Mr. Liu Feng	*(resigned on 15 December 2006)*
Mr. Wong Ming, Kerry	*(appointed on 7 September 2006)*
Mr. Hsu Shiu Foo, William	*(appointed on 14 September 2006 and resigned on 24 April 2007)*
Mr. Pang Hong Tao, Peter	*(appointed on 24 November 2006)*
Mr. Tam Chak Chi	*(appointed on 24 April 2007)*

REPORT OF THE DIRECTORS

In accordance with Article 86(3) of the Company's Articles of Association, Mr. Guo Xu, Mr. Cheung Chi Hwa, Justin, Mr. Wong Ming Kerry, Mr. Pang Hung Tao, Peter, Mr. Tam Cha Chi and Mr. Cheung King Shan who were appointed as directors of the Company on 24 November 2006, 24 April 2007, 7 September 2006, 24 November 2006, 24 April 2007 and 27 June 2007. respectively, all the above mentioned directors will retire at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.

The Company confirmed that it has received from each of its independent non-executive directors the annual confirmation for his independence pursuant to Rule 5.09 of the Rules Governing the Listing of Securities on Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and still considers them to be independent as at the date of this report.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 9 to 11 of the Company's annual report.

DIRECTORS' SERVICE CONTRACTS

Mr. Yeung Leung Kong, the executive Director of the Company, entered into service contract with a subsidiary of the Company for an initial term of two years commencing from 1 November 2002 and will continue thereafter until terminated by either party by giving not less than 3 months' notice in writing to the other party.

Mr. Guo Xu, one of the executive Director of the Company entered into the services contract with the Company for a term of one year commencing from 24 November 2006 and shall continue thereafter until terminated by either party giving to the other not less than one month notice in writing.

Mr. Cheung Chi Hwa, Justin one of the executive Director of the Company entered into the services contract with the Company for a term of one year commencing from 24 April 2007 and shall continue thereafter until terminated by either party giving to the other not less than one month notice in writing.

Mr. Cheung King Shan, one of the executive Director of the Company entered into the services contract with the Company for a term of one year commencing from 27 June 2007 and shall continue thereafter until terminated by either party giving to the other not less than one month notice in writing.

Mr. Wong Ming Kerry, one of the independent non-executive Director of the Company, entered into the services contract with the Company for a term of one year commencing from 7 September 2006 and shall continue thereafter until terminated by either party giving to the other not less than one month notice in writing.

Mr. Pang Hong Tao, Peter, one of the independent non-executive Director of the Company, entered into the services contract with the Company for a term of one year commencing from 24 November 2006 and shall continue thereafter until terminated by either party giving to the other not less than one month notice in writing.

Mr. Tam Cha Chi, one of the independent non-executive Director of the Company, entered into the services contract with the Company for a term of one year commencing from 24 April 2007 and shall continue thereafter until terminated by either party giving to the other not less than one month notice in writing.

Apart from the forgoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN CONTRACTS

No director of the Company had a significant beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries was a party during or at the end of the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 31 March 2007, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and 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 set out in Rules 5.48 to 5.67 of the GEM Listing Rules were as follows:

Director	Capacity of interest	Number of shares held	Approximately percentage of shareholding in the Company
Mr. Guo Xu	Interest in controlled corporation *(Note 1)*	902,000,000	60.13%

Note:

1. Tolmen Star, an investment holding company incorporated in the British Virgin Islands with limited liability and is wholly and beneficially owned by Mr. Guo Xu.

Save as disclosed above, as at 31 March 2007, none of the directors nor the chief executives of the Company had any other 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 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 which were required to be recorded in the register kept by the Company under Section 352 of the SFO or otherwise required to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors set out in Rules 5.48 to 5.67 of the GEM Listing Rules.

DIRECTOR'S RIGHTS TO ACQUIRE SHARES

Apart from as disclosed under the paragraph headed "Directors' and chief executives' interests in shares" above and the share option scheme disclosures in note 23 to the accounts, at no time during the year 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.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME

On 26 October 2002, a share option scheme (the "Scheme") was approved by written resolutions of the then sole shareholder of the Company. The purpose of the Scheme is to recognise the contribution of selected persons to the growth of the Group. As at 31 March 2007 no options have been granted to any participants under the Scheme.

Details of the Scheme are set out in note 23 to the accounts.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2007, the interests and short positions of persons, other than a director 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 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 substantial shareholders as recorded in the register of substantial shareholders required to be kept by the Company under Section 336 of the SFO were as follows:

Name of Shareholders	Number of ordinary shares held	Approximate percentage of shareholding in the Company
Tolmen Star Limited ("Tolmen Star") *(Note 1)*	902,000,000	60.13%
Mr. Guo Xu *(Note 1)*	902,000,000	60.13%
Ms. Zhou Ya Ping *(Note 1)*	902,000,000	60.13%
Best Method Investments Limited ("Best Method") *(Note 2)*	100,000,000	6.67%
Mr. Wong Kwong Kwok *(Note 2)*	100,000,000	6.67%

Notes:

1. 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 902,000,000 Shares in which Tolmen Star is interested in.

2. Best Method is beneficially owned as to (i) 40% by Profound Wise International Limited, which in turn is 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 in turn is wholly owned by Mr. Wong Kwong Kwok, and (iii) 30% by Absolute Prime Investments Limited, which in turn is wholly owned by Mr. Chan Chi Yin. Accordingly, Mr. Wong Kwong Kwok is deemed to be interested in the 100,000,000 Shares in which Best Method is interested.

   100,000,000 Shares held by Best Method were also pledged to a PRC financial institution. 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.

Save as disclosed above, as at 31 March 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.

REPORT OF THE DIRECTORS

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.

CORPORATE GOVERNANCE

Subject to the deviations as disclosed in Corporate Governance Report set out on pages 12 to 17 of the Company's annual report, the Company has complied with the Code on Corporate Governance Practice set out in Appendix 15 to the GEM Listing Rules during the year under review.

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, Mr. Wong Ming, Kerry, Mr. Pang Hong Tao, Peter and Mr. Tam Chak Chi, all are independent non-executive directors of the Company. The audit committee held four meetings during the year. The Group's audited results for the year ended 31 March 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.

CONNECTED TRANSACTIONS

There were no significant connected party transactions entered into by the Group for the year ended 31 March 2007.

AUDITORS

Baker Tilly Hong Kong Limited resigned as auditors of the Company on 27 March 2007. At the extraordinary general meeting of the Company held on 7 May 2007, Messrs Grant Thornton were appointed as auditors of the Company to fill the casual vacancy.

The financial statements have been audited by Grant Thornton who retire and being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

On behalf of the Board
Guo Xu
Chairman

Hong Kong, 29 June 2007

INDEPENDENT AUDITORS' REPORT

Certified Public Accountants
Member of Grant Thornton International

Grant Thornton
均富會計師行

To the members of MP Logistics International Holdings Limited
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of MP Logistics International Holdings Limited (the "Company") set out on pages 26 to 54, which comprise the consolidated and company balance sheets as at 31 March 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2007 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Grant Thornton
Certified Public Accountants
13th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

29 June 2007

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2007

	Notes	2007 HK$'000	2006 HK$'000
REVENUE	6	**33,444**	65,732
Cost of sales		**(31,126)**	(60,340)
Gross profit		**2,318**	5,392
Other income	6	**1,266**	137
Selling and distribution costs		**(1,233)**	(1,882)
Administrative expenses		**(9,589)**	(11,643)
LOSS FROM OPERATING ACTIVITIES	7	**(7,238)**	(7,996)
Finance costs	8	**(114)**	(132)
LOSS BEFORE INCOME TAX		**(7,352)**	(8,128)
Income tax (expense)/credit	11	**(3,149)**	1,510
NET LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**(10,501)**	(6,618)
DIVIDENDS	13	**–**	–
LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	14		
– Basic		**(HK1.44 cents)**	(HK2.21 cents)
– Diluted		**N/A**	N/A

CONSOLIDATED BALANCE SHEET

AS AT 31 MARCH 2007

	Notes	2007 HK$'000	2006 HK$'000
ASSETS AND LIABILITIES			
NON-CURRENT ASSETS			
Property, plant and equipment	15	**1,568**	2,762
Deferred tax assets	20(a)	**180**	3,329
		1,748	6,091
CURRENT ASSETS			
Accounts receivable	17	**5,847**	6,842
Prepayments, deposits and other receivables		**4,565**	5,040
Cash and bank balances	18	**8,414**	1,455
		18,826	13,337
CURRENT LIABILITIES			
Accounts payable	19	**1,024**	2,098
Accrued expenses and other payables		**5,872**	4,409
Current portion of finance lease payables	21	**374**	727
		7,270	7,234
NET CURRENT ASSETS		**11,556**	6,103
TOTAL ASSETS LESS CURRENT LIABILITIES		**13,304**	12,194
NON-CURRENT LIABILITIES			
Finance lease payables	21	**615**	1,004
Deferred tax liabilities	20(b)	**264**	264
		879	1,268
NET ASSETS		**12,425**	10,926
EQUITY			
Share capital	22	**15,000**	3,000
Reserves	24	**(2,575)**	7,926
TOTAL EQUITY		**12,425**	10,926

Guo Xu
Director

Yeung Leung Kong
Director

BALANCE SHEET

AS AT 31 MARCH 2007

	Notes	2007 HK$'000	2006 HK$'000
ASSETS AND LIABILITIES			
NON-CURRENT ASSETS			
Investments in subsidiaries	16	**6,554**	6,554
Deferred tax assets	20(a)	**103**	103
		6,657	6,657
CURRENT ASSETS			
Prepayments, deposits and other receivables		**113**	75
Amounts due from subsidiaries	16	**21,090**	17,364
Cash and bank balances	18	**7,921**	3
		29,124	17,442
CURRENT LIABILITIES			
Accrued expenses and other payables		**227**	132
NET CURRENT ASSETS		**28,897**	17,310
NET ASSETS		**35,554**	23,967
EQUITY			
Share capital	22	**15,000**	3,000
Reserves	24	**20,554**	20,967
TOTAL EQUITY		**35,554**	23,967

Guo Xu
Director

Yeung Leung Kong
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2007

	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance at 1 April 2005	3,000	14,946	3,867	(4,269)	17,544
Net loss for the year	–	–	–	(6,618)	(6,618)
Total recognised income and expense for the year	–	–	–	(6,618)	(6,618)
Balance at 31 March 2006 and 1 April 2006	3,000	14,946	3,867	(10,887)	10,926
Net loss for the year	–	–	–	(10,501)	(10,501)
Total recognised income and expense for the year	–	–	–	(10,501)	(10,501)
Issue of new shares	12,000	–	–	–	12,000
Balance at 31 March 2007	15,000	14,946	3,867	(21,388)	12,425

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2007

	2007 HK$'000	2006 HK$'000
Loss before income tax	**(7,352)**	(8,128)
Adjustments for:		
Interest expenses	**114**	132
Interest income	**(94)**	(14)
Depreciation	**952**	1,239
(Gain)/Loss on disposals of property, plant and equipment	**(140)**	545
Operating cash flows before movements in working capital	**(6,520)**	(6,226)
Decrease in accounts receivable	**995**	4,473
Decrease in prepayments, deposits and other receivables	**804**	1,695
Decrease in accounts payable	**(1,074)**	(1,886)
Increase in accrued expenses and other payables	**1,463**	3,525
Cash (used in)/generated from operating activities	**(4,332)**	1,581
Interest paid	**–**	(11)
Income tax refunded	**–**	11
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES	**(4,332)**	1,581
INVESTING ACTIVITIES		
Interest received	**94**	14
Proceeds from disposals of property, plant and equipment	**251**	286
Purchases of property, plant and equipment	**(198)**	(1,259)
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES	**147**	(959)
FINANCING ACTIVITIES		
Interest element of finance lease rental payments	**(114)**	(121)
Repayment of obligations under finance leases	**(742)**	–
New finance leases	**–**	1,564
Proceeds from issue of new shares	**12,000**	–
NET CASH GENERATED FROM FINANCING ACTIVITIES	**11,144**	1,443
NET INCREASE IN CASH AND CASH EQUIVALENTS	**6,959**	2,065
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**1,455**	(610)
CASH AND CASH EQUIVALENTS AT END OF YEAR	**8,414**	1,455
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**831**	1,455
Time bank deposits with original maturity of less than three months	**7,583**	–
	8,414	1,455

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

1. GENERAL INFORMATION

MP Logistics International Holdings Limited (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 and its principal place of business is Room 3308–3309, The Center, 99 Queen's Road Central, Hong Kong. The shares of the Company are listed on The Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activity of the Company is investment holding. The subsidiaries (together with the Company referred to as 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.

In the opinion of the directors, the ultimate holding company of the Company is Tolmen Star Limited, a company incorporated in the British Virgin Islands.

The financial statements on pages 26 to 54 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules").

The financial statements for the year ended 31 March 2007 were approved for issue by the board of directors on 29 June 2007.

2. ADOPTION OF NEW OR AMENDED HKFRSs

From 1 April 2006, the Group has adopted all the new and amended HKFRSs which are first effective on 1 January 2006 and relevant to the Group. The adoption of these new and amended HKFRSs did not result in significant changes to the Group's accounting policies.

The Group has not early adopted the following HKFRSs that have been issued but are not yet effective. The directors of the Company anticipate that the adoption of such HKFRSs will not result in material financial impact on the Group's financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

2. ADOPTION OF NEW OR AMENDED HKFRSs *(Continued)*

2.1 New or amended HKFRSs that have been issued but are not yet effective

HKAS 1 (Amendment)	Capital Disclosures [1]
HKFRS 7	Financial Instruments – Disclosures [1]
HKFRS 8	Operating segments [2]
HK(IFRIC) – Interpretation 8	Scope of HKFRS 2 [3]
HK(IFRIC) – Interpretation 9	Reassessment of Embedded Derivatives [4]
HK(IFRIC) – Interpretation 10	Interim Financial Reporting and Impairment [5]
HK(IFRIC) – Interpretation 11	Group and Treasury Share Transactions [6]
HK(IFRIC) – Interpretation 12	Service Concession Arrangements [7]

Notes

1. Effective for annual periods beginning on or after 1 January 2007
2. Effective for annual periods beginning on or after 1 January 2009
3. Effective for annual periods beginning on or after 1 May 2006
4. Effective for annual periods beginning on or after 1 June 2006
5. Effective for annual periods beginning on or after 1 November 2006
6. Effective for annual periods beginning on or after 1 March 2007
7. Effective for annual periods beginning on or after 1 January 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented. The financial statements have been prepared on the historical cost convention. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

3.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 March each year.

3.3 Subsidiaries

Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are excluded from consolidation from the date that control ceases.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.3 Subsidiaries *(Continued)*

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

In the Company's balance sheet, subsidiaries are carried at cost less any impairment loss. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the balance sheet date.

3.4 Translation of foreign currencies

The financial statements are presented in Hong Kong Dollars (HK$), which is also the functional currency of the Company and all values are rounded to the nearest thousand except when otherwise indicated.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated at foreign exchange rates ruling at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the balance sheet date retranslation of monetary assets and liabilities are recognised in the income statement under "other revenue" or "administrative expenses", respectively. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into HK$. Assets and liabilities have been translated into HK$ at the closing rates at the balance sheet date. Income and expenses have been converted into HK$ at the exchange rate ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been dealt with in the translation reserve in equity.

3.5 Related parties

A party is considered to be related to the Group if

(i) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(ii) the party is a jointly-controlled entity;

(iii) the party is an associate;

(iv) the party is a member of the key management personnel of the Group or its parent;

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.5 Related parties *(Continued)*

(v) the party is a close member of the family of any individual referred to (i) or (iv);

(vi) the party is an entity that is controlled, jointly-controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is the Group or its related party.

3.6 Revenue recognition

Revenue comprises the fair value for the rendering of services, net of rebates and discounts. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

(i) Revenue from the provision of logistics services is recognised when the services are rendered; and

(ii) Interest income is recognised on a time proportion basis by reference to the principal outstanding and the interest rate applicable.

3.7 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation on property, plant and equipment is provided to write off the cost over their estimated useful lives using the straight-line method at the following rates per annum:

Leasehold improvements	20% or over the lease terms, whichever is shorter
Furniture, fixtures and office equipment	20%
Motor vehicles	20%

The assets' useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.8 Impairment testing of properties, plant and equipment and investments in subsidiaries

Property, plant and equipment and interests in subsidiaries are subject to impairment testing. They are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purpose of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Impairment losses recognized for cash-generating units is charged pro rata to the assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value in use, if determinable.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only on the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.9 Financial assets

The Group's financial assets are mainly accounts and other receivables.

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on trade date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. At each balance sheet date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.9 Financial assets *(Continued)*

Accounts receivable and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are recognised initially at cost and subsequently measured at amortised cost using the effective interest method, less any impairment losses. A provision for impairment loss is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in income statement of the period in which the reversal occurs.

3.10 Cash and cash equivalents

Cash and cash equivalents include cash at banks and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

3.11 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3.12 Accounting for income tax

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.12 Accounting for income tax *(Continued)*

Deferred tax is calculated using the liability method on temporary differences at the balance sheet date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised in the income statement, or in equity if they relate to items that are charged or credited directly to equity.

3.13 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Assets acquired under finance leases

Where the Group acquires the right to use the assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligation under finance leases.

Subsequent accounting for assets held under finance lease agreements corresponds to those applied to comparable acquired assets. The corresponding finance lease liability is reduced by lease payments less finance charges.

Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to income statement in the accounting period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.13 Leases *(Continued)*

(ii) Operating lease charges as the lessee

Where the Group has the right to use the assets held under operating leases, payments made under the leases are charged to the income statement on a straight line basis over the lease terms except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rental are charged to the income statement in the accounting period in which they are incurred.

3.14 Financial liabilities

The Group's financial liabilities include finance lease payable (see Note 3.13), accounts payable, accrued expenses and other payables.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised as an expense in finance costs in the income statement.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in the income statement.

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest rate method

3.15 Retirement benefit costs and short term employee benefits

(i) Defined contribution plan

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. Contributions are made based on a percentage of the employees' basic salary to the maximum mandatory contributions as required by the MPF Scheme and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. Liabilities and assets may be recognised if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short term nature. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.15 Retirement benefit costs and short term employee benefits *(Continued)*

(ii) Employee entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Non-accumulating compensated absences are not recognised until the time of leave.

3.16 Share-based employee compensation

Under the transitional provision provided for under HKFRS 2, all share-based payment arrangements granted after 7 November 2002 and had not vested on 1 January 2005 are recognised in the financial statements. The Group operates equity-settled share-based compensation plans for remuneration of its employees.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the share options awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions.

All share-based compensation is ultimately recognised as an expense in income statement with a corresponding increase in equity (share option reserve). If vesting periods or other vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment to expense recognised in prior periods is made if fewer share options ultimately are exercised than originally estimated.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are reallocated to share capital with any excess being recorded as share premium.

3.17 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from share premium to the extent they are incremental costs directly attributable to the equity transaction.

3.18 Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that business segments are presented as the primary reporting format and geographical segments are presented as the secondary reporting format.

In respect of geographical segment reporting, revenue is based on the country where the customer is located and total assets and capital expenditure are where the assets are located.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of receivables

The Group's management review receivables on a regular basis to determine if any provision for impairment is necessary. This estimate is based on the credit history of its customers, past settlement, industry practice and current market conditions. Management reassesses the impairment of receivables at each balance sheet date.

5. SEGMENT INFORMATION

(a) Business segments

No further information on the business segments of the Group is presented as the Group is solely engaged in the provision of logistics services.

(b) Geographical segments

Segment information is presented in respect of the Group's geographical segments. In determining the Group's geographical segments, revenue is attributed to the segments based on the location where the services are rendered, and assets and capital expenditure are attributed to the segments based on their locations.

As all the Group's services are rendered in Hong Kong, no further geographical analysis of revenue is presented.

An analysis of the Group's total assets and capital expenditure by geographical segment is as follows:

	Hong Kong		**PRC (excluding Hong Kong)**		**Consolidated**	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment assets	**10,696**	8,169	**8,995**	10,968	**19,691**	19,138
Unallocated assets	**–**	–	**–**	–	**883**	290
Total assets					**20,574**	19,428
Other segment information:						
Capital expenditure	**198**	1,497	**–**	–	**198**	1,497

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

6. REVENUE AND OTHER INCOME

Revenue represents the invoiced value of logistics services provided, net of rebates and discounts. All significant transactions amongst the companies comprising the Group have been eliminated on consolidation. An analysis of the Group's turnover and other revenue is as follows:

	2007 **HK$'000**	2006 HK$'000
Revenue		
Fees for logistics services provided	**33,444**	65,732
Other income		
Gain on disposals of property, plant and equipment	**140**	–
Sundry income	**644**	4
Exchange gain	**388**	119
Interest income	**94**	14
	1,266	137
	34,710	65,869

7. LOSS FROM OPERATING ACTIVITIES

The Group's loss from operating activities is arrived at after charging/(crediting) the following:

	2007 **HK$'000**	2006 HK$'000
Cost of services provided	**31,126**	60,340
Auditors' remuneration	**330**	240
Depreciation		
Owned assets*	**236**	859
Assets held under finance leases*	**716**	380
Directors' remuneration	**431**	1,202
Staff costs (excluding directors' remuneration)		
Salaries and wages	**2,251**	2,675
Pension scheme contributions	**88**	112
Minimum lease payments under operating leases rental for land and buildings**	**479**	642
(Gain)/loss on disposals of property, plant and equipment	**(140)**	545

* Included in the respective balances are the following amounts which are also included in cost of services provided disclosed above.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

7. LOSS FROM OPERATING ACTIVITIES *(Continued)*

	2007 HK$'000	2006 HK$'000
Depreciation		
Owned assets	**111**	117
Assets held under finance leases	**287**	244

** Included in the balance for the year ended 31 March 2007 is HK$147,000 (2006: HKD222,000) in respect of rental expenses for a director's quarters. This balance has been included in the amount of directors' remuneration disclosed in note 9 to the financial statements.

8. FINANCE COSTS

	2007 HK$	2006 HK$
Interest on bank overdrafts repayable on demand	**–**	11
Interest on finance leases	**114**	121
	114	132

9. DIRECTORS' REMUNERATION

Details of directors' remuneration, disclosed pursuant to the GEM Listing Rules and Section 161 of the Hong Kong Companies Ordinance, are as follows:

2007

Name of Directors	Fees HK$'000	Basic salaries, allowance and bonus HK$'000	Retirement benefit scheme contributions HK$'000	Total emoluments HK$'000
Executive Directors				
Yeung Leung Kong	–	260	5	265
Guo Xu (1)	43	–	–	43
Darrell Bryce Sham (2) and (7)	35	–	–	35
Non-executive Directors				
Ong Chor Wei (3) and (8)	–	–	–	–
Independent Non-executive Directors				
Wong Ah Chik (8)	–	–	–	–
Leung Wai Ling, Wylie (8)	–	–	–	–
Liu Feng (8)	–	–	–	–
Wong Ming, Kerry (4)	34	–	–	34
Hsu Shiu Foo, William (5) and (7)	33	–	–	33
Pang Hong Tao, Peter (1)	21	–	–	21
	166	260	5	431

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

9. DIRECTORS' REMUNERATION *(Continued)*

2006

Name of Directors	Fees HK$'000	Basic salaries, allowance and bonus HK$'000	Retirement benefit scheme contributions HK$'000	Total emoluments HK$'000
Executive Directors				
Yeung Leung Kong	–	442	11	453
Wong Kwong Kwok (6)	–	738	11	749
Non-executive Directors				
Ong Chor Wei (3) and (8)	–	–	–	–
Independent Non-executive Directors				
Wong Ah Chik (8)	–	–	–	–
Leung Wai Ling, Wylie (8)	–	–	–	–
Liu Feng (8)	–	–	–	–
	–	1,180	22	1,202

(1) Appointed on 24 November 2006
(2) Appointed on 15 December 2006
(3) Appointed on 8 March 2006
(4) Appointed on 7 September 2006
(5) Appointed on 14 September 2006
(6) Resigned on 8 March 2006
(7) Resigned on 24 April 2007
(8) Resigned on 15 December 2006

There was no arrangement under which a director waived or agreed to waive any remuneration during the year. In addition, no emoluments were paid by the Group to the directors as an inducement to join, or upon joining the Group, or as a compensation for loss of office (2006: Nil).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

10. FIVE HIGHEST PAID EMPLOYEES

During the year, the five highest paid employees of the Group included no (2006: two) directors, details of whose remuneration are set out in note 9 above. Details of the remuneration of the five (2006: three) non-director, highest paid employees are as follows:

	2007 HK$'000	2006 HK$'000
Basic salaries, allowances and benefits in kind	**1,250**	943
Pension scheme contributions	**46**	35
	1,296	978

The remuneration of each of the above five highest paid employees fell within the band of HK$Nil to HK$1,000,000.

During the year, no emoluments were paid by the Group to any of the highest paid employees as an inducement to join or upon joining the Group, or as compensation for loss of office (2006: Nil).

There was no arrangement under which any of the five highest paid employees waived or agreed to waive any remuneration during the year (2006: Nil).

11. INCOME TAX (EXPENSE)/CREDIT

No provision for Hong Kong profits tax has been made (2006: Nil) as the Group has an estimated loss for Hong Kong profits tax purposes in the current year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

(a) The amount of income tax in the consolidated income statement represents:

The tax (expense)/credit comprises:–	2007 HK$'000	2006 HK$'000
Current year provision	**–**	–
Over provision in prior years	**–**	47
Deferred tax (charge)/credit (Note 20(c))	**(3,149)**	1,463
Tax (expense)/credit for the year	**(3,149)**	1,510

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

11. INCOME TAX EXPENSE/(CREDIT) *(Continued)*

(b) Reconciliation between tax expense and accounting loss at applicable tax rates is as follows:

	2007 **HK$'000**	2006 HK$'000
Loss before income tax	**(7,352)**	(8,128)
Tax on loss before income tax, calculated at the rates applicable in the tax jurisdiction concerned	**(1,287)**	(1,422)
Tax effect of non-deductible expenses	**86**	138
Tax effect of non-taxable revenue	**(189)**	(42)
Tax effect of unused tax losses not recognised	**1,241**	–
Tax effect on accelerated depreciation allowance	**149**	(136)
De-recognition of deferred tax assets on prior years tax losses	**3,149**	–
Others	**–**	(1)
Over provision in prior years	**–**	(47)
Tax expense/(credit) for the year	**3,149**	(1,510)

(c) Details of deferred tax of the Group are set out in note 20

12. NET LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Net loss attributable to equity holders of the company for the year ended 31 March 2007 dealt with in the financial statements of the Company was HK$413,000 (2006: HK$105,000).

13. DIVIDENDS

No dividends have been paid or declared by the Company during the year (2006: Nil).

14. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss attributable to equity holders of the Company of HK$10,501,000 (2006: HK$6,618,000) and on the weighted average of 730,684,932 (2006: 300,000,000) ordinary shares in issue during the year.

Diluted loss per share is not presented as there are no dilutive events during the year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

15. PROPERTY, PLANT AND EQUIPMENT – GROUP

	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 April 2005				
Cost	634	1,614	3,885	6,133
Accumulated depreciation	(350)	(512)	(1,698)	(2,560)
Net book amount	284	1,102	2,187	3,573
Year ended 31 March 2006				
Opening net book amount	284	1,102	2,187	3,573
Additions	–	49	1,448	1,497
Disposals	(117)	(381)	(571)	(1,069)
Depreciation	(167)	(298)	(774)	(1,239)
Closing net book amount	–	472	2,290	2,762
At 31 March 2006				
Cost	–	1,102	3,909	5,011
Accumulated depreciation	–	(630)	(1,619)	(2,249)
Net book amount	–	472	2,290	2,762
Year ended 31 March 2007				
Opening net book amount	–	472	2,290	2,762
Additions	160	38	–	198
Disposals	–	(236)	(204)	(440)
Depreciation	(80)	(126)	(746)	(952)
Closing net book amount	80	148	1,340	1,568
At 31 March 2007				
Cost	160	656	2,541	3,357
Accumulated depreciation	(80)	(508)	(1,201)	(1,789)
Net book amount	80	148	1,340	1,568

Included in the net book value of property, plant and equipment as at 31 March 2007 are motor vehicles with a net book value of HK$1,124,000 (2006: HK$1,702,000) held under finance leases.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

16. INVESTMENTS IN SUBSIDIARIES AND AMOUNTS DUE FROM SUBSIDIARIES – COMPANY

	Company	
	2007	2006
	HK$'000	HK$'000
Unlisted shares, at cost	**6,554**	6,554
Amounts due from subsidiaries	**21,090**	17,364
	27,644	23,918

Amounts due from subsidiaries are unsecured, interest-free and are repayable on demand. Details of subsidiaries are as follows:

Name	Place of incorporation and operations	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Precious Logistics Limited ("PLL")	British Virgin Islands	US$10,000	100	–	Investment holding
Marine Power Company Limited ("Marine Power")	Hong Kong	HK$100,000	–	100	Provision of logistics services
June (China Hong Kong) Transportation Company Limited	Hong Kong	HK$10,000	–	100	Provision of transportation services

17. ACCOUNTS RECEIVABLE – GROUP

The Group allows an average credit term of 60 days (2006: 60 days) to its trade customers, 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:

	2007	2006
	HK$'000	HK$'000
Within 90 days	**4,150**	5,421
Between 91 and 180 days	**1,697**	1,401
Between 181 and 365 days	**–**	20
	5,847	6,842

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

18. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components:

	Company		Group	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and in hand	**338**	3	**831**	1,455
Short-term bank deposits	**7,583**	–	**7,583**	–
At 31 December	**7,921**	3	**8,414**	1,455

The effective interest rate of short-term bank deposit is floating rate ranging from 3.25% to 3.6% (2006: Nil). They have a maturity ranging from 7 to 11 days from the balance sheet date and are eligible for immediate cancellation without receiving any interest for the last deposit period.

19. ACCOUNTS PAYABLE – GROUP

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

	2007	2006
	HK$'000	HK$'000
Within 90 days	**958**	2,098
Between 91 and 180 days	**66**	–
	1,024	2,098

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

20. DEFERRED TAX

Deferred tax is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2006: 17.5%).

(a) Deferred tax assets

	Company		Group	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Balance at the beginning of the year	**103**	81	**3,329**	2,013
(Debited)/Credited to income statement (Note c)	**–**	22	**(3,149)**	1,316
Balance at the end of the year	**103**	103	**180**	3,329

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable.

(b) Deferred tax liabilities

	Accelerated tax depreciation		Total	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Balance at the beginning of the year	**264**	411	**264**	411
Credited to income statement	**–**	(147)	**–**	(147)
Balance at the end of the year	**264**	264	**264**	264

(c) Deferred tax debited/(credited) to income statement is as follows:

	Company		Group	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Deferred tax assets (Note a)	**–**	(22)	**3,149**	(1,316)
Deferred tax liabilities (Note b)	**–**	–	**–**	(147)
Deferred tax debited/(credited) to income statement (Note 11)	**–**	(22)	**3,149**	(1,463)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

21. FINANCE LEASE PAYABLES – GROUP

During the year, the Group leased certain motor vehicles for its business operations. These leases are classified as finance leases and have remaining lease terms ranging between one and five years (2006: one to five years).

At 31 March 2007, the total future minimum lease payments under finance leases and their present values were as follows:

	Minimum lease payments		**Present value of minimum lease payments**	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
Amounts payable:				
Within one year	**444**	841	**374**	727
In the second year	**374**	459	**335**	390
In the third to fifth year	**299**	672	**280**	614
Total minimum finance lease payments	**1,117**	1,972	**989**	1,731
Future finance charges	**(128)**	(241)		
Total net finance lease payables	**989**	1,731		
Portion classified as current liabilities	**(374)**	(727)		
Long term portion	**615**	1,004		

The effective interest rates at the balance sheet date were ranging from 5.49% to 9.06% (2006: 5.49% to 9.06%).

22. SHARE CAPITAL

	2007		2006	
	Number of shares '000	**HK$'000**	Number of shares '000	HK$'000
Authorised:				
Ordinary shares of HK$0.01 each				
At 1 January and 31 December	**10,000,000**	**100,000**	10,000,000	100,000
Issued and fully paid:				
Ordinary shares of HK$0.01 each				
At 1 January	**300,000**	**3,000**	300,000	3,000
Issue of new shares	**1,200,000**	**12,000**	–	–
At 31 December	**1,500,000**	**15,000**	300,000	3,000

During the year, the Company allotted and issued 1,200,000,000 of new shares to Tolmen Star at HK$0.01 per share. Details of the issue of the new shares are set out in the Company's circular dated 1 November 2006.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

23. SHARE OPTION SCHEME

Under the terms of the share option scheme (the "Scheme") adopted by the Company on 26 October 2002, the board of directors (the "Board") and a duly authorised committee (the "Committee") of the Company is authorised, at their absolute discretion, to invite any employees, directors, advisers, consultants, distributors, suppliers, agents, customers, business partners and service providers to or of any member of the Group, shareholders (including their directors and employees) of any member of the Group and such other persons whom the Board or the Committee considers to have contributed or will contribute to the Group to take up options to subscribe for shares of the Company. The purpose of the Scheme is to encourage its participants to contribute to the growth of the Group.

The Scheme became effective on 15 November 2002 and, unless otherwise cancelled or amended, remains in force for ten years from that date.

The maximum number of shares in respect of which options may be granted under the Scheme and any other share option scheme of the Company may not exceed 10% of the issued share capital of the Company, or may not exceed a maximum of 30% should the shareholders renew the 10% limit, from time to time which have been duly allotted and issued. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive, substantial shareholder or management shareholders of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors (excluding any independent non-executive directors who are the prospective grantees in question). In addition, any share options granted to a substantial shareholder or any independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

An option may be exercised in accordance with the terms of the Scheme at any time during the option period after the option has been granted by the Board. The option period, during which an option may be exercised, is determined by the Board or the Committee, but may not be later than ten years after the date of the grant of the option. According to the Scheme, there is no provision requiring a minimum holding period before an option may be exercised. A nominal consideration of HK$1 is payable on acceptance of the grant of an option under the Scheme.

The exercise price will be determined by the Board or the Committee, but may not be less than the higher of (i) the closing price of the shares on the GEM of the Stock Exchange on the date of the options granted; (ii) the average of the closing prices of the shares on the GEM of the Stock Exchange for the five trading days immediately preceding the date of the options granted; and (iii) the nominal value of the shares.

No share options had been granted under the Scheme as at 31 March 2007 (2006: Nil).

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

24. RESERVES

Group

	Share premium HK$'000	Capital reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance at 1 April 2005	14,946	3,867	(4,269)	14,544
Net loss for the year	-	-	(6,618)	(6,618)
Total recognised income and expense for the year	-	-	(6,618)	(6,618)
Balance at 31 March 2006 and 1 April 2006	14,946	3,867	(10,887)	7,926
Net loss for the year	-	-	(10,501)	(10,501)
Total recognised income and expense for the year	-	-	(10,501)	(10,501)
At 31 March 2007	14,946	3,867	(21,388)	(2,575)

Company

	Share premium HK$'000	Capital reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance at 1 April 2005	14,946	6,510	(384)	21,072
Net loss for the year	-	-	(105)	(105)
Total recognised income and expense for the year	-	-	(105)	(105)
Balance at 31 March 2006 and 1 April 2006	14,946	6,510	(489)	20,967
Net loss for the year	-	-	(413)	(413)
Total recognised income and expense for the year	-	-	(413)	(413)
At 31 March 2007	14,946	6,510	(902)	(20,554)

The capital reserve of the Group represents (i) the difference between the aggregate nominal value of the share capital of the subsidiaries acquired by the Company and the nominal value of the share capital of the Company issued as consideration in exchange thereof pursuant to the group reorganization in October 2002; and (ii) the premium arising from the issue of shares by PLL in settlement of the loans from the former shareholders of a subsidiary.

The capital reserve of the Company represents the excess of the then consolidated net assets of the subsidiaries acquired pursuant to the group reorganisation in October 2002 over the nominal value of the Company's shares issued in exchange thereof. Under the Companies Law of the Cayman Islands, the capital reserve may be distributable to the shareholders of the Company, provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

25. CONTINGENT LIABILITIES – GROUP

On 13 April 2006, a customer issued a writ of summons in Hong Kong against one of the Company's subsidiary, Marine Power, as the second defendant, to recover certain cargoes, claiming to be approximately HK$580,000, from Marine Power, who acted as an agent for another carrier in Taiwan in signing a number of bills of lading for transportation of such cargoes from the PRC to Brazil.

On 13 April 2006 and 15 May 2006, two customers respectively issued writs of summons in Hong Kong against Marine Power as the defendant to recover certain cargoes from Marine Power, who acted as an agent for other carriers in Taiwan in signing a number of bills of lading for transportation of such cargoes from Hong Kong to Brazil. The amounts claimed by these two plaintiffs are not specified on the writs.

Based on the advice of Marine Power's legal adviser, the directors are of the view that Marine Power has sufficient grounds to defend. Accordingly, no provision has been made in the financial statements for the year ended 31 March 2007.

26. OPERATING LEASE COMMITMENTS

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

At 31 March 2007, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Company		Group	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**–**	–	**289**	552
In the second to fifth years, inclusive	**–**	–	**–**	317
	–	–	**289**	869

27. RELATED PARTY TRANSACTIONS – GROUP

The following transactions were carried out with related parties:

	2007	2006
	HK$'000	HK$'000
Waiver of payable balances due to a director	**564**	–
Compensation for key management personnel, including amount paid to the company's directors and the senior executives is as follows:		
– Salaries and other short-term employee benefits	**986**	1,570
– Retirement benefit costs	**22**	34
	1,008	1,604

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks which result from both its operating and investment activities. The Group does not have written risk management policies and guidelines. However, the board of directors meets periodically to analyse and formulate strategies to manage the Group's exposure to market risk, including changes in interest rates and currency exchange rates. Generally, the Group introduces conservative strategies on its risk management. The Group's exposure to market risk is kept to a minimum. The Group has not used any derivatives or other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes.

28.1 Foreign currency risk

The Group mainly operated in Hong Kong and with most of the transactions settled in Hong Kong dollars and United States dollars and did not have significant exposure to risk resulting from changes in foreign currency exchange rates.

28.2 Credit risk

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the balance sheet.

The Group's credit risk is primarily attributable to trade receivables. Management has a credit policy in place and the exposure to such credit risks are monitored on an ongoing basis.

At the balance sheet date, the Group had certain concentration of credit risk as 83% (2006: 89%) of the total Accounts receivable was due from the Group's largest customer.

28.3 Interest rate risk

The Group's interest rate risk arises mainly from short-term bank deposit and finance lease payables bearing variable interest rate and fixed interest rates as disclosed on Note 18 and 21 respectively. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

28.4 Fair value

The fair value of the Group's current financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short term maturity.

29. POST BALANCE SHEET EVENTS

On 23 May 2007, the Company entered into the conditional placing agreement 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 (the "Placing"). Details of the Placing are set out in the Company's circular dated 28 May 2007. The Placing has been completed on 13 June 2007.