



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)

THIRD QUARTERLY 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 or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors of MP Logistics International Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

THIRD QUARTER RESULTS (UNAUDITED)

The board of directors (the “Board”) of MP Logistics International Holdings Limited (“the Company”) announces the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months and nine months ended 31 December 2006 together with the comparative unaudited figures for the corresponding periods in 2005 as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and nine months ended 31 December 2006

		Nine months ended 31 December		Three months ended 31 December	
		2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
	Note				
Turnover	3	26,796	57,997	8,229	14,598
Cost of sales		(24,658)	(53,451)	(7,575)	(13,117)
Gross profit		2,138	4,546	654	1,481
Other revenue		277	126	133	30
Selling and distribution costs		(947)	(1,439)	(239)	(541)
Administrative expenses		(7,968)	(8,813)	(2,901)	(2,880)
LOSS FROM OPERATING ACTIVITIES		(6,500)	(5,580)	(2,353)	(1,910)
Finance costs		(91)	(95)	(28)	(40)
LOSS BEFORE INCOME TAX		(6,591)	(5,675)	(2,381)	(1,950)
Income tax	4	(3,149)	–	–	–
NET LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		(9,740)	(5,675)	(2,381)	(1,950)
Loss per share					
– Basic	5	(2.05) cents	(1.89) cents	(0.29) cents	(0.65) cents
– Diluted		N/A	N/A	N/A	N/A

Notes:

1. GENERAL INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 12 June 2002 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 KY1-1111, Cayman Islands. The shares of the Company were listed on the Growth Enterprise Market (the "GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 15 November 2002.

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

2. BASIS OF PREPARATION

The unaudited consolidated income statement has been prepared under the historical cost convention and in accordance with the Hong Kong Financial Reporting Standards and the Hong Kong Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants, the accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited. The accounting policies adopted in preparation of the unaudited consolidated income statement are consistent with those set out in the financial statements of the Group for the year ended 31 March 2006.

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

3. TURNOVER

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

An analysis of the Group's turnover derived from various logistics services is as follows:

	Nine months ended		Three months ended	
	31 December		31 December	
	2006	2005	2006	2005
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover				
Sea freight forwarding	13,018	40,773	4,249	9,127
Road freight forwarding	12,664	15,543	3,543	5,116
Air freight forwarding	480	586	268	63
Other related logistics services	634	1,095	169	292
	26,796	57,997	8,229	14,598

4. INCOME TAX

No provision for income tax has been made for the three months and nine months ended 31 December 2006 as the Group had an estimated loss for Hong Kong income tax purposes in the current period (three months and nine months ended 31 December 2005: Nil).

The Group has reviewed the carrying amount of deferred tax assets at 31 December 2006 and reduced the carrying amount of deferred tax asset of approximately HK\$3.1 million of a subsidiary in respect of tax loss in view of the unpredictable future profit stream.

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

5. LOSS PER SHARE

The calculations of basic loss per share for the three months and nine months ended 31 December 2006 are based on the unaudited net loss attributable to equity holders of the Company for the three months and nine months ended 31 December 2006 of approximately HK\$2,381,000 and HK\$9,740,000 respectively (three months and nine months ended 31 December 2005: unaudited consolidated net loss attributable to equity holders of the Company of approximately HK\$1,950,000 and HK\$5,675,000 respectively) and 821,739,130 and 474,545,455 shares in issue during the three months and nine months ended 31 December 2006 (three months and nine months ended 31 December 2005: 300,000,000 shares).

No diluted loss per share has been presented as no dilative events existed during the three months and nine months ended 31 December 2006 and the corresponding periods in 2005.

6. UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 2006

	Share capital (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Capital reserve (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1 April 2005	3,000	14,946	3,867	(4,269)	17,544
Net loss for the period	–	–	–	(5,675)	(5,675)
At 31 December 2005	3,000	14,946	3,867	(9,944)	11,869
	Share capital (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Capital reserve (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1 April 2006	3,000	14,946	3,867	(10,888)	10,925
Issue of new shares	12,000	–	–	–	12,000
Net loss for the period	–	–	–	(9,740)	(9,740)
At 31 December 2006	15,000	14,946	3,867	(20,628)	13,185

DIVIDEND

The Board does not recommend the payment of a dividend for the nine months ended 31 December 2006 (nine months ended 31 December 2005: Nil).

FINANCIAL REVIEW

During the nine months ended 31 December 2006, the Group recorded a turnover of approximately HK\$26,796,000 (nine months ended 31 December 2005: approximately HK\$57,997,000), a decrease of approximately 53.8% compared to the corresponding period in previous year. The decrease in turnover was attributed to lower pricing for services provided to new and existing customers due to keen competition. During the period under review, income derived from logistics services relating to sea freight forwarding, road freight forwarding, air freight forwarding and other related logistics services represented approximately 49%, 47%, 2% and 2% respectively of the Group's total turnover (nine months ended 31 December 2005: approximately 70%, 27%, 1% and 2% respectively).

Net loss attributable to equity holders for the Company for the nine months ended 31 December 2006 amounted to approximately HK\$9,740,000 (nine months ended 31 December 2005: net loss of approximately HK\$5,675,000). The increase in net loss was attributed to lower pricing for services provided owing to the increasing competitive and challenging business environment in the logistics industry and the write-off of the deferred tax asset due to unpredictable future profit of a subsidiary. Administrative expenses decreased by approximately 9.6% compared to the corresponding period in previous year. Selling and distribution costs decreased by approximately 34.2%.

BUSINESS REVIEW AND PROSPECTS

The Group is principally engaged in coordinating various logistics services for its customers. The logistics services provided by the Group include sea freight forwarding, road freight forwarding, air freight forwarding and 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.

During the nine months ended 31 December 2006, the Group recorded a decrease in its turnover of approximately 53.8% compared to the corresponding period in previous year. The Group is aware of the intense competition in the logistics industry and 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 22 September 2006, the Company and Tolmen Star Limited ("Tolmen Star") entered into the subscription agreement whereby 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. The net proceeds derived from the subscription, after deduction of related expenses, will be used as general working capital and for future investments if any business opportunity arises. On 21 November 2006, the subscription agreement was completed.

The Group is optimistic of the prospects of the logistics industry and hence that of the Group, with the continued promotion by the Hong Kong Government to promote Hong Kong as a leading global logistics center and as the principal center in the Pearl River Delta region. The key factors are to continue to implement costs control in keeping operating costs low and at the meantime, continue to implement various plans to expand the Group's operational network, its operational facilities, its images and services.

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

CAPITAL STRUCTURE

On 10 October 2006, the Company announced to enter a subscription agreement with 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.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 31 December 2006, 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 (<i>Note 1</i>)	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 December 2006, 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.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 December 2006, other than the interests of a director of the Company as disclosed under the section headed "Directors' and chief executives' interests in shares" above, the interests and short positions of persons, 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	Capacity of interest	Number of shares held	Approximately percentage of shareholding in the Company
Best Method Investments Limited ("Best Method") (Note 1)	Beneficial owner	223,000,000	14.87%
Mr. Wong Kwong Kwok (Note 1)	Interest in controlled corporation	223,000,000	14.87%
Richance Limited ("Richance") (Note 1)	Person having a security interest in shares	123,000,000	8.20%
Tolmen Star (Note 2)	Beneficial owner	902,000,000	60.13%
Mr. Guo Xu (Note 2)	Interest in controlled corporation	902,000,000	60.13%
Ms. Zhou Ya Ping (Note 2)	Interest of spouse	902,000,000	60.13%

Notes:

- 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 223,000,000 Shares in which Best Method is interested.

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

100,000,000 Shares held by Best Method were also pledged to a PRC financial institution. However, as at 31 December 2006, the Company had not received any notification from any third party claiming to have a security interest in these 100,000,000 Shares and accordingly, the identity of such PRC financial institution has not been disclosed herein.

2. 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.

Save as disclosed above, as at 31 December 2006, the directors of the Company were not aware of any other person (other than the directors of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

On 26 October 2002, the Company adopted the Share Option Scheme under which share options to subscribe for the shares of the Company may be granted under the terms and conditions stipulated therein. As at 31 December 2006, no share option was granted under the Share Option Scheme.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Apart from as disclosed under the sections headed "Directors' and chief executives' interests in shares" and "Share option scheme" above, at no time during the period under review were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or of any other body corporate granted to any directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangements to enable the directors, their respective spouse or children under 18 years of age to acquire such rights in any other body corporate.

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

Neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the nine months ended 31 December 2006.

COMPETING 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 defined in Note 3 to Rule 6.35 of the GEM Listing Rules) have engaged in any business that competes or may compete with the business of the Group, or have any other conflict of interests with the Group.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the required code provisions set out in the Code on Corporate Governance Practices contained in Appendix 15 to the GEM Listing Rules for the nine months ended 31 December 2006, except that the roles of chairman and chief executive director are not separated and performed by the executive individual – Mr. Yeung Leung Kong. The Company is aware of the requirement of a clear division of responsibilities for these two roles and is actively seeking a suitable candidate to take up the role of the Chairman from Mr. Yeung Leung Kong to ensure that power is not concentrated on any one individual.

AUDIT COMMITTEE

The Company established an audit committee on 26 October 2002 with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group. The audit committee comprises three members, Mr. Wong Ming, Kerry, Mr. Hsu Shiu Foo, William and Mr. Pang Hong Tao, Peter, all are independent non-executive directors of the Company. The unaudited consolidated results of the Group for the nine months ended 31 December 2006 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures have been made.

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

Hong Kong, 12 February 2007

As at the date of this report, the Company's executive directors are Mr. Yeung Leung Kong, Mr. Guo Xu and Mr. Darrell Bryce Sham and the Company's independent non-executive directors are Mr. Wong Ming, Kerry, Mr. Hsu Shiu Foo, William and Mr. Pang Hong Tao, Peter.