THE CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in MP Logistics International Holdings Limited (the "**Company**"), you should at once hand this circular to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

This circular is for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities mentioned herein.

MP Logistics International Holdings Limited
MP物流國際控股有限公司*

(proposed to be renamed as Ming Kei Energy Holdings Limited明基能源控股有限公司)*
(incorporated in the Cayman Islands with limited liability)
(Stock Code: 8239)

VERY SUBSTANTIAL ACQUISITION: THE ACQUISITION OF THE ENTIRE EQUITY INTEREST IN MING KEI KAI YUAN INVESTMENT COMPANY LIMITED AND PROPOSED CHANGE OF COMPANY NAME

Financial Adviser

INCU Corporate Finance Limited

A notice convening the extraordinary general meeting (the "**EGM**") of the Company to be held at Room 3308–09, 33/F, The Center, 99 Queen's Road Central, Central, Hong Kong, on Monday, 12 November 2007 at 11:00 a.m. is set out on pages 204 to 206 of this circular.

A form of proxy of the EGM is enclosed with this circular. Whether or not you are able to attend and vote at the EGM, you are requested to complete and return the same to the Company's Hong Kong branch share registrar, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjournment thereof if you so wish.

This circular will remain on the GEM website at http://www.hkgem.com on the "Latest Company Announcements" page for seven days from the date of its posting and the Company's web site at http://www.irasia.com/listco/hk/mplogistics/

* *for identification purposes only*

15 October 2007

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED

The Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") 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.

CONTENTS

DEFINITIONS

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

"Announcement"	the announcement of the Company dated 9 July 2007, in relation to, among other things, the Proposed Acquisition
"Articles of Association"	the articles of association of the Company, and "Article" shall mean an article of the articles of association of the Company
"associate(s)"	has the meaning ascribed to it under the GEM Listing Rules
"Audited Net Profit"	the audited net profit after tax and any extraordinary items or exceptional items of the Target Group for the financial years ending 31 December 2008 and 31 December 2009 to be determined under the Hong Kong Generally Accepted Accounting Principles
"Board"	the board of Directors from time to time
"Bondholder(s)"	holder(s) of the Convertible Bond(s)
"Business Day(s)"	a day (other than a Saturday, Sunday or public or statutory holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
"Coal Mine Expert"	John T. Boyd Company, the Company's independent technical adviser. For qualifications, please refer to "Appendix V – Technical Report"
"Codes"	The Hong Kong Codes on Takeovers and Mergers
"Company"	MP Logistics International Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on GEM
"Completion"	completion of the sale and purchase of the Sale Shares in accordance with the terms and conditions of the S&P Agreement, as the case may be
"Consideration"	the total consideration of HK$1 billion to be paid by the Company to the Vendors pursuant to the S&P Agreement

"Consideration Shares"	400,000,000 new Shares to be allotted and issued by the Company at the Issue Price as part consideration for the Proposed Acquisition
"Conversion Shares"	the new Shares to be issued to the Bondholder(s) upon conversion of the Convertible Bonds
"Convertible Bonds"	the convertible bond(s) in the agreed form in the principal amount of HK$288,000,000 to be issued by the Company in favour of the Vendors at Completion to satisfy in part the Consideration
"Deposit"	the aggregate payment of HK$70,000,000 in cash, HK$50,000,000 was paid by the Purchaser to the Vendors at the time of entering into of the S&P Agreement and HK$20,000,000 was paid in cash on the date one month from the date of the S&P Agreement
"Director(s)"	the director(s), including the independent non-executive directors of the Company from time to time
"EGM"	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve, among other matters, the S&P Agreement and the transactions contemplated thereunder and the Proposed Change of Company Name
"Enlarged Group"	together, the Group and the Target Group
"Exploration Permit"	the exploration permit granted by the relevant authorities to conduct exploration activities in the Zexu Open Pit Coal Mine (澤旭露天煤礦) by Subsidiary B
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"Group"	the Company and its subsidiaries from time to time
"Guarantor"	Vendor B only
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China

"Independent Third Party(ies)"	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, are third parties independent of and not connected with any director, chief executive or substantial shareholders or management shareholders of the Company or its subsidiaries or any of their respective associates
"Initial Conversion Price"	HK$0.90 per Conversion Share, subject to usual anti-dilution adjustments, being the initial price at which the Convertible Bonds may be converted into the Conversion Shares
"Issue Price"	the issue price of HK$0.90 per Consideration Share
"Kaiyuan Open Pit Coal Mine"	Kaiyuan Open Pit Coal Mine (凱源露天煤礦) situated at Bei Ta Mountain (北塔山), Qi Tai County (奇台縣), Xinjiang Uygur Autonomous Region (新疆維吾爾自治區) of the PRC
"Latest Practicable Date"	12 October 2007, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
"Main Board Listing Rules"	the Rules Governing the Listing of Securities on the main board of the Stock Exchange
"Maturity Date"	the third anniversary from the date of issue of the Convertible Bonds
"Mining Rights"	the mining rights granted by the relevant authorities to conduct mining activities in the Kaiyuan Open Pit Coal Mine (凱源露天煤礦) by Subsidiary A
"Profit Guarantee"	the profit guarantee provided by the Vendors under the S&P Agreement in respect of the Audited Net Profit in aggregate will not be less than an average of HK$60,000,000 for each of the two financial years ending 31 December 2008 and 31 December 2009 (i.e. HK$120,000,000 in aggregate)
"Promissory Note"	the promissory note to be executed by the Purchaser in favour of the Vendors for the purpose of settling partially the consideration for the Sale Shares under the S&P Agreement

"Proposed Acquisition"	the proposed acquisition of the Sale Shares by the Purchaser as contemplated under the S&P Agreement
"Proposed Change of Company Name"	the proposed change of name of the Company from "MP Logistics International Holdings Limited" to "Ming Kei Energy Holdings Limited", and the new Chinese name "明基能源控股有限公司" to be adopted to replace "MP物流國際控股有限公司" for identification purpose only
"Purchaser"	Star Fortune International Investment Company Limited (星力富鑫國際投資有限公司), an indirect wholly-owned subsidiary of the Company
"PRC"	the People's Republic of China and for the purpose of this circular excluding Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"S&P Agreement"	the conditional legally binding sale and purchase agreement dated 3 July 2007 entered into between the Purchaser and the Vendors in relation to the sale and purchase of the Sale Shares
"Sale Shares"	60,000,000 ordinary shares of HK$1.00 each in the issued share capital of the Target, representing the entire issued share capital of the Target
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shareholders"	holders of the Shares from time to time
"Shares"	ordinary shares of HK$0.01 each in the capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subsidiaries"	together, Subsidiary A and Subsidiary B
"Subsidiary A"	木壘縣凱源煤炭有限責任公司 (Mulei County Kai Yuan Coal Company Limited)# (also equivalent to "Mu Lui Kai Yuan Coal Company Limited" as referred to the Announcement), a company established in the PRC and is wholly-owned foreign enterprise and is wholly and beneficially owned by the Target
"Subsidiary B"	奇台縣澤旭商貿有限責任公司 (Qitai County Zexu Trading Enterprise Limited)#, a company established in the PRC and is wholly and beneficially owned by Subsidiary A

"Target"	Ming Kei Kai Yuan Investment Company Limited, a company incorporated in Hong Kong which is wholly and beneficially owned by the Vendors
"Target Group"	the Target and the Subsidiaries
"Technical Report(s)"	the technical reports (in form and substance satisfactory to the Purchaser) on the Kaiyuan Open Pit Coal Mine and Zexu Open Pit Coal Mine prepared by the Coal Mine Expert appointed by the Purchaser in compliance with the Main Board Listing Rules
"U.S. or United States"	the United States of America
"Vendor A"	Ming Kei International Holding Co. Limited (明基國際集團有限公司), a company incorporated in Hong Kong which is owned as to 50% by Vendor B and 50% by Vendor C respectively
"Vendor B"	Mr. Wong Wai Sing, the younger brother of Vendor C
"Vendor C"	Mr. Wong Wai Ngok, the elder brother of Vendor B
"Vendors"	together, Vendor A, Vendor B and Vendor C
"Warranties"	the representation, undertakings and warranties set out in the S&P Agreement and all other representations, undertakings and warranties provided by the Vendors under the S&P Agreement
"Zexu Open Pit Coal Mine"	Zexu Open Pit Coal Mine (澤旭露天煤礦) situated at Bei Ta Mountain (北塔山), Qi Tai County (奇台縣), Xinjiang Uygur Autonomous Region (新疆維吾爾自治區) of the PRC
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"%"	per cent.

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

Translation of RMB into Hong Kong dollars are based on the exchange rates of RMB1.026 to HK$1.00 for information purpose only. Such translation should not be translated as a representation that the relevant amounts have been, could have been, or could be converted at that or any other rate or at all.

MP Logistics International Holdings Limited
MP物流國際控股有限公司*

(proposed to be renamed as Ming Kei Energy Holdings Limited明基能源控股有限公司)*
(incorporated in the Cayman Islands with limited liability)
(Stock Code: 8239)

Executive Directors:
Mr. Guo Xu *(Chairman)*
Mr. Yeung Leung Kong
Mr. Cheung Chi Hwa, Justin
Mr. Cheung King Shan

Independent non-executive Directors:
Mr. Wong Ming, Kerry
Mr. Pang Hong Tao, Peter
Mr. Tam Chak Chi

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

Head office and principal place of business in Hong Kong:
Room 3308-3309
The Center
99 Queen's Road Central
Hong Kong

15 October 2007

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION:
THE ACQUISITION OF THE ENTIRE EQUITY INTEREST IN
MING KEI KAI YUAN INVESTMENT COMPANY LIMITED
AND
PROPOSED CHANGE OF COMPANY NAME

INTRODUCTION

On 9 July 2007, the Board announced that the Purchaser, being an indirect wholly-owned subsidiary entered into the S&P Agreement with the Vendors, pursuant to which the Vendors agreed to sell and the Purchaser agreed to purchase the Sale Shares for a total consideration of HK$1 billion payable by cash, allotment and issue of the Consideration Shares, issue of the Convertible Bonds and the Promissory Notes.

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

* *for identification purposes only*

Reference is also made to the announcement of the Company dated 19 September 2007 in which the Board announced that it intended to put forward a proposal to the Shareholders to approve the change of name of the Company from "MP Logistics International Holdings Limited" to "Ming Kei Energy Holdings Limited", and upon the change of name becoming effective, a new Chinese name "明基能源控股有限公司" to be adopted to replace "MP物流國際控股有限公司" for identification purpose only.

The purpose of this circular is to provide you with, among other matters, further information on the (i) Proposed Acquisition (including but not limited to the Technical Report); (ii) the Proposed Change of Company Name and a notice convening the EGM and seek your approval on (i) the S&P Agreement and the transactions contemplated thereunder (including but not limited to allot and issue of the Consideration Shares, the Conversion Shares, the issue of Convertible Bonds and the grant of the Promissory Note) and (ii) the Proposed Change of Company Name.

THE S&P AGREEMENT

Date: 3 July 2007

Parties:

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

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

Guarantor: Vendor B only

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

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

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

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

Assets to be acquired

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

Consideration

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

(i) as to HK$70,000,000 as the Deposit, of which HK$50,000,000 was paid in cash at the time of the entering into of the S&P Agreement and HK$20,000,000 was paid in cash on the date one month from the date of the S&P Agreement;

(ii) as to HK$360,000,000 by the Purchaser procuring the Company to allot and issue the Consideration Shares to the Vendors credited as fully paid, at the Issue Price;

(iii) as to HK$288,000,000 by the Purchaser procuring the Company to issue the Convertible Bonds; and

(iv) as to the balance of HK$282,000,000 shall be satisfied by the Purchaser by procuring the Company to issue the Promissory Note.

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

Conditions precedent

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

(a) the Purchaser being satisfied with the results of the due diligence review to be conducted on the assets, liabilities, operations and affairs of Target Group;

(b) all approvals, consents, authorisations and licenses (so far as necessary) required to be obtained on the part of the Vendors, the Purchaser or the Guarantor in relation to the transactions contemplated under the S&P Agreement having been obtained, including but not limited to the approval from the necessary PRC authorities and the approval of the shareholders of the Vendors;

(c) the Warranties remaining true and accurate in all respects;

(d) the passing by the Shareholders at the EGM approving the S&P Agreement and the transactions contemplated thereunder, including but not limited to the allotment and issue of the Consideration Shares to the Vendors at the Issue Price credited as fully paid, the issue of the Convertible Bonds and allotment and issue of the Conversion Shares and the issue of the Promissory Note;

(e) the GEM Listing Committee of the Stock Exchange granting listing of and permission to deal in the Consideration Shares and the Conversion Shares;

(f) the obtaining of a PRC legal opinion (in form and substance satisfactory to the Purchaser) from a PRC legal adviser appointed by the Purchaser in relation to the PRC legal aspects of the S&P Agreement and the transaction contemplated thereby, including but not limited to any matter as may be reasonably required in relation to the business to be carried out by the Group;

(g) the Proposed Acquisition not being treated as a new listing applicant by the Stock Exchange; and

(h) the obtaining of the Technical Report (in form and substance satisfactory to the Purchaser) on the coal mines on which Subsidiary A and Subsidiary B may legally exploit to be prepared by the Coal Mine Expert indicating the recoverable reserves of those coal mines will not deviate substantially from the quantity as provided by the Vendors.

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

Long stop date

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

As the long stop date of 120 days from the date of the S&P Agreement will be falled on 2 November 2007, which is earlier than the date of EGM on 12 November 2007, the parties agreed to extend the long stop date to be on or before 31 November 2007 or such later date as may be further agreed between the Vendors and the Purchaser.

Completion

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

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

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

Profit Guarantee

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

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

(1) The future business growth of the Target Group with its increasing client base and hence, increasing demand for the products of the Target Group in the forthcoming years;

(2) The well established business and personal networks of Vendors in Xinjiang Uygur Autonomous Region (新疆維吾爾自治區) of the PRC, which would assist the future business development of the Target Group;

(3) The experience and caliber of the management of the Target Group which would ensure that the Target Group will be probably managed;

(4) The robust economic growth of the PRC and hence, the increasing demand for coal in the PRC; and

(5) The estimated total reserve and estimated recoverable reserve of the two coal mines of the subsidiaries estimated by the Vendors (after consulting their own technical advisers).

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

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

CONSIDERATION

The Consideration was agreed between the Vendors and the Purchaser after arm's length negotiations on normal commercial terms after considering:

(i) the Profit Guarantee;

(ii) an indicative price earnings ratio of approximately 16.67 times to the Profit Guarantee (being the Consideration divided by the Profit Guarantee of the average annual profit of HK$60,000,000) which the Directors consider fair and reasonable (the indicative price earning ratio of 16.67 times is reached with reference to the current price earning ratio of companies engaged in mining business and listed on the Stock Exchange and overseas stock markets. The indicative price earning ratio of 16.67 times is within such range);

(iii) the estimation made by the Vendors (after consulting their own technical advisers) on the estimated total coal reserve and recoverable coal reserve of the Kaiyuan Open Pit Coal Mine (凱源露天煤礦) of approximately 34.73 million tons and not less than 27.91 million tons respectively and the same on the Zexu Open Pit Coal Mine (澤旭露天煤礦) of approximately 182.52 million tons and not less than approximately 155.14 million tons respectively. The total recoverable reserve of the two coal mines are not less than approximately 183.05 million tons. With the Consideration of HK$1 billion, the consideration per ton is approximately HK$5.46. With reference to the audited financial figures for the four months ended 30 April 2007 and the quantity of 93,000 tons sold by the Target Group during the same period, the net profit per ton of the Target Group is approximately HK$5.8;

(iv) the Mining Rights obtained by Subsidiary A;

(v) the Exploration Permit obtained by Subsidiary B; and

(vi) the historical financial results of Subsidiary A. The Directors consider the terms and conditions of the Proposed Acquisition to be fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

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

As stated in the Technical Report made by the Coal Mine Expert, the estimated reserves of Kaiyuan Open Pit Coal Mine and Zexu Open Pit Coal Mine, represents 26.58 million tons and 119.38 million tons respectively, which are lower than the same estimated by the Vendor's own technical adviser (i.e. not less than 27.91 million tons and not less than 155.14 million tons respectively). As confirmed by the Directors after consulting with the Coal Mine Expert, such variation is due to the difference in the estimating standards adopted by the Vendor's own technical adviser and the Coal Mine Expert.

When the Vendor's own technical adviser conducted its research on the Kaiyuan Open Pit Coal Mine and the Zexu Open Pit Coal Mine in preparing the geological reports of the two mines, it simply showed the estimated reserves for the two mines. However, the Coal Mine Expert conducted its research in order to prepare the Technical Report, which focuses on the technical aspects of mining at the Kaiyuan Open Pit Coal Mine and the Zexu Open Pit Coal Mine.

In particular, the Coal Mine Expert has taken into account mining recovery constraints on the pit boundaries at the Kaiyuan Open Pit Coal Mine and the Zexu Open Pit Coal Mine. Such mining recovery constraints are recognised by both the Xinjiang Design Institute and the Coal Mine Expert in their respective studies. If these mining recovery constraints were absent, the coal reserve estimates would be significantly higher with maximum recoverable reserve of 31.06 million tons and 184.79 million tons respectively.

As the Consideration was arrived at after considering other factors in addition to the estimated reserves, including among others, the future profitability of the Target Group and the then price earning ratio of listed companies engaging in similar business as the Target Group, the Directors are of the view that such difference on the estimated reserves does not materially affect their initial rationale behind on arriving at the Consideration and hence, no compensation is considered necessary.

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

THE CONSIDERATION SHARES

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

The Issue Price represents:

(i) a discount of approximately 28.57% to the closing price of HK$1.26 per Share as quoted on the Stock Exchange on 29 June 2007, being the last trading day immediately prior to the entering into of the S&P Agreement;

(ii) the average of the closing prices of HK$0.90 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 29 June 2007, being the last trading day immediately prior to the entering into of the S&P Agreement;

(iii) a premium of approximately 18.58% over the average of the closing prices of HK$0.759 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including 29 June 2007, being the last trading day immediately prior to the entering into of the S&P Agreement;

(iv) a premium of approximately 128 times over the net asset value per Share of approximately HK$0.007 based on the audited consolidated financial statements of the Group as at 31 March 2007 and the total number of issued shares of the Company of 1,800,000,000 as at the Announcement's date; and

(v) a premium of approximately 4.65% over the closing price of HK$0.86 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

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

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

The Consideration Shares represent (i) approximately 20.83% of the existing issued share capital of the Company; (ii) approximately 17.24% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares; and (iii) approximately 15.15% of the issued share capital of the Company as enlarged by the allotment and issue of both the Consideration Shares and the Conversion Shares, assuming full conversion of the Convertible Bonds and the Conversion Shares were to be issued at the Initial Conversion Price. However, under the terms of the Convertible Bonds, the aggregate shareholding of the Vendors on any conversion of the Convertible Bonds must not exceed 20% or more of the issue share capital of the Company on the date of the conversion and that any conversion will not trigger off a mandatory offer under Rule 26 of the Codes on the part of the Vendors.

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

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

Restriction on disposal

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

Application for listing

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

THE CONVERTIBLE BONDS

To satisfy part of the Consideration, the Company will issue to the Vendors the Convertible Bonds in the principal amount of HK$288,000,000.

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

Aggregate principal amount: HK$288,000,000

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

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

(i) a discount of approximately 28.57% to the closing price of HK$1.26 per Share as quoted on the Stock Exchange on 29 June 2007, being the last trading day immediately prior to the entering into of the S&P Agreement;

(ii) the average of the closing prices of HK$0.90 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 29 June 2007, being the last trading day immediately prior to the entering into of the S&P Agreement;

(iii) a premium of approximately 18.58% over the average of the closing prices of HK$0.759 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including 29 June 2007, being the last trading day immediately prior to the entering into of the S&P Agreement;

(iv) a premium of approximately 128 times over the net asset value per Share of approximately HK$0.007 based on the audited consolidated financial statements of the Group as at 31 March 2007 and the total number of issued shares of the Company of 1,800,000,000 as at the Announcement's date; and

	(v) a premium of approximately 4.65% over the closing price of HK$0.86 per Share as quoted on the Stock Exchange on the Latest Practicable Date.
	The Initial Conversion Price was determined after arm's length negotiations among the Purchaser, the Vendors and the Company with reference to average recent market prices of the Shares and the Issue Price.
Interest rate:	1% per annum payable monthly
Maturity:	The third anniversary from the date of issue of the Convertible Bonds
Redemption:	Unless previously converted or lapsed or redeemed by the Company, the Company will redeem the Convertible Bonds on the Maturity Date.
	The Company may at any time before the Maturity Date by serving at least seven days' prior written notice on the Bondholder(s) with the total amount proposed to be redeemed from the Bondholder(s) specified therein, redeem the Convertible Bonds (in whole or in part) at par.
	Any amount of the Bond(s) which remains outstanding on the Maturity Date shall be redeemed at its then outstanding principal amount, inclusive interest as accrued.
Transferability:	The Bondholder(s) may assign or transfer the Convertible Bonds to Independent Third Parties in whole or in part in integral multiples of HK$1,000,000 or if the outstanding principal amount of the Convertible Bonds is less than HK$1,000,000, the whole but not in part of the Convertible Bonds may be assigned or transferred.
Conversion:	Under the terms of the Convertible Bonds, the aggregate shareholding of the Vendors upon any conversion of the Convertible Bonds must not exceed 20% or more of the issued share capital of the Company on the date of the conversion and that any conversion will not trigger off a mandatory offer under Rule 26 of the Code on the part of the Vendors. The

	Company will not issue the Conversion Shares to the Vendors if the aggregate shareholding of the Vendors upon any conversion of the Convertible Bonds exceeds 20% or more of the issue share capital of the Company.
	Subject to above, the Vendors will have the right to convert the whole or part of the principal amount of the Convertible Bonds into Shares at any time and from time to time, from the date of issue of the Convertible Bonds in amounts of not less than a whole multiple of HK$1,000,000 on each conversion.
Conversion period:	Bondholder(s) shall have the right to convert, up to and including the Maturity Date, the whole or any part (in an amount or integral multiple of HK$1,000,000) of the principal amount of the Convertible Bonds into Conversion Shares.
Conversion Shares:	Upon full conversion of the Convertible Bonds at the Initial Conversion Price, an aggregate of 320,000,000 Conversion Shares will be issued by the Company (representing approximately 16.67% of the existing issued share capital of the Company, approximately 13.79% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares and approximately 12.12% of the issued share capital of the Company as enlarged by the allotment and issue of both the Consideration Shares and the Conversion Shares, assuming full conversion of the Convertible Bonds and the Conversion Shares were to be issued at the Initial Conversion Price. However, under the terms of the Convertible Bonds, the aggregate shareholdings of the Vendors on any conversion of the Convertible Bonds must not exceed 20% or more of the issue share capital of the Company on the date of the conversion and that any conversion will not trigger off a mandatory offer under Rule 26 of the Codes on the part of the Vendors.
Voting:	A Bondholder will not be entitled to receive notice of, attend or vote, at any general meeting of the Company by reason only of it being a Bondholder.
Listing:	No application will be made for the listing of the Convertible Bonds on the Stock Exchange or any other stock exchange.

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

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

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

THE PROMISSORY NOTE

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

CHANGES IN SHAREHOLDING STRUCTURE

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

Shareholders	(i) As at the date of the Announcement and before Completion		(ii) As at the Latest Practicable Date and before Completion		(iii) Immediately after Completion and the allotment and issue of the Consideration Shares		(iv) Immediately after Completion and the allotment and issue of the Consideration Shares and conversion of the Convertible Bonds at the Initial Conversion Price subject to the terms and condition under the bond instrument *(Note 2)*	
	No. of Shares	*Approximate Percentage*	*No. of Shares*	*Approximate Percentage*	*No. of Shares*	*Approximate Percentage*	*No. of Shares*	*Approximate Percentage*
Tolmen Star Limited ("**Tolmen Star**") and parties acting in concert with it *(Note 1)*	902,000,000	50.11	902,000,000	46.98	902,000,000	38.88	902,000,000	37.59
Vendors *(Note 2)*	–	–	–	–	400,000,000	17.24	479,600,000	19.99
Public *(Note 3)*	898,000,000	49.89	1,018,000,000	53.02	1,018,000,000	43.88	1,018,000,000	42.42
Total	**1,800,000,000**	**100.00**	**1,920,000,000**	**100.00**	**2,320,000,000**	**100.00**	**2,399,600,000**	**100.00**

Note:

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

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

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

3. On 11 July 2007, 120,000,000 share options were exercised by the eligible participants under share option scheme of the Company.

INFORMATION ON THE TARGET GROUP

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

Kaiyuan Open Pit Coal Mine (凱源露天煤礦) is situated at Bei Ta Mountain (北塔山), Qitai County (奇台縣), Xinjiang Uygur Autonomous Region (新疆維吾爾自治區) of the PRC with a general mining area of approximately 1.158 square kilometers. Subsidiary A has renewed the mining exploitation permit (採礦許可証) issued by the Department of Land and Resources of Xinjiang Uygur Autonomous Region (新疆維吾爾自治區國土資源廳) on 30 August 2007 which allows Subsidiary A to conduct mining activities in the Kaiyuan Open Pit Coal Mine (凱源露天煤礦). The existing mining exploitation permit (採礦許可証) is valid for a ten-month period from 30 August 2007 to until 30 June 2008.

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

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

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

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

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

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

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

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

Being a wholly foreign owned enterprise, Subsidiary A is entitled to a full exemption from the enterprise income tax for a period of two calendar years starting from its first profit-making year, followed by a 50% relief from the enterprise income tax for three calendar years thereafter.

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

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

Application for mining exploitation permit (採礦許可証)

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

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

The Coal Mine Expert

The Coal Mine Expert as appointed by the Company is John T. Boyd Company ("BOYD"). BOYD is one of the largest independent consulting firms in the world exclusively serving the coal, financial, utility, power and mineral-related industries. BOYD have provided consultancy services on a continuous basis since 1943 and have worked in over 50 countries. BOYD's full-time staff includes specialists in the analysis of geology, reserves, mine planning and costs, material handling, markets, business planning, transport, and environmental issues. BOYD have over 60 years of expertise in completing reserve audits, coal company valuations, and stock listing requirements as well as extensive knowledge of coal operations in the U.S. and internationally, with recognized experts having qualifications in all the technical disciplines related to mine and rail transportation operations. BOYD have completed over 2,000 reserve audits including audits for some of the largest U.S. coal producers.

BOYD has worked with and/or for virtually all of the major international banks. Numerous financial agencies have used BOYD's services to opine on major property/ mine operations. BOYD prepares bankable documents that are accepted and used with confidence by major financial institutions and other investors around the world.

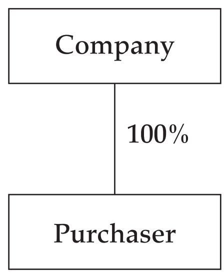
BOYD has prepared reports for inclusion in filings to the United States Securities and Exchange Commission for listings on the New York and American stock exchanges. BOYD has also prepared reports for the London, Canadian, and Singapore stock exchanges.

In 2005, BOYD prepared a comprehensive independent technical review report for China Shenhua Energy Company Ltd's (Stock Code: 1088) extensive coal holdings for the listing on the Stock Exchange.

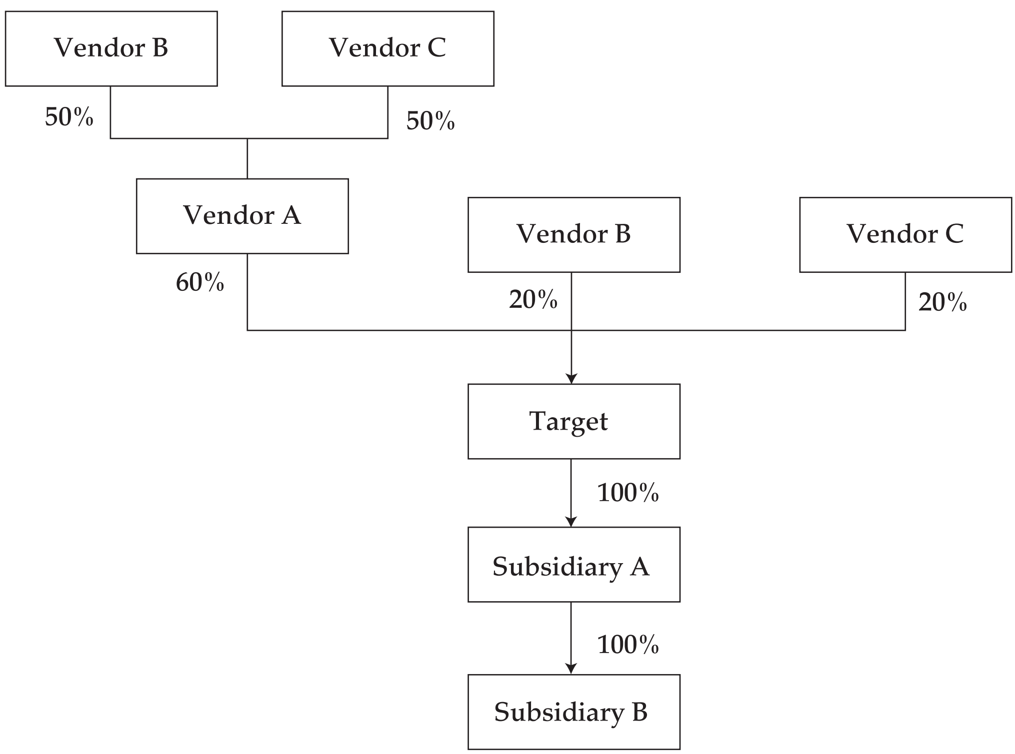
The following charts show the group structure of the Target Group immediately before and immediately after the Completion:

Immediately before the Completion

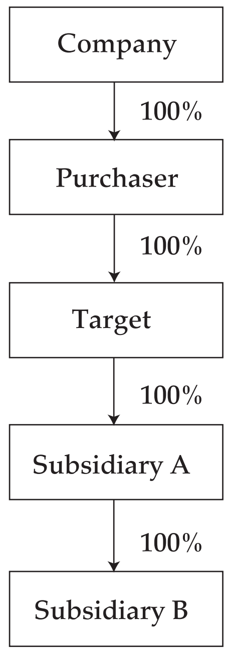
Group structure



Existing structure of the Target Group immediately before the Completion



Immediately after the Completion of the Group



REASONS FOR THE PROPOSED ACQUISITION

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

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

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

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

Although the Company has no previous experience in managing business related to mining, sale and distribution of coal, the Company will retain the existing management team of the Target Group, including the Vendors, to manage the business related to mining, sale and distribution of coal after Completion. The Company intends to further recruit experts to the Group upon Completion. In addition, the Company has voluntarily engaged the Coal Mine Expert, which is highly recognised internationally, to prepare the Technical Report in order to obtain an independent impartial expert opinion on the two coal mines, as part of the due diligence process to further understand the coal mining business for better management in the future.

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

Taking into account the benefits of the Proposed Acquisition, the Directors (including the independent non-executive Directors) are of the view that the terms of the Proposed Acquisition are fair and reasonable and on normal commercial terms and the Proposed Acquisition is in the interests of the Company and the Shareholders as a whole.

RISK FACTORS FOR THE PROPOSED ACQUISITION

The coal reserve are estimates and may be inaccurate

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

Potential accidents in the mining process

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

Natural disasters and operational risks

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

PRC government regulation

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

(a) the granting and renewal of exploration permits;

(b) the granting of coal production licences;

(c) pricing of coal transport services;

(d) allocation of the coal transportation capacity on the national rail system;

(e) coal export quotas, permits and value-added tax;

(f) resource recovery rate requirements;

(g) the adoption of temporary measures to limit increases in coal prices;

(h) environmental, safety and health standards; and

(i) taxes, duties and fees.

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

Renewal of the Mining Rights and the Exploration Permit

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

Coal reserves decline upon continuous exploitation

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

Increase in competition in the PRC coal mining industries

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

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

Country risk

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

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

MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Financial summary:

Set out below is a summary of the key financial data of the Group, which are extracted from the auditor's report on the Group contained in Appendix I in this circular.

	Year ended 31 March		
	2007	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	33,444	65,732	81,916
Gross Profit	2,318	5,392	7,644
Loss before income tax	(7,352)	(8,128)	(9,701)
Loss after income tax	(10,501)	(6,618)	(7,946)

	Year ended 31 March		
	2007	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets	1,748	6,091	5,585
Current assets	18,826	13,337	28,564
Current liabilities	7,270	7,234	16,194
Non-current liabilities	879	1,268	411
Net assets	12,425	10,926	17,544

Financial and business performance

For the year ended 31 March 2007 and 31 March 2006

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.

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 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.

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 the 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).

Financial and business performance

For the year ended 31 March 2006 and 31 March 2005

For the year ended 31 March 2006, the Group recorded a turnover of approximately HK$65.7 million, a decrease of approximately 19.8%, 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 66%, 31%, 1% and 2% respectively of the Group's total turnover (2005: 60%, 32%, 6% and 2% respectively).

During the year, the Group has net loss attributable to shareholders amounted to approximately HK$6.6 million, a reduce of 16.5% compared to approximately HK$7.9 million in the previous corresponding year. The gross profit margin decreased from approximately 9.3% for the previous corresponding year to 8.2% for the year ended 31 March 2006 owing to increasing competitive and challenging business environment in the logistics industry. Selling and distribution costs decreased by approximately 24.0% from approximately HK$2.5 million in the previous corresponding year to approximately HK$1.9 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$11.6 million, a decrease of approximately 20.0% compared to approximately HK$14.5 million in the previous corresponding year. The decrease was mainly due to write-off of bad debts of approximately HK$2 million in previous corresponding year but none was recorded in the current year. However, the decrease was partially offset by loss on disposals of fixed assets in the current year of approximately HK$0.5 million and increase in motor vehicle expenses due to increase in the number of vehicles owned by the Group.

Liquidity, financial resources and capital structure

As at 31 March 2006, the Group had net current assets of approximately HK$6.1 million (2005: approximately HK$12.4 million) including cash and bank balance of approximately HK$1.5 million. The Group had no bank overdraft as at 31 March 2006. As at 31 March 2005, the Group had cash and bank balance (including a time bank deposit) of approximately HK$10.5 million and bank overdraft of approximately HK$11.1 million.

As at 31 March 2006, the Group had no overdraft facilities. As at 31 March 2005, overdraft facilities amounting to HK$12 million were granted to a subsidiary of the Company. These facilities were supported by a corporate guarantee executed by the Company in favour of the bank. In addition, as a condition for such facilities, the Group had to maintain deposits with the bank of an amount of not less than HK$10 million. As at 31 March 2006, the Group had no bank borrowings (2005: approximately HK$11.1 million) and as at the same date, the Group had obligations under finance leases of approximately HK$1.7 million (2005: approximately HK$0.2 million), of which approximately HK$0.7 million was repayable within one year (2005: approximately HK$0.2 million) and approximately HK$1.0 million was repayable beyond one year but within five years (2005: Nil). The debt ratio (defined as total liabilities over total assets) of the Group as at 31 March 2006 was approximately 0.44 (2005: approximately 0.49).

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. There has been no change in the capital structure of the Company since that date.

Significant investment

As at 31 March 2006, there was no significant investment held by the Group (2005: 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.

Employee information

As at 31 March 2006, the Group employed a total of 18 (2005: 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 2006, no share options have been granted to employees.

Staff costs, excluding Directors' remuneration, increased by approximately 3.9% to approximately HK$2,793,000 (2005: approximately HK$2,687,000). 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 2006, the Group did not have any plan for material investments or capital assets. Nevertheless, the Group is constantly looking for opportunities for investments or capital assets to enhance shareholders' value.

Contingent liabilities

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

The Group provided guarantees for general banking facilities granted to a wholly-owned subsidiary during the first half of the financial year. The banking facilities had lapsed on 12 September 2005 and were not renewed. The Group had no other banking facilities during the year. As at 31 March 2005, the Group had contingent liabilities in relation to the above mentioned guarantees and approximately HK$11.1 million of the banking facilities was utilised at that date.

The Group and the Company had no other material contingent liabilities as at 31 March 2006 (2005: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET GROUP

Financial summary

Set out below is a summary of the key financial data of the Target Group, which are extracted from the accountant's report on the Target Group contained in Appendix II in this circular.

	Period from 27 June 2006 (date of incorporation) to 31 December 2006	**Four months ended 30 April 2007**
	HK$	*HK$*
	(audited)	(audited)
Turnover	10,532,420	2,780,516
Gross profit	4,376,494	1,216,815
Profit before tax	3,389,991	539,436
Net profit for the period	3,342,894	539,436

	As at 31 December 2006	**As at 30 April 2007**
	HK$	*HK$*
	(audited)	(audited)
Non-current assets	36,210,161	37,058,723
Current assets	31,950,789	38,518,325
Current liabilities	4,759,629	10,841,220
Non-current liabilities	–	–
Net assets	63,401,321	64,735,828

Financial and business performance

Period ended from 27 June 2006 (date of incorporation) to 31 December 2006

Turnover for the period amounted to approximately HK$10.53 million (annualized figure: HK$20.44 million) of which the entire turnover was generated from the mining and distribution of coal and with gross profit of approximately HK$4.38 million (annualized figure: HK$8.50 million). During the period, the major operating cost included salaries and allowances, and depreciation of property, plant and equipment. The net profit amounted to approximately HK$3.34 million (annualized figure: HK$6.48 million).

Four months ended 30 April 2007

The Target Group achieved a turnover of approximately HK$2.78 million (annualized figure: HK$8.46 million), of which the entire turnover was generated from the mining and distribution of coal and with gross profit of approximately HK$1.22 million. The annualized turnover decreased from approximately HK$20.44 million for the period from 27 June 2006 to 31 December 2006 to approximately HK$8.46 million, which represented a decrease of approximately 58.61%. The net profit amounted to approximately HK$0.54 million (annualized figure: HK$1.64 million), which represented a decreased of 74.69% on an annualized basis as compared to the same figure of previous period. According to the directors of the Target Group, the decrease in the turnover and net profit on an annualized basis was mostly due to the seasonal factor, the peak season for high demand of coal in the Xinjiang Uygur Autonomous Region (新疆維吾爾自治區) is the period from September to February of a year.

Financial resources and liquidity

As at 30 April 2007, the current assets of the Target Group amounted to approximately HK$38.5 million of which mainly comprised prepayments, deposits and other receivables of approximately HK$11.9 million, amount due from the ultimate holding company of approximately HK$18.4 million and cash and bank balances of approximately HK$6 million.

As at 30 April 2007, the total current liabilities of the Target Group amounted to approximately HK$10.84 million of which comprised of approximately HK$1.79 million of accruals and other payables and approximately HK$9.05 million of amount due to a director.

The audited consolidated net assets of the Target Group as at 30 April 2007 was approximately HK$64.74 million. As at the Latest Practicable Date, Vendor A was the investment holding company of the Target and Vendor B and Vendor C were the directors and the shareholders of the Target.

The directors of the Target Group confirm that the amount due to a director of approximately HK$9.1 million and the amount due from the ultimate holding company of approximately HK$18.4 million as at 30 April 2007 were subsequently settled before the Latest Practicable Date.

Cash and cash equivalent

As at 31 December 2006 and 30 April 2007, cash and cash equivalents of the Target Group amounted to approximately HK$5.08 million and approximately HK$5.96 million respectively and the entire balances of which are cash at bank and in hand.

Number of employment and remuneration polices

As at 31 December 2006 and 30 April 2007, the Target Group had about 31 and 68 employees respectively and the total salary and allowances and pension scheme contribution amounted to approximately HK$0.27 million and HK$0.27 million respectively for the same period.

Board representation of the Target

Upon Completion of the acquisition, representatives will be appointed by the Company to the board of the Target.

Segmental information

No further information for the business or geographical segment analysis of the Target Group has been presented as the Target Group is solely engaged in the mining and distribution of coal.

Capital structure

The Target was incorporated in Hong Kong on 27 June 2006 with an authorized capital of HK$300 million. As at 30 April 2007, the issued and fully paid share capital was amounted to HK$60 million which has fully paid up as at the Latest Practicable Date.

Subsidiary A was incorporated in the PRC on 5 February 1996 with a registered capital of RMB30 million (equivalent to approximate HK$30.78 million) which was fully paid up as at the Latest Practicable Date.

Subsidiary B was incorporated in the PRC on 5 February 2005 with a registered capital of RMB2 million (equivalent to approximate HK$2.05 million) which was fully paid up as at the Latest Practicable Date.

Foreign currency risk

The Target Group mainly operates in the PRC with most of the transactions settled in RMB. Therefore, it does not have any significant exposure to risk resulting from changes in foreign currency exchange rates.

Gearing ratio and contingent liabilities

As at 30 April 2007, the Target Group did not have any long-term liabilities and thus no gearing ratio was determined.

The Target Group did not have any significant contingent liabilities as at 30 April 2007.

Details of material acquisition of a subsidiary

On 2 August 2006, the Target acquired 100% equity interest of Subsidiary A and on 7 November 2006, Subsidiary A acquired 100% equity interest in Subsidiary B.

Charge of group assets

There was no charge on the assets of the Target Group as at 30 April 2007.

Significant investment held

The sole investment of the Target is its 100% equity interest in Subsidiary A, which in turns indirectly held 100% equity interest in Subsidiary B. The sole investment of Subsidiary A is its 100% interest in Subsidiary B.

Existing business of the Target Group

The directors of the Target Group do not expect that there will any material change on the customer profile, operation status and quality of services delivered to its customers by the Target Group after the Completion.

The Directors have no current intention to materially change the existing management team of the Target Group upon the Completion.

FINANCIAL EFFECTS OF THE ACQUISITION

Following the Completion, the Target Group will become indirect wholly-owned subsidiaries of the Company.

Net assets

The audited consolidated net assets of the Group as at 31 March 2007, as extracted from the annual report of the Company for the year ended 31 March 2007 was approximately HK$12.4 million.

As set out in Appendix III to this circular, assuming Completion had taken place on 1 April 2006, the pro forma net assets of the Enlarged Group would have been approximately HK$435 million.

Earnings

Following the Completion, the Target Group will become indirect wholly-owned subsidiaries of the Company and the Group will be able to consolidate revenue from the sale and distribution of coal from the Target Group. The audited net loss of the Group for the financial year ended 31 March 2007 as extracted from the annual report of the Group for the financial year ended 31 March 2007 was approximately HK$10.5 million.

According to the unaudited pro forma income statement of the Enlarged Group commencing from 1 January 2006 as if the Proposed Acquisition had been completed on 1 April 2006, the pro forma net loss of the Enlarged Group would have been approximately HK$31.8 million, which was mainly attributable to the interest expense of approximately HK$24.8 million on the Promissory Notes and Convertible Bonds. Taking into account the Profit Guarantee and the prospect of the coal mining business in the PRC, the Directors consider that the acquisition of the Target Group will provide the Enlarged Group with a stable source of income and profitability potential.

Gearing ratio

As at 31 March 2007, the non-current liabilities of the Group was approximately HK$0.9 million and the Group's gearing ratio calculated as a percentage of non-current liabilities over shareholders' equity was approximately 7.07%.

The pro forma non-current liabilities of the Enlarged Group would increase to approximately HK$508 million (due to the issuance of the Promissory Notes and the Convertible Bonds) and the gearing ratio would increase to approximately 117%. Although the gearing ratio would be substantially increased but in view of the income potential as explained above, the Directors consider the acquisition of the Target Group to be in the interests of the Company and its Shareholders.

PROSPECT OF THE ENLARGED GROUP

The Group is principally engaged in the coordination of various logistics services including sea, road and air freight forwarding, customs clearance and decoration, purchasing on behalf of customers of insurance policies, repackaging and storage. The Group 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 introduction of value added services to its customers or negotiate a lower fee with its various services providers.

Looking ahead, the Board will remain dynamic and continue to pursue other business and any investment opportunities and strategic acquisitions, which are or are not related to the logistics business currently carried out and mining business to be carried out upon Completion by the Group, which can enhance the performance and accelerate the growth of the business of the Group and improve Shareholders' return.

Upon Completion, the Group will also be engaged in the mining and distribution of coal. As stated in the section of "Reasons for the Proposed Acquisition", with the rapidly growing demand of coal as compared with its limited supply in the recent years, the Directors foresee that the demand for coal is in a growing trend with immense potential. The Directors also believe that the steady growth of the PRC's economy will increase the demand for coal as the coal-consuming industries, such as steel production plant, coal-fired electricity plant, power and metallurgical industries will all grow as a result of the robust economic growth of the PRC. In addition, both Kaiyuan Open Pit Coal Mine (凱源露天煤礦) and Zexu Open Pit Coal Mine (澤旭露天煤礦) are open pit mines, which, in general, are safer than the coal mines applying underground mining method. To the Directors' best knowledge and as confirmed by the directors of the Target Group, there had been no record of accident in both Kaiyuan Open Pit Coal Mine (凱源露天煤礦) and Zexu Open Pit Coal Mine (澤旭露天煤礦).

The Directors believe that by expanding into the mining and distribution of coal's business through the acquisition of the Target Group, which is expected to provide a higher profit margin and enhance the overall competitiveness of the Group's business and bring a better return to the Shareholders so as to benefit the Company and the Shareholders in the long run.

While pursuing the business related to mining and distribution of coal, the Company will continue its existing logistics business. The Directors are of the view that the open pit style of the two coal mines of the Target Group serves as a competitive advantage in the coal mine industry in the PRC.

Hence, the Directors believe that the acquisition of the Target Group will provide a stable income source to the Group and will also provide the Group with an opportunity to benefit from the cost and operation efficiency and other synergy effect arising from the sharing of the management expertise, financial resources and technical know-how between the Group and the Target Group.

The Directors have taken into consideration (i) the prospects of the coal mining business in the PRC; (ii) the risk factors stated above; (iii) the financial effects of the acquisition; and (iv) the following factors:

(a) the business of the Target Group in mining and distribution of coal and will enhance the performance and accelerate the growth of the business of the Group and improve shareholders' return;

(b) pursuant to the terms of the S&P Agreement, the Vendors has provided a Profit Guarantee and based on the Profit Guarantee, the Consideration represents an indicative price earning ratio of 16.67 times and in the event that the Audited Net Profit is less than the Profit Guarantee, the Company is entitled to set off any amount of the shortfall against the amount payable by the Company to the Vendors under the Promissory Note; and

(c) the indicated price earning ratio of approximately of 16.67 times represents a discount to the average price earning ratio of similar coal mining companies listed on the Stock Exchange and overseas stock exchanges.

Taking the above into consideration, the Directors believe that the acquisition of the Target Group will enhance the performance of the Group and the return to the Shareholders as a whole.

IMPLICATION UNDER THE GEM LISTING RULES

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

PROPOSED CHANGE OF COMPANY NAME

Reference is also made to the announcement of the Company dated 19 September 2007 in which the Board announced that it intended to put forward a proposal to the Shareholders to approve the change of name of the Company from "MP Logistics International Holdings Limited" to "Ming Kei Energy Holdings Limited", and upon the change of name becoming effective, a new Chinese name "明基能源控股有限公司" to be adopted to replace "MP物流國際控股有限公司" for identification purpose only.

Conditions

The Proposed Change of Company Name is subject to the satisfaction of the following conditions:

1. the passing of a special resolution by the Shareholders at the EGM to approve the change of the Company's name; and

2. the Registrar of Companies in the Cayman Islands approving the change of the Company name.

The new name of the Company will take effect from the date of entry of the new name on the register maintained by the Registrar of Companies in the Cayman Islands. The Company will then carry out all necessary filing procedures with the Companies Registry in Hong Kong.

Reasons for the Proposed Change of Company Name

In view of the expansion and diversification of the Company's business by the Proposed Acquisition, the Board considers that the proposed new name will benefit its future business development as the new name will more accurately reflect the recent expansion and diversification of the Company. In addition, the new name can also refresh the Company's corporate image and identity.

The Board is therefore of the view that the Proposed Change of Company Name is in the interests of the Company and the Shareholders as a whole.

Effect on change of Company name

The Proposed Change of Company Name will not affect any of the rights of holders of securities of the Company or the Company's daily business operation and its financial position.

All existing certificates of securities in issue bearing the present name of the Company shall, after the Proposed Change of Company Name becoming effective, continue to be evidence of title to such securities and the existing share certificates will continue to be valid for trading, settlement, registration and delivery purposes. There will not be any arrangement for exchange of the existing certificates of securities for new share certificates bearing the new name of the Company. Once the change of the Company name becomes effective, new shares certificates will be issued only in the new name of the Company.

Further announcement(s) will be made by the Company to inform the Shareholders of results of the EGM, the effective dates of the change of the name of the Company and the new stock short name of the Shares.

EGM

Set out on pages 204 to 206 of this circular is a notice convening the EGM which will be held at 11:00 a.m. on Monday, 12 November 2007 at Room 3308–09, 33/F, The Center, 99 Queen's Road Central, Central, Hong Kong. At the EGM, resolutions will be proposed to approve (i) the S&P Agreement and the transaction contemplated thereunder (including but not limited to the issue of the Convertible Bonds, the allot and issue of the Consideration Shares, the Conversion Shares and the grant of the Promissory Note); (ii) the specific mandate to be granted to the Directors to allot, issue and deal in the Consideration Shares; (iii) the specific mandate to be granted to the Directors to allot, issue and deal in the Conversion Shares; and (iv) the Proposed Change of the Company Name. Any vote exercised by the Shareholders at the EGM shall be taken by show of hands.

A form of proxy of the EGM is enclosed with this circular. Whether or not you are able to attend and vote at the EGM, you are requested to complete and return the same to the Company's Hong Kong branch share registrar, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for the holding of EGM. Completion and return of the form of proxy will not preclude you from attending and voting at EGM or any adjournment thereof if you so wish.

RECOMMENDATION

Taking into consideration of the reasons set out in the paragraphs headed "Reasons for the Proposed Acquisition" above, the Directors consider that the S&P Agreement and the transaction contemplated thereunder (including but not limited to allot and issue of the Consideration Shares, the Conversion Shares; the issue of the Convertible Bonds and the grant of the Promissory Note) are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve (i) the S&P Agreement and the transaction contemplated thereunder (including but not limited to the issue of the Convertible Bonds, the allot and issue of the Consideration Shares, the Conversion Shares and the grant of the Promissory Note); (ii) the specific mandate to be granted to the Directors to allot, issue and deal in the Consideration Shares; (iii) the specific mandate to be granted to the Directors to allot, issue and deal in the Conversion Shares; and (iv) the Proposed Change of Company Name.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendix of this circular.

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

I. FINANCIAL SUMMARY

A summary of the audited results and assets and liabilities of the Group for the last three financial years ended 31 March 2005, 31 March 2006 and 31 March 2007 as extracted from the Company's 2005, 2006 and 2007 annual reports, are set out below:

CONSOLIDATED INCOME STATEMENT

For the year ended

	2007	2006	2005
	HK$'000	*HK$'000*	*HK$'000*
REVENUE	33,444	65,732	81,916
Cost of sales	(31,126)	(60,340)	(74,272)
Gross profit	2,318	5,392	7,644
Other income	1,266	137	110
Selling and distribution costs	(1,233)	(1,882)	(2,506)
Administrative expenses	(9,589)	(11,643)	(14,536)
LOSS FROM OPERATING ACTIVITIES	(7,238)	(7,996)	(9,288)
Finance costs	(114)	(132)	(413)
LOSS BEFORE INCOME TAX	(7,352)	(8,128)	(9,701)
Income tax (expense)/credit	(3,149)	1,510	1,755
NET LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	(10,501)	(6,618)	(7,946)
DIVIDENDS	–	–	–
LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
– Basic	(HK1.44 cents)	(HK2.21 cents)	(HK2.65 cents)
– Diluted	N/A	N/A	N/A

CONSOLIDATED BALANCE SHEET

As at 31 March

	2007	2006	2005
	HK$'000	*HK$'000*	*HK$'000*
ASSETS AND LIABILITIES			
NON-CURRENT ASSETS			
Property, plant and equipment	1,568	2,762	3,572
Deferred tax assets	180	3,329	2,013
	1,748	6,091	5,585
CURRENT ASSETS			
Accounts receivable	5,847	6,842	11,315
Prepayments, deposits and other receivables	4,565	5,040	6,735
Time bank deposits	–	–	10,000
Cash and bank balances	8,414	1,455	514
	18,826	13,337	28,564
CURRENT LIABILITIES			
Accounts payable	1,024	2,098	3,984
Accrued expenses and other payables	5,872	4,409	883
Taxes payable	–	–	36
Bank overdrafts – secured	–	–	11,125
Current portion of finance lease payables	374	727	166
	7,270	7,234	16,194
NET CURRENT ASSETS	11,556	6,103	12,370
TOTAL ASSETS LESS CURRENT LIABILITIES	13,304	12,194	17,955
NON-CURRENT LIABILITIES			
Finance lease payables	615	1,004	–
Deferred tax liabilities	264	264	411
	879	1,268	411
NET ASSETS	12,425	10,926	17,544
EQUITY			
Share capital	15,000	3,000	3,000
Reserves	(2,575)	7,926	14,544
TOTAL EQUITY	12,425	10,926	17,544

REPORT OF THE AUDITORS FOR THE FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31 MARCH 2007

The following is the report of Grant Thornton for the year ended 31 March 2007 as extracted from the annual report of the Company for the year ended 31 March 2007 ("2007 Annual Report"). The page reference in this report are the same as those in the 2007 Annual Report. The audited financial statements together with the relevant notes to the financial statements of the Group as extracted from the 2007 Annual Report are set out below:

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2007

	Share capital	Share premium	Capital reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*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	2006	2005
	HK$'000	*HK$'000*	*HK$'000*
Loss before income tax	(7,352)	(8,128)	(9,701)
Adjustments for:			
Interest expenses	114	132	413
Interest income	(94)	(14)	(30)
Depreciation	952	1,239	1,093
(Gain)/Loss on disposals of property, plant and equipment	(140)	545	(80)
Operating cash flows before movements in working capital	(6,520)	(6,226)	(8,305)
Decrease in accounts receivable	995	4,473	1,948
Decrease in prepayments, deposits and other receivables	804	1,695	858
(Decrease)/Increase in accounts payable	(1,074)	(1,886)	2,721
Increase in accrued expenses and other payables	1,463	3,525	380
Cash (used in)/generated from operating activities	(4,332)	1,581	(2,398)
Interest paid	–	(11)	(377)
Interest element of finance lease rental payments	–	–	(36)
Income tax refunded	–	11	472
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES	(4,332)	1,581	(2,339)
INVESTING ACTIVITIES			
Interest received	94	14	30
Proceeds from disposals of property, plant and equipment	251	286	–
Purchases of property, plant and equipment	(198)	(1,259)	(2,255)
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES	147	(959)	(2,225)
FINANCING ACTIVITIES			
Interest element of finance lease rental payments	(114)	(121)	–
Repayment of obligations under finance leases	(742)	–	–
New finance leases	–	1,564	(743)
Proceeds from issue of new shares	12,000	–	–
NET CASH GENERATED FROM FINANCING ACTIVITIES	11,144	1,443	(743)
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,959	2,065	(5,307)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,455	(610)	4,697
CASH AND CASH EQUIVALENTS AT END OF YEAR	8,414	1,455	(610)
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	831	1,455	514
Time bank deposits with original maturity of less than three months	7,583	–	10,000
Bank overdraft	–	–	(11,124)
	8,414	1,455	(610)

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, KY1-1111, 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.

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.

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;

(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.

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.

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.

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.

(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.

(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.

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**	**2005**	**2007**	**2006**	**2005**	**2007**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	10,696	8,169	15,286	8,995	10,968	17,676	19,691	19,138	32,962
Unallocated assets	–	–	–	–	–	–	883	290	1,187
Total assets							20,574	19,428	34,149
Other segment information:									
Capital expenditure	198	1,497	561	–	–	2,089	198	1,497	2,650

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	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Revenue			
Fees for logistics services provided	33,444	65,732	81,916
Other income			
Gain on disposals of property, plant and equipment	140	–	80
Sundry income	644	4	–
Exchange gain	388	119	–
Interest income	94	14	30
	1,266	137	110
	34,710	65,869	82,026

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*	2005 *HK$'000*
Cost of services provided	31,126	60,340	74,272
Auditors' remuneration	330	240	240
Bad debts written off	–	–	2,005
Depreciation			
Owned assets*	236	859	722
Assets held under finance leases*	716	380	371
Directors' remuneration	431	1,202	1,638
Staff costs (excluding directors' remuneration)			
Salaries and wages	2,251	2,675	2,575
Pension scheme contributions	88	112	112
Minimum lease payments under operating leases rental for land and buildings**	479	642	640
(Gain)/loss on disposals of property, plant and equipment	(140)	545	(80)

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

	2007 *HK$'000*	2006 *HK$'000*	2005 *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: HK$222,000) 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$'000*	2006 *HK$'000*	2005 *HK$'000*
Interest on bank overdrafts repayable on demand	–	11	377
Interest on finance leases	114	121	36
	114	132	413

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	Basic salaries, allowance and bonus	Retirement benefit scheme contributions	Total emoluments
	HK$'000	*HK$'000*	*HK$'000*	*HK$'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

2006

Name of Directors	Fees	Basic salaries, allowance and bonus	Retirement benefit scheme contributions	Total emoluments
	HK$'000	*HK$'000*	*HK$'000*	*HK$'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

2005

Name of Directors	**Total emoluments**
	HK$'000
Executive Directors	
Wong Kwong Kwok	960
Yeung Leung Kong	558
Independent Non-executive Directors	
Leung Wai Ling, Wylie	120
	1,638

(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).

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	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Basic salaries, allowances and benefits in kind	1,250	943	910
Pension scheme contributions	46	35	35
	1,296	978	945

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*	**2005** *HK$'000*
Current year provision	–	–	–
Over provision in prior years	–	47	–
Deferred tax (charge)/credit *(Note 20(c))*	(3,149)	1,463	1,755
Tax (expense)/credit for the year	(3,149)	1,510	1,755

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

	2007 *HK$'000*	**2006** *HK$'000*	**2005** *HK$'000*
Loss before income tax	(7,352)	(8,128)	(9,701)
Tax on loss before income tax, calculated at the rates applicable in the tax jurisdiction concerned	(1,287)	(1,422)	(1,698)
Tax effect of non-deductible expenses	86	138	1
Tax effect of non-taxable revenue	(189)	(42)	(16)
Tax effect of unused tax losses not recognised	1,241	–	1
Tax effect on accelerated depreciation allowance	149	(136)	(1)
De-recognition of deferred tax assets on prior years tax losses	3,149	–	(42)
Others	–	(1)	–
Over provision in prior years	–	(47)	–
Tax expense/(credit) for the year	3,149	(1,510)	(1,755)

(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.

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.

	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost:				
At 1 April 2004	233	701	3,061	3,995
Additions	401	913	1,336	2,650
Disposals	–	–	(512)	(512)
At 31 March 2005	634	1,614	3,885	6,133
Additions	–	49	1,448	1,497
Disposals	(634)	(561)	(1,424)	(2,619)
At 31 March 2006	–	1,102	3,909	5,011
Accumulated depreciation:				
At 1 April 2004	233	269	1,477	1,979
Charge for the year	117	243	733	1,093
Eliminated on disposals	–	–	(512)	(512)
At 31 March 2005	350	512	1,698	2,560
Charge for the year	167	297	774	1,238
Eliminated on disposals	(517)	(179)	(853)	(1,549)
At 31 March 2006	–	630	1,619	2,249
Net book value:				
At 31 March 2006	–	472	2,290	2,762
At 31 March 2005	284	1,102	2,187	3,573

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

	Company		
	2007 HK$'000	2006 HK$'000	2005 HK$'000
Unlisted shares, at cost	6,554	6,554	6,554
Amounts due from subsidiaries	21,090	17,364	17,469
	27,644	23,918	24,023

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 *HK$'000*	2006 *HK$'000*	2005 *HK$'000*
Within 90 days	4,150	5,421	7,014
Between 91 and 180 days	1,697	1,401	4,185
Between 181 and 365 days	–	20	116
	5,847	6,842	11,315

18. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components:

	Company 2007 *HK$'000*	Company 2006 *HK$'000*	Company 2005 *HK$'000*	Group 2007 *HK$'000*	Group 2006 *HK$'000*	Group 2005 *HK$'000*
Cash at bank and in hand	338	3	4	831	1,455	514
Short-term bank deposits	7,583	–	–	7,583	–	10,000
At 31 December	7,921	3	4	8,414	1,455	10,514

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	2005
	HK$'000	*HK$'000*	*HK$'000*
Within 90 days	958	2,098	3,108
Between 91 and 180 days	66	–	876
	1,024	2,098	3,984

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	2005	2007	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at the beginning of the year	103	81	–	3,329	2,013	72
(Debited)/Credited to income statement *(Note c)*	–	22	81	(3,149)	1,316	1,941
Balance at the end of the year	103	103	81	180	3,329	2,013

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	2005	2007	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at the beginning of the year	264	411	225	264	411	225
Credited to income statement	–	(147)	186	–	(147)	186
Balance at the end of the year	264	264	411	264	264	411

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

	Company			Group		
	2007	**2006**	**2005**	**2007**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Deferred tax assets *(Note a)*	–	(22)	(81)	3,149	(1,316)	(1,941)
Deferred tax liabilities *(Note b)*	–	–	–	–	(147)	186
Deferred tax debited/(credited) to income statement *(Note 11)*	–	(22)	(81)	3,149	(1,463)	(1,755)

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	**2006**	**2005**	**2007**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amounts payable:						
Within one year	444	841	168	374	727	166
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	168	989	1,731	166
Future finance charges	(128)	(241)	(2)			
Total net finance lease payables	989	1,731	166			
Portion classified as current liabilities	(374)	(727)	(166)			
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 Number of shares		2006 Number of shares		2005 Number of shares	
	'000	HK$'000	'000	HK$'000	'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	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	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	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.

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.

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.

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**	**2005**	**2007**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	–	–	–	289	552	642
In the second to fifth years, inclusive	–	–	–	–	317	43
	–	–	–	289	869	685

27. RELATED PARTY TRANSACTIONS – GROUP

The following transactions were carried out with related parties:

	2007	2006	2005
	HK$'000	*HK$'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	–

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.

II. INDEBTEDNESS

At the close of the businesses on 31 August 2007, being the latest practicable date for the purpose of the indebtedness statement prior to the printing of this circular, the Group and the Enlarged Group had the following indebtedness:

	The Group	The Enlarged Group
	HK$'000	*HK$'000*
Amount due to a director	–	18,226
Finance leases payable		
– current portion	253	253
– non-current portion	–	–
Total borrowings	253	18,479

Securities, guarantees and credit facilities

The Group and the Enlarged Group had no overdraft facilities and bank borrowings as at 31 August 2007.

Finance Lease

As at 31 August 2007, the Group and the Enlarged Group had obligations under finance leases of approximately HK$253,000 repayable within one year.

Contingent liabilities

Save that the Group had various outstanding legal actions as at 31 August 2007, brief particulars of which are set out in the paragraph headed "Litigation" in Appendix VI to this circular, the Group and the Enlarged Group had no other material contingent liabilities as at the Latest Practicable Date.

Commitments

	The Group	The Enlarged Group
	HK$'000	*HK$'000*
Within one year	2,001	2,001
In the second to fifth years, inclusive	2,904	2,904
Total	4,905	4,905

As at 31 August 2007, the Group and the Enlarged Group had operating lease commitments of approximately HK$4,905,000 of rental premises under operating lease commitment, which were not provided for by the Group and the Enlarged Group's pro forma financial information.

III. WORKING CAPITAL

As at the Latest Practicable Date, the Directors are of the opinion that the Enlarged Group will, following Completion and taking into account the present internal financial resources and in the absence of unforeseen circumstances, have sufficient working capital for its present requirements for the next 12 months from the date of this circular.

IV. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 March 2007, the date to which the latest audited financial statements of the Group were made up.

V. DISCLAIMERS

To the best knowledge of the Directors, save as aforesaid and apart from intra-group liabilities, none of the companies in the Enlarged Group has outstanding mortgages, charges, debentures, or other loan capital, loans or other similar indebtedness or acceptance credits or any guarantees or other material contingent liabilities as at the close of business on 31 August 2007 and since 31 August 2007, up to and including the Latest Practicable Date.

The Directors have confirmed that, save as disclosed above, there has not been any material change in the indebtedness and contingent liabilities of the Group and the Enlarged Group since 31 August 2007 and up to and including the Latest Practicable Date.

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the reporting accountants, Cheung & Siu.

Cheung & Siu *Certified Public Accountants (Practising)*
張、蕭會計師事務所

15 October 2007

The Board of Directors
MP Logistics International Holdings Limited
Room 3308-09, 33rd Floor
The Centre
99 Queen's Road Central
Central, Hong Kong

Dear Sirs,

We set out below our report on the consolidated financial information (the "**Financial Information**") regarding Ming Kei Kai Yuan Investment Company Limited ("**Ming Kei**") and its subsidiaries (hereafter collectively referred to as the "**Ming Kei Group**") for the period from 27 June 2006 (being date of incorporation of Ming Kei) to 31 December 2006 and the four months ended 30 April 2007 (the "**Relevant Periods**") for inclusion in the circular of MP Logistics International Holdings Limited (the "**Company**") dated 15 October 2007 (the "**Circular**") in connection with the proposed acquisition of the entire issued share capital of Ming Kei by Star Fortune International Investment Company Limited ("Star Fortune"), an indirectly wholly-owned subsidiary of the Company (the "**Acquisition**").

Ming Kei was incorporated in Hong Kong on 27 June 2006 with limited liability and acts as an investment holding company. The registered office of Ming Kei is located at Units 2503-04, 25th Floor, Greenfield Tower, Concordia Plaza, No. 1 Science Museum Road, Tsim Sha Tsui, Kowloon, Hong Kong.

As at the date of this report, Ming Kei has interests in the following subsidiaries:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid capital/ registered capital	Attributable equity interest held by Ming Kei Directly	Attributable equity interest held by Ming Kei Indirectly	Principal activity
Mulei County Kai Yuan Coal Company Limited* (木壘縣凱源煤炭有限責任公司) ("**Mulei**")	The People's Republic of China (the "**PRC**") 5 February 1996	Ordinary RMB30,000,000	100%	–	Mining and sales of coal
Qitai County Zexu Trading Enterprise Limited* (奇台縣澤旭商貿有限責任公司) ("**Qitai Zexu**")	The People's Republic of China (the "**PRC**") 5 February 2005	Ordinary RMB2,000,000	–	100%	Exploration of coal

* *English translation of company names are for identification purpose only*

All companies of Ming Kei Group have adopted 31 December as their financial year end date.

The statutory financial statements of Ming Kei for the period from 27 June 2006 (date of incorporation) to 31 December 2006 were audited by us. The statutory financial statements of Mulei and Qitai Zexu for the year ended 31 December 2006 were audited by 新疆天山有限責任會計師事務所, certified public accountants registered in the PRC. No audited financial statements have been prepared for all companies now comprising Ming Kei Group for the four months ended 30 April 2007.

For the purpose of this report, the directors of Ming Kei have prepared the consolidated financial statements of the Ming Kei Group for the Relevant Periods (the "**Underlying Financial Statements**") in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), which also include all Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). For the purpose of this report, we have performed independent audit procedures on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information set out in Sections A to B below has been prepared by the directors of Ming Kei based on the Underlying Financial Statements. We have examined the Financial Information and have carried out such additional procedures as are necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The preparation of the Underlying Financial Statements and the Financial Information which give a true and fair view is the responsibility of the directors of Ming Kei. In preparing the Underlying Financial Statements and the Financial Information, it is fundamental that appropriate accounting policies are selected and applied consistently. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to form an independent opinion, based on our examination, on the Financial Information and to report our opinion to you. However, the evidence available to us was limited because we are unable to carry out necessary procedures to verify the amount of inventories as at 31 December 2006 because no stocktake was performed by Ming Kei's subsidiary and we were not able to attend the stocktake at that date. Any adjustments to the inventories as at 31 December 2006 would affect the consolidated results and cash flows of Ming Kei Group for the Relevant Periods.

Except for any adjustments that might have been found to be necessary had we been able to obtain sufficient evidence concerning the amount of inventories as at 31 December 2006, in our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of Ming Kei Group and Ming Kei as at 31 December 2006 and 30 April 2007 and of the consolidated results and cash flows of Ming Kei Group for each of the Relevant Periods.

A. FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENTS

	Notes	Period from 27 June 2006 (date of incorporation) to 31 December 2006 HK$	Four months ended 30 April 2007 HK$
TURNOVER	6	10,532,420	2,780,516
Cost of sales		(6,155,926)	(1,563,701)
Gross profit		4,376,494	1,216,815
Other revenue	6	214,943	14,536
Selling and distribution costs		(431,298)	(81,247)
Administrative expenses		(770,148)	(610,668)
Profit before tax	7	3,389,991	539,436
Tax	9	(47,097)	–
Net profit for the period		3,342,894	539,436

CONSOLIDATED BALANCE SHEETS

	Notes	**As at 31 December 2006** *HK$*	**As at 30 April 2007** *HK$*
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	15,367,108	15,265,095
Goodwill	*11*	19,137,608	19,137,608
Intangible assets	*12*	1,705,445	2,656,020
Total non-current assets		36,210,161	37,058,723
CURRENT ASSETS			
Inventories	*14*	–	573,877
Accounts receivables	*15*	218,383	1,690,484
Prepayments, deposits and other receivables	*16*	2,422,256	11,861,868
Due from related companies	*17*	6,073,495	–
Due from the ultimate holding company	*17*	18,156,235	18,423,020
Cash and bank balances		5,080,420	5,969,076
Total current assets		31,950,789	38,518,325
CURRENT LIABILITIES			
Accruals and other payables		2,262,662	1,788,811
Tax payable		59,498	–
Due to a director	*18*	2,437,469	9,052,409
Total current liabilities		4,759,629	10,841,220
NET CURRENT ASSETS		27,191,160	27,677,105
TOTAL ASSETS LESS CURRENT LIABILITIES		63,401,321	64,735,828
Net assets		63,401,321	64,735,828
EQUITY			
Share capital	*19*	60,000,000	60,000,000
Reserves		3,401,321	4,735,828
Total equity		63,401,321	64,735,828

BALANCE SHEETS

	Notes	As at 31 December 2006 HK$	As at 30 April 2007 HK$
NON-CURRENT ASSETS			
Investment in subsidiaries	13	41,610,000	41,610,000
CURRENT ASSETS			
Due from the ultimate holding company	17	18,156,235	18,423,020
Cash and bank balances		341,985	54,260
Total current assets		18,498,220	18,477,280
CURRENT LIABILITIES			
Accruals and other payables		20,000	20,000
Total current liabilities		20,000	20,000
NET CURRENT ASSETS		18,478,220	18,457,280
TOTAL ASSETS LESS CURRENT LIABILITIES		60,088,220	60,067,280
Net assets		60,088,220	60,067,280
EQUITY			
Share capital	19	60,000,000	60,000,000
Reserves	20	88,220	67,280
Total equity		60,088,220	60,067,280

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued capital	Exchange fluctuation reserves	Retained profits	Total
	HK$	*HK$*	*HK$*	*HK$*
Issues of shares – *note 19*	60,000,000	–	–	60,000,000
Exchange realignment	–	58,427	–	58,427
Net profit for the period	–	–	3,342,894	3,342,894
At 31 December 2006 and 1 January 2007	60,000,000	58,427	3,342,894	63,401,321
Exchange realignment	–	795,071	–	795,071
Net profit for the period	–	–	539,436	539,436
At 30 April 2007	60,000,000	853,498	3,882,330	64,735,828

CONSOLIDATED CASH FLOW STATEMENTS

	Period from 27 June 2006 (date of incorporation) to 31 December 2006 *HK$*	Four months ended 30 April 2007 *HK$*
OPERATING ACTIVITIES		
Profit before tax	3,389,991	539,436
Adjustments for:		
Depreciation	642,007	592,152
Interest income	(159,961)	(5,955)
Operating cash flows before working capital changes	3,872,037	1,125,633
Increase in inventories	–	(573,877)
Increase in accounts receivables	(218,383)	(1,465,416)
Decrease/(increase) in prepayment, deposits and other receivables	488,116	(9,365,463)
Decrease/(increase) in amount due from related companies	(5,583,299)	6,073,495
Increase in amount due from the ultimate holding company	(18,156,235)	(266,785)
Decrease in accruals and other payables	(5,173,586)	(542,504)
Increase in amount due to a director	1,362,175	6,540,324
Decrease in amount due to related companies	(992,915)	–
Cash generated from/(used in) operations	(24,402,090)	1,525,407
PRC taxes paid	–	(59,498)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	(24,402,090)	1,465,909
INVESTING ACTIVITIES		
Interest received	159,961	5,955
Acquisition of subsidiaries	(28,406,862)	–
Expenditure on exploration and evaluation assets	–	(898,367)
Purchase of items of property, plant and equipment	(2,195,961)	(25,760)
NET CASH USED IN INVESTING ACTIVITIES	(30,442,862)	(918,172)
FINANCING ACTIVITIES		
Proceeds from issue of shares	60,000,000	–
NET CASH FROM FINANCING ACTIVITIES	60,000,000	–
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,155,048	547,737
Cash and cash equivalents at the beginning of period	–	5,080,420
Change in exchange rate	(74,628)	340,919
CASH AND CASH EQUIVALENTS AT END OF PERIOD	5,080,420	5,969,076
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	5,080,420	5,969,076

B. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION

Ming Kei is a limited liability company incorporated in Hong Kong. The registered office of Ming Kei is located at Units 2503-4, 25 Floor, Greenfield Tower, Concordia Plaza, No.1 Science Museum Road, Tsim Sha Tsui, Kowloon, Hong Kong.

Ming Kei acts as an investment holding company during the Relevant Periods. Its subsidiaries are principally engaged in the mining, sales and exploration of coal during the Relevant Periods.

The directors of Ming Kei consider Ming Kei International Holding Company Limited, a company incorporated in Hong Kong, to be the Company's ultimate holding company.

2. ADOPTION OF NEW OR REVISED STANDARDS

The Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. The Financial Information has been prepared under the historical cost convention.

New HKFRSs issued but not yet effective are not early adopted. The directors of Ming Kei anticipate that the application of these new HKFRSs will have no material impact on the Financial Information.

3. PRINCIPAL ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of Ming Kei and its subsidiaries for the Relevant Periods. The results of subsidiaries are consolidated from the date of acquisition, being the date on which Ming Kei Group obtains control, and continue to be consolidated until the date that such control ceases.

The acquisition of subsidiaries during the Relevant Periods has been accounted for using purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Ming Kei Group.

All significant inter-company transactions and balances within the Ming Kei Group are eliminated on consolidation.

(b) Subsidiaries

A subsidiary is an entity in which Ming Kei controls, directly or indirectly, its financial and operating policies so as to obtain benefits from its activities.

The results of subsidiaries are included in Ming Kei's income statement to the extent of dividends received and receivable. Ming Kei's investment in subsidiaries are stated at cost less any impairment losses.

(c) Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the cost of the business combination over the Ming Kei Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill arising on acquisition is initially recognised in the consolidated balance sheet as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Ming Kei Group's cash generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Ming Kei Group are assigned to those units or groups or units. Each unit or group of units to which the goodwill is so allocated:

– represents the lowest level within the Ming Kei Group at which the goodwill is monitored for internal management purposes; and

– is not larger than a segment based on either the Ming Kei Group's primary or the Ming Kei Group's secondary reporting format determined in accordance with HKAS 14 "Segment Reporting".

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

An impairment loss recognized for goodwill is not reversed in a subsequent period.

(d) Impairment of assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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 assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

(e) Related parties

A party is considered to be related to the Ming Kei Group if:

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

(b) the party is an associate;

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

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

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) 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 (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of employees of the Ming Kei Group, or of any entity that is a related party of the Ming Kei Group.

(f) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses, except that when an item of property, plant and equipment is classified as held for sale, it is not depreciated and is measured at the lower of carrying amount and fair value less costs to sell. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment and the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	Over 30 years
Machineries	10%
Motor vehicles	10%
Office equipment	10%

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the asset.

(g) Exploration and evaluation assets

Exploration and evaluation expenditure comprises costs which are directly attributable to: researching and analyzing existing exploration data; conducting geological studies, exploratory drilling and sampling; examining and testing extraction and treatment methods; and compiling pre-feasibility and feasibility studies. Exploration and evaluation expenditure also includes the costs incurred in acquiring mining rights, the entry premiums paid to gain access to areas of interest and amounts payable to third parties to acquire interests in existing projects.

During the initial stage of a project, exploration and evaluation costs are expensed as incurred. Expenditure on a project after it has reached a stage at which there is a high degree of confidence in its viability is capitalized and transferred to property, plant and equipment if the project proceeds. If a project does not prove viable, all irrecoverable costs associated with the project are expensed in the income statement.

(h) Deferred overburden removal costs

Stripping ratios are determined by comparing the quantity of coal mined to the quantity of overburden, or waste removed to access the coal. Costs are deferred to the balance sheet, where appropriate, when the actual stripping ratios vary from the planned mine average stripping ratios. Deferral of costs to the balance sheet is not made where the actual stripping ratio is expected to be evenly distributed. Costs, which have previously been deferred to the balance sheet (deferred overburden removal costs), are included in the income statement on a units of production basis utilizing average stripping ratios. Changes in estimates of average stripping ratios are accounted for prospectively from the date of the change.

(i) Leased assets

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. The rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

(j) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on the weight average basis, and in the case of work in progress and finished goods, comprises direct materials, direct labor and an appropriate proportion of overheads. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

(k) Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Ming Kei Group's cash management.

For the purpose of the balance sheets, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

(l) Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

(m) Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement or in equity if it relates to items that are recognised in the same or a different period, directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax assets and unused tax losses can be utilized, except where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(n) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Ming Kei Group and when the revenue can be measured reliably, on the following bases:

(i) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Ming Kei Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold; and

(ii) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

(o) Employee benefits

Pension scheme

The employees of Ming Kei's subsidiaries which operate in Mainland China are required to participate in central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

(p) Borrowing costs

Borrowing costs are recognised as expenses in the income statement in the period in which they are incurred.

(q) Foreign currencies

These financial statements are presented in Hong Kong dollars, which is Ming Kei's functional and presentation currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

On consolidation, the financial statements of overseas subsidiaries are translated into Hong Kong dollars using the net investment method. The income statements of the overseas subsidiaries are translated into Hong Kong dollars at the weighted average exchange rates for the Relevant Periods, and their balance sheets are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet dates. The resulting translation differences are included in the exchange fluctuation reserve.

For the purpose of the consolidated cash flow statement, the cash flows of the overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of the overseas subsidiaries which arise throughout the Relevant Periods are translated into Hong Kong dollars at the weighted average exchange rates for the Relevant Periods.

(r) Segment reporting

A segment is a distinguishable component of the Ming Kei Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different form those of other segments.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgements

In the process of applying Ming Kei Group's accounting policies, the management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the Financial Statements.

Impairment of assets

In determining whether an asset is impaired or whether the event previously causing the impairment no longer exists, the management has to exercise judgement in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may affect the asset value, or such an event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows, which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could have a material effect on the net present value used in the impairment test.

5. SEGMENTAL INFORMATION

No business or geographical segment analysis is presented as all operations, assets and liabilities of the Ming Kei Group during the Relevant Periods are related to the sales of coal and over 90% of the assets and customers are located in the PRC.

6. TURNOVER

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

An analysis of Ming Kei Group's turnover, other revenues and gains is as follows:

	Period from 27 June 2006 (date of incorporation) to 31 December 2006	Four months ended 30 April 2007
	HK$	*HK$*
TURNOVER		
Sales of goods	10,532,420	2,780,516
OTHER REVENUE AND GAINS		
Bank interest income	159,961	5,955
Exchange gains	54,982	–
Sundry income	–	8,581
	214,943	14,536

7. PROFIT BEFORE TAX

Profit before tax is arrived at after charging:

	Period from 27 June 2006 (date of incorporation) to 31 December 2006	Four months ended 30 April 2007
	HK$	*HK$*
Auditors' remuneration	22,121	–
Cost of goods sold	6,155,926	1,563,701
Depreciation of property, plant and equipment	642,007	592,152
Staff costs (excluding directors' remuneration)		
Salaries and allowances	257,646	224,731
Pension scheme contributions	16,812	47,046
	274,458	271,777

8. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

Remunerations paid or payable to the directors were as follows:

	Period from 27 June 2006 (date of incorporation) to 31 December 2006	Four months ended 30 April 2007
	HK$	*HK$*
Fees	–	–
Other emoluments:		
Salaries and benefits in kind	–	20,161
Retirement scheme contributions	–	–
	–	20,161

Of the five individuals with highest emoluments, two (period ended 31 December 2006: none) of them are directors whose emoluments are disclosed as above. Details of the remuneration of the remaining three (period ended 31 December 2006: five) non-directors, highest paid employees are as follows:

	Period from 27 June 2006 (date of incorporation) to 31 December 2006	Four months ended 30 April 2007
	HK$	*HK$*
Salaries and benefits in kind	36,733	32,586
Retirement scheme contributions	1,076	1,866
	37,809	34,452

During the Relevant Periods, no emoluments were paid by Ming Kei to the directors or any of the five highest paid individuals as an inducement to join or upon joining Ming Kei or as compensation for loss of office. No directors waived any emoluments during the Relevant Periods.

9. TAX

	Period from 27 June 2006 (date of incorporation) to 31 December 2006	Four months ended 30 April 2007
	HK$	*HK$*
Current period provision		
PRC	47,097	–
Tax charge for the period	47,097	–

No provision for Hong Kong profits tax has been made as Ming Kei Group did not generate any assessable profits arising in Hong Kong during the Relevant Periods.

Provision for PRC income tax has been made in the financial statements on the estimated assessable profits for subsidiaries operating in the PRC at the rate of tax prevailing in the PRC during each of the Relevant Periods.

In accordance with the relevant tax rules and legislation in the PRC, Mulei and Qitai Zexu, subsidiaries of the Ming Kei Group operating in the PRC, are able to enjoy corporate income tax exemptions and reductions, which include exemption from paying corporate income tax for two years starting from the first profit-making year, followed by a 50% reduction in the corporate income tax payable in the following three years.

There are no material unprovided deferred tax assets and liabilities at the respective balance sheet dates.

A reconciliation of the tax expense applicable to profit before tax using the statutory rate to the tax expense at the effective tax rate is as follows:

	Period from 27 June 2006 (date of incorporation) to 31 December 2006		**Four months ended 30 April 2007**	
	HK$	%	*HK$*	%
Profit before tax	3,389,991		539,436	
Tax at the statutory tax rate	593,248	17.5	94,401	17.5
Effect of different tax rates in other jurisdictions	511,775	15.1	86,858	16.1
Tax effect of non-deductible expenses	11,673	0.3	8,369	1.5
Tax effect of non-taxable income	(27,111)	(0.8)	–	–
Tax loss not recognised	9,865	0.3	3,033	0.6
Tax concession	(1,052,353)	(31.0)	(192,661)	(35.7)
Tax charge for the period	47,097	1.4	–	–

10. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$	Machineries HK$	Motor vehicles HK$	Office equipment HK$	Total HK$
Cost:					
Acquired on acquisition of subsidiaries	1,347,731	6,742,202	8,816,775	74,977	16,981,685
Additions	–	1,803,159	353,465	39,337	2,195,961
Exchange realignment	13,344	64,484	87,295	742	165,865
At 31 December 2006 and 1 January 2007	1,361,075	8,609,845	9,257,535	115,056	19,343,511
Additions	–	7,002	10,814	7,944	25,760
Exchange realignment	41,665	263,567	283,394	3,522	592,148
At 30 April 2007	1,402,740	8,880,414	9,551,743	126,522	19,961,419
Accumulated depreciation:					
Acquired on acquisition of subsidiaries	589,095	1,220,586	1,450,160	41,866	3,301,707
Provided for the period	13,230	262,961	359,641	6,175	642,007
Exchange realignment	5,832	12,085	14,357	415	32,689
At 31 December 2006 and 1 January 2007	608,157	1,495,632	1,824,158	48,456	3,976,403
Provided for the period	14,657	274,847	299,417	3,231	592,152
Exchange realignment	18,767	48,589	58,897	1,516	127,769
At 30 April 2007	641,581	1,819,068	2,182,472	53,203	4,696,324
Net book value:					
At 30 April 2007	761,159	7,061,346	7,369,271	73,319	15,265,095
At 31 December 2006	752,918	7,114,213	7,433,377	66,600	15,367,108

11. GOODWILL

The amounts of the goodwill capitalised by the Ming Kei Group as an asset and recognised in the consolidated balance sheet, arising from the acquisition of subsidiaries, are as follows:

	HK$
Arising from acquisition of subsidiaries	19,137,608
At 31 December 2006 and 30 April 2007	19,137,608

The amount of goodwill is tested for impairment by estimating the recoverable amount of the cash-generating unit ("CGU") based on the value in use calculations. The calculations use cash flow projections based on financial budgets approved by the management covering a period of two years. Based on the results of the impairment testing, the management of the Ming Kei Group determines that there is no impairment of the CGU attributed to the goodwill.

12. INTANGIBLE ASSETS

	Exploration and evaluation assets
	HK$
Arising from acquisition of a subsidiary	1,705,445
At 31 December 2006	1,705,445
Additions	898,367
Exchange realignment	52,208
At 30 April 2007	2,656,020

13. INVESTMENT IN SUBSIDIARIES

	As at 31 December 2006	As at 30 April 2007
	HK$	*HK$*
Unlisted shares, at cost	41,610,000	41,610,000

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid capital/ registered capital	Attributable equity interest held by Ming Kei Directly	Attributable equity interest held by Ming Kei Indirectly	Principal activity
Mulei County Kai Yuan Coal Company Limited* (木壘縣凱源煤炭有限責任公司) ("Mulei")	The People's Republic of China (the "PRC") 5 February 1996	Ordinary RMB30,000,000	100%	–	Mining and sales of coal
Qitai County Zexu Trading Enterprise Limited* (奇台縣澤旭商貿有限責任公司) ("Qitai Zexu")	The People's Republic of China (the "PRC") 5 February 2005	Ordinary RMB2,000,000	–	100%	Exploration of coal

* *English translation of company names are for identification purpose only*

14. INVENTORIES

	As at 31 December 2006	As at 30 April 2007
	HK$	*HK$*
Coal	–	573,877

15. ACCOUNTS RECEIVABLE

The ageing analysis of accounts receivable was as follows:

	As at 31 December 2006 *HK$*	As at 30 April 2007 *HK$*
0 – 30 days	218,383	527,888
31 – 60 days	–	497,296
61 – 90 days	–	665,300
Total	218,383	1,690,484

16. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December 2006 *HK$*	As at 30 April 2007 *HK$*
Prepayments	386,178	9,751,915
Other receivables	2,036,078	2,109,953
	2,422,256	11,861,868

17. DUE FROM RELATED COMPANIES/THE ULTIMATE HOLDING COMPANY

The amounts due from related companies/the ultimate holding company are unsecured, interest free and have no fixed terms of repayment.

18. DUE TO RELATED COMPANIES/A DIRECTOR

The amounts due to related company/directors are unsecured, interest free and have no fixed terms of repayment.

19. SHARE CAPITAL

	As at 31 December 2006 *HK$*	As at 30 April 2007 *HK$*
Authorised:		
300,000,000 shares of HK$1 each	300,000,000	300,000,000
Issued and fully paid:		
60,000,000 shares of HK$1 each	60,000,000	60,000,000

The following movements in Ming Kei's authorized and issued share capital took place during the Relevant Periods:

(i) Upon incorporation, the authorized share capital of Ming Kei was HK$300,000,000 divided into 300,000,000 shares of HK$1 each. One subscriber share was issued for cash at par for the initial capital of Ming Kei.

(ii) On 27 June 2006, 59,999,999 new shares of HK$1 each were issued for cash at par for additional working capital of Ming Kei.

20. CHANGES IN EQUITY

	Issued capital HK$	Retained profits HK$	Total HK$
Issues of shares – *note 19*	60,000,000	–	60,000,000
Net profit for the period	–	88,220	88,220
At 31 December 2006 and 1 January 2007	60,000,000	88,220	60,088,220
Net loss for the period	–	(20,940)	(20,940)
At 30 April 2007	60,000,000	67,280	60,067,280

21. ACQUISITION OF SUBSIDIARIES

On 2 August, 2006, Ming Kei acquired 100% equity interest in Mulei. On 7 November, 2006, Mulei acquired 100% equity interest in Qitai Zexu. These transactions have been accounted for by the purchase method.

The net assets acquired, being the fair value, in the transactions, and goodwill on acquisition, are as follows:

	Carrying amount of Mulei HK$	Carrying amount of Qitai Zexu HK$	Fair value adjustment HK$	Fair value of the acquiree HK$
Net assets acquired comprised:				
Property, plant and equipment	13,679,978	–	–	13,679,978
Exploration and evaluation assets	–	1,705,445	–	1,705,445
Deposit, prepayments and other receivables	930,174	1,980,198	–	2,910,372
Due from a related company	490,196	–	–	490,196
Cash and bank balances	234,527	78,809	–	313,336
Accruals and other payables	(5,483,277)	(1,952,971)	–	(7,436,248)
Tax payable	(12,280)	–	–	(12,280)
Due to a related company	(992,915)	–	–	(992,915)
Due to directors	(1,075,294)	–	–	(1,075,294)
Net assets acquired	7,771,109	1,811,481	–	9,582,590
Goodwill rising on acquisition				19,137,608
Cash consideration				28,720,198

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries is as follows:

	HK$
Cash consideration	(28,720,198)
Cash and bank balances acquired	313,336
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	(28,406,862)

22. RELATED PARTY TRANSACTIONS

During the Relevant Periods, Ming Kei Group used premises owned by related companies for staff quarter and office at nil consideration.

Save as disclosed above, and the transactions and balances detailed elsewhere in the Financial Information, the Ming Kei Group had no significant transactions with related parties during the Relevant Periods.

23. COMMITMENTS AND CONTINGENT LIABILITIES

At each of the balance sheet dates, the Ming Kei Group and Ming Kei have no significant commitments and contingent liabilities.

24. FINANCIAL RISK AND MANAGEMENT

The Ming Kei's overall risk management programme seeks to minimise potential adverse effects on the financial performance of the Ming Kei Group.

(i) Interest rate risk

The Ming Kei Group has no interest-bearing borrowing. The Ming Kei Group's income and cash flows are substantially independent of changes in market interest rates.

(ii) Foreign currency risk

The Ming Kei Group has foreign currency risk exposures arising from transactions and balances that are denominated in currencies other than Hong Kong dollars. The currency giving rise to this risk is primarily Renminbi. The Ming Kei Group currently does not have a foreign currency hedging policy. However the management monitors foreign currency exposure and will consider hedging significant risk should the need arises.

(iii) Credit risk

The Ming Kei Group's credit risk is primarily attributable to trade receivables and other receivables. The exposure to these are actively monitored by the management to avoid significant concentration of credit risk.

(iv) Liquidity risk

The Ming Kei Group aims to manage its operating cash flows and the availability of funding to meet its payment and funding needs. As part of its overall liquidity management, the Ming Kei Group maintains sufficient level of cash to meet its working capital requirements.

(v) Fair values

The carrying amounts of the financial assets and liabilities in the Financial Information approximate their fair values.

25. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Ming Kei Group in respect of any period subsequent to 30 April 2007.

Yours faithfully,
Cheung & Siu
Certified Public Accountants
(Practising)
Hong Kong

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants, Cheung & Siu.

Cheung & Siu *Certified Public Accountants (Practising)*
張、蕭會計師事務所

15 October 2007

The Board of Directors
MP Logistics International Holdings Limited
Room 3308-09, 33rd Floor
The Centre
99 Queen's Road Central
Central, Hong Kong

Dear Sirs,

We report on the unaudited pro forma financial information (the "**Unaudited Pro Forma Financial Information**") of MP Logistics International Holdings Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") and Ming Kei Kai Yuan Investment Company Limited (the "**Target**") and its subsidiaries (the "**Target Group**") (together with the Group hereinafter referred to as the "**Enlarged Group**") which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the proposed acquisition of the Target might have affected the financial information presented, for inclusion as Appendix III to the circular of the Company dated 15 October 2007 (the "**Circular**"). The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages 101 to 107 to the Circular.

Respective Responsibilities of Directors of the Company and Reporting Accountants

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with rule 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by rule 7.31(7) of the GEM Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements ("HKSIR") 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to rule 7.31(1) of the GEM Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purpose only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that event will take place in the future and may not be indicative of:

- the financial position of the Enlarged Group as at 31 March 2007 or any future date; or
- the result and cash flows of the Enlarged Group for the year ended 31 March 2007 or any future period.

Opinion

In our opinion:

- the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- such basis is consistent with the accounting policies of the Group; and
- the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to rule 7.31(1) of the GEM Listing Rules.

Yours faithfully,
Cheung & Siu
Certified Public Accountants
(Practising)
Hong Kong

UNAUDITED PRO FORMA FINANCIAL INFORMATION ON THE ENLARGED GROUP

A. INTRODUCTION

The following are for illustrative purposes only, the unaudited pro forma consolidated balance sheet, unaudited pro forma consolidated income statement and unaudited pro forma cash flow statement of the Enlarged Group (collectively referred to as the "Pro Forma Financial Information") which have been prepared based on the audited consolidated balance sheet of the Group as at 31 March 2007, the audited consolidated income statement and cash flow statement of the Group for the year ended 31 March 2007 (collectively referred to as the "Unadjusted Financial Information") after making pro forma adjustments as set out below.

The pro forma consolidated balance sheet of the Enlarged Group has been prepared to illustrate the effects of the Acquisition, as if the Acquisition had taken place on 31 March 2007. The consolidated income statement and cash flow statement of the Enlarged Group have been prepared to illustrate the effects of the Acquisition, as if the Acquisition had taken place on 1 April 2006. The Pro Forma Financial Information has been prepared in a manner consistent with the accounting policies adopted by the Group. The Pro Forma Financial Information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position and financial results of the Group had the Acquisition been completed as at 31 March 2007 or 1 April 2006 respectively or at any future date.

B. UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET OF THE ENLARGED GROUP

	The Group as at 31 March 2007	The Target Group as at 30 April 2007	Pro forma Adjustments		Pro forma Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
NON-CURRENT ASSETS					
Property, plant and equipment	1,568	15,265	–		16,833
Goodwill	–	19,138	938,764	*(7)*	957,902
Intangible assets	–	2,656	–		2,656
Deferred tax assets	180	–	–		180
Total non-current assets	1,748	37,059	938,764		977,571
CURRENT ASSETS					
Inventories	–	574	–		574
Accounts receivable	5,847	1,690	–		7,537
Prepayments, deposits and other receivables	4,565	11,862	18,423	*(9)*	34,850
Due from the ultimate holding company	–	18,423	(18,423)	*(9)*	–
Cash and bank balances	8,414	5,969	(70,000)	*(2), (13)*	(55,617)
Total current assets	18,826	38,518	(70,000)		(12,656)
CURRENT LIABILITIES					
Accounts payable	1,024	–	–		1,024
Accrued expenses and other payables	5,872	1,789	12,552	*(8), (9)*	20,213
Due to a director	–	9,052	(9,052)	*(9)*	–
Current portion of finance lease payables	374	–	–		374
Total current liabilities	7,270	10,841	3,500		21,611
NET CURRENT ASSETS	11,556	27,677	(73,500)		(34,267)
TOTAL ASSETS LESS CURRENT LIABILITIES	13,304	64,736	865,264		943,304
NON-CURRENT LIABILITIES					
Finance lease payables	615	–	–		615
Convertible bonds	–	–	225,371	*(5)*	225,371
Promissory notes	–	–	282,000	*(6)*	282,000
Deferred tax liabilities	264	–	–		264
Total non-current liabilities	879	–	507,371		508,250
Net assets	12,425	64,736	357,893		435,054
EQUITY					
Issued capital	15,000	60,000	(56,000)	*(3)*	19,000
Reserves	(2,575)	4,736	413,893	*(4)*	416,054
Total equity	12,425	64,736	357,893		435,054

C. UNAUDITED PRO FORMA CONSOLIDATED INCOME STATEMENT OF THE ENLARGED GROUP

	The Group for the year ended 31 March 2007	The Target Group for the period ended 31 December 2006	Pro forma Adjustments		Pro forma Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
TURNOVER	33,444	10,532	–		43,976
Cost of sales	(31,126)	(6,156)	–		(37,282)
Gross profit	2,318	4,376	–		6,694
Other income	1,266	215	–		1,481
Selling and distribution costs	(1,233)	(431)	–		(1,664)
Administrative expenses	(9,589)	(770)	–		(10,359)
Profit/(Loss) from operating activities	(7,238)	3,390	–		(3,848)
Finance costs	(114)	–	(24,667)	*(10)*	(24,781)
Profit/(Loss) before income tax	(7,352)	3,390	(24,667)		(28,629)
Income tax (expense)/credit	(3,149)	(47)	–		(3,196)
Net profit/(loss) attributable to equity holders of the Company	(10,501)	3,343	(24,667)		(31,825)

D. UNAUDITED PRO FORMA CONSOLIDATED CASH FLOW STATEMENT OF THE ENLARGED GROUP

	The Group for the year ended 31 March 2007	The Target Group for the period ended 31 December 2006	Pro forma Adjustments		Pro forma Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
OPERATING ACTIVITIES					
Profit/(Loss) before income tax	(7,352)	3,390	(24,667)	*(10)*	(28,629)
Adjustments for:					
Interest expenses	114	–	24,667	*(10)*	24,781
Interest income	(94)	(160)	–		(254)
Depreciation	952	642	–		1,594
(Gain)/Loss on disposals of property, plant and equipment	(140)	–	–		(140)
Operating cash flows before movements in working capital	(6,520)	3,872	–		(2,648)
Decrease/(increase) in accounts receivable	995	(218)	–		777
Decrease/(increase) in prepayments, deposits and other receivables	804	488	(23,739)	*(9)*	(22,447)
Increase in amount due from related companies	–	(5,583)	5,583	*(9)*	–
Increase in amount due from the ultimate holding company	–	(18,156)	18,156	*(9)*	–
Decrease in accounts payable	(1,074)	–	–		(1,074)
Increase/(decrease) in accrued expenses and other payables	1,463	(5,174)	369	*(9)*	(3,342)
Increase in amount due to a director	–	1,362	(1,362)	*(9)*	–
Decrease in amount due to related companies	–	(993)	993	*(9)*	–
Cash used in operating activities	(4,332)	(24,402)	–		(28,734)
NET CASH USED IN OPERATING ACTIVITIES	(4,332)	(24,402)	–		(28,734)

	The Group for the year ended 31 March 2007	The Target Group for the period ended 31 December 2006	Pro forma Adjustments		Pro forma Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
INVESTING ACTIVITIES					
Interest received	94	160	–		254
Acquisition of subsidiaries	–	(28,407)	(73,500)	*(11)*	(101,907)
Proceeds from disposals of property, plant and equipment	251	–	–		251
Purchases of property, plant and equipment	(198)	(2,196)	–		(2,394)
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES	147	(30,443)	(73,500)		(103,796)
FINANCING ACTIVITIES					
Interest element of finance lease rental payments	(114)	–	–		(114)
Repayment of obligations under finance leases	(742)	–	–		(742)
Interest on convertible bonds	–	–	(2,880)	*(12)*	(2,880)
Interest on promissory notes	–	–	(2,820)	*(12)*	(2,820)
Proceeds from issue of new shares	12,000	60,000	–		72,000
NET CASH GENERATED FROM FINANCING ACTIVITIES	11,144	60,000	(5,700)		65,444
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	6,959	5,155	(79,200)		(67,086)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR/PERIOD	1,455	–	–		1,455
Change in exchange rate	–	(75)	–		(75)
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	8,414	5,080	(79,200)		(65,706)
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS					
Cash and bank balances	831	5,080	(79,200)	*(11), (12)*	(73,289)
Time bank deposits with original maturity of less than three months	7,583	–	–		7,583
	8,414	5,080	(79,200)		(65,706)

Notes:

(1) In accordance with Hong Kong Financial Reporting Standard 3 Business Combinations ("HKFRS 3"), the Group will apply the purchase method to account for the acquisition of the Target Group. Under the purchase method, the identifiable assets, liabilities and contingent liabilities of the Target Group will be recorded on the consolidated balance sheet of the Group at their fair values at the date of completion. Excess of the purchase price to be incurred by the group over the Group's interests in the net fair value of the identifiable assets, liabilities and contingent liabilities of the Target Group is recognised as goodwill in the unaudited pro forma consolidated balance sheet as if the Acquisition had taken place on 31 March 2007.

The total consideration for the Sale Share is HK$1,000,000,000 which will be settled in the following manner:

(a) cash deposits of HK$70,000,000 which was paid by the Purchaser to the Vendors as of the date of this circular;

(b) HK$360,000,000 by the allotment of 400,000,000 Consideration Shares of the Company at HK$0.9 per Consideration Share;

(c) HK$288,000,000 Convertible Bonds to be issued by the Company to the Vendors upon completion; and

(d) HK$282,000,000 Promissory Notes to be issued by the Company to the Vendors upon completion.

(2) The pro forma adjustment of HK$70,000,000 represents the payment of the cash deposits as described in note 1(a) above.

(3) The pro forma adjustment of HK$56,000,000 represents the combined effect of: the elimination of share capital of the Target Group of HK$60,000,000 on consolidation, and the allotment of 400,000,000 Consideration Shares at HK$0.01 per share by the Company as described in note 1(b) above.

(4) The pro forma adjustment of HK$413,893,000 represents the share premium arising from the allotment of the Consideration Shares amounting to approximately HK$356,000,000, equity component of Convertible Bonds amounting to approximately HK$62,629,000 (note 5) and the elimination of the pre-acquisition reserves of the Target Group on consolidation of approximately HK$4,736,000.

(5) The Convertible Bonds are to be issued as described in note 1(c) above. Under Hong Kong Accounting Standard 32 and 39, the liability and equity component of convertible bonds are accounted for separately. The liability component is calculated at the discounted present value of the cash flows of future principal and interest payments at the market rate of interest applicable to similar liabilities that do not have a conversion option. The equity component is calculated as the excess of the issued proceeds over the liability component.

The present value of the liability component is approximately HK$225,371,000, with the balance of HK$62,629,000 accounted for as a component of equity.

(6) The pro forma adjustment of HK$282,000,000 represents the issuance Promissory Notes to the Vendors as described in note 1(d) above.

(7) The pro forma adjustment of HK$938,764,000 represents the excess of the cost of acquisition (including acquisition consideration of HK$1,000,000,000 plus direct legal and professional costs of approximately HK$3,500,000) over the Group's interest in the net fair value of the Target Group's identifiable assets, liabilities and contingent liabilities of approximately HK$64,736,000.

(8) The pro forma adjustment of HK$12,552,000 represents the reallocation of HK$9,052,000 amount due to a director to other payable and the estimated legal and professional costs of HK$3,500,000 for the Proposed Acquisition.

(9) Re-classification of the accounts under the Enlarged Group.

(10) The pro forma adjustment of HK$24,667,000 represents interest on Promissory Notes of approximately HK$2,820,000 and interest on Convertible Bonds of approximately HK$21,847,000.

(11) The adjustment represents the cash deposits of HK$70,000,000 and direct legal and professional costs of HK$3,500,000 incurred in acquiring the entire issued share capital of the Target Group. These unaudited pro forma adjustments will not have continuing cash flow effect to the Enlarged Group.

(12) The pro forma adjustment represents the interest payment of Convertible Bonds and Promissory Notes at 1% per annum.

(13) Based on the cash and bank balances of the Group as at 31 March 2007, the Group did not have adequate cash to settle the cash consideration of HK$70,000,000 as if the Acquisition had taken place on 31 March 2007. As referred in the Company's announcement dated 13 June 2007, the Company has successfully placed a total of 300,000,000 shares at a price of HK$0.311 per share. The net proceed received from the placing shares was approximately HK$90,300,000 which has not been reflected in the Group's cash and bank balances as at 31 March 2007. As a result, the directors of the Company are of the opinion that the Group would have adequate cash to settle the cash consideration of HK$70,000,000 at the Completion Date.

GREATER CHINA APPRAISAL LIMITED
漢 華 評 值 有 限 公 司

Room 2703
Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong

15 October 2007

The Directors
MP Logistics International Holdings Limited
Room 3308–3309
The Centre
99 Queen's Road Central
Hong Kong

Dear Sirs,

In accordance with your instructions to value the property interests held by MP Logistics International Holdings Limited (the "**Company**") and its subsidiaries (together referred to as the "**Group**"), and Ming Kei Kai Yuan Investment Company Limited (the "**Target**") and its subsidiaries (together referred to as the "**Target Group**") in the People's Republic of China (the "**PRC**"), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing the capital values of such property interests as at 31 August 2007 (referred to as the "**date of valuation**").

This letter which forms part of our valuation report explains the basis and methodology of valuation, and clarifies our assumptions made, titleship of property and the limiting conditions.

BASIS OF VALUATION

The valuation is our opinion of the market value which we would define as intended to mean:

"The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

VALUATION METHODOLOGY

All property interests are valued by the comparison method where comparison based on prices realised or market prices of comparable properties is made. Comparable properties of similar size, character and location are analyzed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of capital values.

ASSUMPTIONS

Our valuation has been made on the assumption that the owner sells the property interests in their continued uses and in their existing states without the benefit of any deferred term contracts, leaseback, joint ventures, management agreements or any similar arrangement which would serve to increase the value of the property interests.

We have assumed that all consents, approvals and licenses from relevant government authorities for the buildings and structures erected thereon have been granted. Also, we have assumed that all buildings and structures fall within the site are held by the owner or permitted to be occupied by the owner.

It is assumed that all applicable zoning and use regulations and restrictions have been complied with unless nonconformity has been stated, defined and considered in the valuation report. Moreover, it is assumed that the utilization of the land and improvements is within the boundaries of the property described and that no encroachment or trespass exists, unless noted in the report.

No environmental impact study has been ordered or made. Full compliance with applicable national, provincial and local environmental regulations and laws is assumed. In addition, it is assumed that all required licences, consents or other legislative or administrative authority from any local, provincial or national government or private entity or organization either have been or can be obtained or renewed for any use which the report covers.

Other special assumptions of each property, if any, have been stated out in the footnotes of the valuation certificates.

TITLESHIP INVESTIGATION

We have been provided with copy of title document. However, due to the current registration system of the PRC, no investigations have been made for the legal title or any material liabilities attached to the property.

For the properties leased to the Group or Target Group, we have been provided with copy of tenancy agreements. However, we have not inspected the original documents to verify ownership or to ascertain the existence of any amendments which do not appear on the copies handed to us.

In the course of our valuation, we have relied upon the legal opinions as stated in the title report given by Fujian Minjiang Law Firm ("The PRC Lawyer") in relation to the legal title to the properties located in the PRC under valuation.

All legal documents disclosed in this report are for reference only and no responsibility is assumed for any legal matters concerning the legal title to the property interests set out in this report.

LIMITING CONDITIONS

We have not carried out detailed site measurements to verify the correctness of the land or building areas in respect of the properties but have assumed that the areas shown on the legal documents provided to us are correct. Based on our experience of valuation of similar properties, we consider the assumptions so made to be reasonable. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

We have inspected the exterior and, where possible, the interior of the properties included in the attached valuation certificates. However, no structural survey has been made and we are therefore unable to report as to whether the property is free from rot, infestation or any other structural defects. Also, no tests were carried out on any of the services.

No soil investigation has been carried out to determine the suitability of the ground conditions or the services for any property development.

We do not investigate any industrial safety, environmental and health related regulations in association with any particular manufacturing process of the Group or the Target Group. It is assumed that all necessary licences, procedures and measures were implemented in accordance with government legislation and guidance.

Having examined all relevant documentation, we have relied to a very considerable extent on the information provided by the Group or the Target Group and have accepted advice given to us by it on such matters as planning approvals, statutory notices, easements, tenure, occupation, rentals, site and floor areas and in the identification of the property in which the Group or the Target Group has valid interests. We have had no reason to doubt the truth and accuracy of the information provided to us by the Group or the Target Group. We were also advised by the Group or the Target Group that no material factors have been omitted from the information to reach an informed view, and have no reason to suspect that any material information has been withheld.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on any of the properties valued nor for any expenses or taxation which may be incurred in effecting a sale.

Unless otherwise stated, it is assumed that the interests are free of encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

Since the property is located in a relatively under-developed market, the PRC, those assumptions are often based on imperfect market evidence. A range of values may be attributable to the property depending upon the assumptions made. While we have exercised our professional judgment in arriving at the value, report readers are urged to consider carefully the nature of such assumptions which are disclosed in the valuation report and should exercise caution in interpreting the valuation report.

OPINION OF VALUE

Valuation figures of the properties held by the Group or the Target Group are shown in the attached summary of valuation and their respective valuation certificates.

For the properties which are held under land use rights certificates or tenancy agreements, they have no commercial value due to inclusion of non-alienation clause or otherwise due to lack of substantial profit rent.

REMARKS

Our valuation has been prepared in accordance with generally accepted valuation procedures and in compliance with the requirements of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the "Rules"), including but are not limited to the provisions of Practice Note 12 of the Rules.

In valuing the property interests, we have complied with the requirements contained in the HKIS Valuation Standards on Properties (1st Edition 2005) published by the Hong Kong Institute of Surveyors and effective from 1 January 2005.

All amounts are denominated in Chinese Renminbi and Hong Kong Dollars for property interests in the PRC and Hong Kong respectively.

We enclose herewith the summary of valuation and valuation certificates.

This valuation report is issued subject to our General Service Conditions.

Yours faithfully,
For and on behalf of
GREATER CHINA APPRAISAL LIMITED
K. K. Ip
BLE, LLD
Chartered Valuation Surveyor
Registered Professional Surveyor
Managing Director

Note: Mr. K. K. Ip, is a chartered valuation surveyor and registered professional surveyor, has substantial experience in valuation of property in the PRC and Hong Kong since 1992.

VALUATION CERTIFICATE

No.	Property	Market Value as at 31 August 2007 (RMB)
Group I – Property interests leased to the Target Group in The PRC		
1.	A Parcel of Industrial Land located at Beishan Mining Area (Southeastern region of Dzungarian Basin approximately 90 km northeast of Qi Tai County) Mulei County Xinjiang Uygur Autonomous Region The PRC	No commercial value
2.	A Parcel of Residential Land located at Beishan Mining Area (Southeastern region of Dzungarian Basin approximately 90 km northeast of Qi Tai County) Mulei County Xinjiang Uygur Autonomous Region The PRC	No commercial value
3.	A Unit in Guest House of Mulei Office of State Administration of Taxation 330 Ren Min Nan Road Mulei County Xinjiang Uygur Autonomous Region The PRC	No commercial value
	Sub-total:	No commercial value

No.	Property	Market Value as at 31 August 2007 (HK$)
Group II – Property interests leased to the Group in Hong Kong		
4.	Unit A on the 22nd Floor EIB Centre Nos. 40-44 Bonham Strand Hong Kong	No commercial value
5.	Unit nos. 3308-09 on the 33rd Floor The Center 99 Queen's Road Central Hong Kong	No commercial value
	Sub-total:	No commercial value
	Grand Total:	**No commercial value**

Group I – Property interests leased to the Target Group in the PRC

No.	Property	Description	Particulars of Occupancy	Market Value as at 31 August 2007 *(RMB)*
1.	A parcel of Industrial Land located at Beishan Mining Area (Southeastern region of Dzungarian Basin, approximately 90 km northeast of Qi Tai County) Mulei County Xinjiang Uygur Autonomous Region The PRC	The property comprises a parcel of land ("the Land") with land area of approximately 7,017.60 square metres. There are single-storey ancillary brickwork structures erected on the Land being occupied as offices and warehouses. The property is held by the Target Group under a State-owned Land Use Rights Certificate for an undefined term for industrial use.	The property is currently occupied by the Target Group as temporary office and warehouse of mining site.	No commercial value

Notes:

(i) According to a State-owned Land Use Rights Certificate dated 28 September 2004, the land use rights have been leased to 木壘縣凱源煤炭有限責任公司 ("Mulei Kai Yuan", a 100% directly-owned subsidiary of the Target) for an undefined term for industrial use.

(ii) Opinions of the PRC Lawyer are summarized as follows,

(a) Mulei Kai Yuan has legally obtained and is in possession of a State-owned Land Use Rights Certificate by which the land use rights of the Land have been leased to Mulei Kai Yuan for an undefined term for industrial use.

No.	Property	Description	Particulars of Occupancy	Market Value as at 31 August 2007 *(RMB)*
2.	A parcel of Residential Land located at Beishan Mining Area (Southeastern region of Dzungarian Basin, approximately 90 km northeast of Qi Tai County) Mulei County Xinjiang Uygur Autonomous Region The PRC	The property comprises a parcel of land ("the Land") with land area of approximately 4,031.32 square metres. There are single-storey ancillary brickwork structures erected on the Land being occupied as dormitory. The property is held by the Target Group under a State-owned Land Use Rights Certificate for an undefined term for residential use.	The property is currently occupied by the Target Group as temporary dormitory of mining site.	No commercial value

Notes:

(i) According to a State-owned Land Use Rights Certificate dated 28 September 2004, the land use rights have been leased to 木壘縣凱源煤炭有限責任公司 ("Mulei Kai Yuan", a 100% directly-owned subsidiary of the Target) for an undefined term for residential use.

(ii) Opinions of the PRC Lawyer are summarized as follows,

(a) Mulei Kai Yuan has legally obtained and is in possession of a State-owned Land Use Rights Certificate by which the land use rights of the Land have been leased to Mulei Kai Yuan for an undefined term for residential use.

No.	Property	Description and Occupancy	Market value as at 31 August 2007 *(RMB)*
3.	A Unit in Guest House of Mulei Office of State Administration of Taxation 330 Ren Min Nan Road Mulei County Xinjiang Uygur Autonomous Region The PRC	The property comprises a unit within a 4-storey building completed in about 2000. The gross floor area of the property is approximately 100 square metres. The property is held under a tenancy agreement dated 1 January 2007 between木壘縣國稅局 (Mulei Office of State Administration of Taxation) as lessor and木壘縣凱源煤炭有限責任公司 ("Mulei Kai Yuan", a 100% directly-owned subsidiary of the Target) as lessee for a term of 1 year from 1 January 2007 to 31 December 2007 at a monthly rent of RMB8,000 inclusive of furniture, charges of water, electricity and heat. The property is currently occupied by the Target Group as an office.	No commercial value

Notes:

(i) Opinions of the PRC Lawyer are summarized as follows:

(a) The tenancy agreement entered into between Mulei Office of State Administration of Taxation and Mulei Kai Yuan is valid, binding and enforceable.

(b) Mulei Kai Yuan has the right to use the property within the lease term in accordance with the tenancy agreement.

Group II – Property interests leased to the Group in Hong Kong

No.	Property	Description and Occupancy	Market value as at 31 August 2007 *(HK$)*
4.	Unit A on the 22nd Floor EIB Centre Nos. 40-44 Bonham Strand Hong Kong	The property comprises an unit within a 29-storey office building which was completed in 1998. The gross floor area of the property is approximately 191.66 square metres (approximately 2,063 square feet). The property is held by the Group under a tenancy agreement dated 13 March 2006 between Might Foundate Development Limited as lessor and Marine Power Company Limited (a 100% indirectly wholly-owned subsidiary of the Company) as lessee for a term of 2 years from 16 March 2006 to 15 March 2008 at a monthly rent of HK$28,882 exclusive of management fee, rates and other service charges. The tenancy is not assignable. The property is currently occupied by the Group as an office.	No commercial value

No.	Property	Description and Occupancy	Market value as at 31 August 2007 *(HK$)*
5.	Unit nos. 3308-09 on the 33rd Floor The Center 99 Queen's Road Central Hong Kong	The property comprises 2 units within a 79-storey office building with 3-storey basement which was completed in 1998. The saleable floor area of the property is approximately 360.83 square metres (approximately 3,884 square feet). The property is held by the Group under an offer letter dated 23 May 2007 by which Cheung Kong Property Development Limited, as agent for and on behalf of The Center (33) Limited ("the Landlord"), offer to lease the property to Star International Business Company Limited ("the Applicant", a 100% indirectly wholly-owned subsidiary of the Company) for a term of 2 years and 9 months 19 days commencing on 1 June 2007 and expiring on 19 March 2010 at a monthly rent of HK$156,000 exclusive of management fee, air-conditioning charges, Government rent, rates and other service charges. The tenancy is not assignable. The property is currently occupied by the Group as an office.	No commercial value

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15 October 2007
File: 3301

MP Logistics International Holdings Limited
3308–3309 33/F, The Centre
99 Queen's Road Central
Central, Hong Kong

Attention: The Board of Directors

Subject: Independent Technical Review
Kaiyuan and Zexu Open Pit Coal Mine Projects
Xinjiang Uygur Autonomous Region
People's Republic of China

Dear Sirs:

This report presents our technical due diligence review of the Kaiyuan and Zexu Open Pit Coal Mine projects which are located approximately 80km north of Mulei County in Xinjiang Uygur Autonomous Regions (Xinjiang), People's Republic of China (PRC). Kaiyuan Open Pit Coal Mine is presently in operation and is expanding output, and is owned and operated by Mulei County Kaiyuan Coal Company Limited (Kaiyuan Company). Zexu Open Pit Coal Mine is in greenfield status. Completion of Kaiyuan Open Pit Coal Mine expansion is projected by December 2007. Qitai Zexu Trading Enterprise Limited (Zexu Company) anticipates near-term development and to achieve design operating capacity in 2010. Projected raw coal output capacity is 0.9 Mtpa for each mine. Kaiyuan Company controls the Mining Rights and Zexu Company controls the Exploration Rights to their respective resource areas.

We have relied on available source data as provided by Kaiyuan and Zexu Companies and discussions and observations completed during John T. Boyd Company's (BOYD) project team's visit to the mines. The source data were evaluated according to our broad Chinese and international coal industry experience. Resource and reserve estimates are prepared in accordance with international (JORC) reporting requirements.

Respectfully submitted,

JOHN T. BOYD COMPANY
By:

John T. Boyd II
President & CEO

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GLOSSARY AND DEFINITIONS

AD	Air dried as in coal quality reporting
BOYD	John T. Boyd Company
Cash (Production) Cost	All cash costs directly associated with coal production including, but not limited to, raw materials consumed, salary and wages, labor benefits, power, repairs, coal processing transport of coal from mine to loading point, general administrative expense and selling expenses
Coal Resource	A Coal Resource is a concentration or occurrence of coal of intrinsic economic interest in or on the Earth's crust in such form and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, quality, geological characteristics and continuity of a coal resource are known, estimated or interpreted from specific geological evidence and knowledge. Coal resources are subdivided, in order of increasing geological confidence, into Inferred, Indicated, and Measured categories
Coal Reserve	A Coal Reserve is the economically mineable part of a Measured or Indicated coal resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments, which may include feasibility studies, have been carried out, and include consideration of the modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. Coal reserves are subdivided in order of increasing confidence into Probable coal reserves and Proved coal reserves
Coal Seam	Portion of the strata that contains solid fossil fuel
m^3/min	Cubic metres per minute
Dip	Angle which strata makes with the horizontal
Exploration Rights	The exploration rights granted by the relevant authorities to conduct exploration activities within the area specified. Also referred to as Exploration Permit

Face (working face)	Mine location where active overburden stripping or coal extraction is taking place
Feasibility Study	A Feasibility Study assesses in detail the technical soundness and Economic Viability of an undeveloped mining project, and serves as the basis for the investment decision and as a bankable document for project financing. The study constitutes an audit of all geological, engineering, environmental, legal and economic information accumulated on the project. Generally, a separate environmental impact study is required
FSR	Feasibility Study Report
Geologic Report	A Geologic Report is compiled by a Chinese exploration team or company after exploration activity is completed in a designated area. The report generally details geologic data including location and geography, regional geology, mine geology, seam geology, hydrology, engineering geology, environmental geology, coal resource/reserve tonnages, exploration status and resource assessment, etc. Supporting maps, cross sections, and figures may also be contained in or attached to the report
HKSE	The Stock Exchange of Hong Kong
Indicated Coal Resource	An Indicated Coal Resource is that part of a coal resource for which tonnage, densities, shape, physical characteristics, quality and mineral content can be estimated with a reasonable level of confidence. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or quality continuity but are spaced closely enough for continuity to be assumed
Inferred Coal Resource	An Inferred Coal Resource is that part of a coal resource for which tonnage, quality and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or quality continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings, and drill holes which may be limited or of uncertain quality and reliability

ITR	Independent Technical Review
JORC	Joint Ore Reserves Committee of The Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia
JORC Code	Australian Code for Reporting of Mineral Resources and Ore Reserves
Kaiyuan Company	Mulei County Kaiyuan Coal Company Limited
Kaiyuan Open Pit Coal Mine	Kaiyuan Open Pit Coal Mine situated at Beita Mountain, Qitai County, Xinjiang Uygur Autonomous Region of the PRC
km	Kilometre
m	Metre
m^2	Square metre (also sq. m.)
m^3	Cubic metre (also cu. m.)
m^3/min	Cubic metres per minute
Marketable Reserves	Saleable coal from Recoverable Reserves after accounting for preparation plant yield where applicable
Measured Coal Resource	A Measured Coal Resource is that part of a coal resource for which tonnage, densities, shape, physical characteristics, quality and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes
MINCOM	Mincom Limited, developer and marketer of geologic modeling and mine scheduling software
Mine Plan	A Mining Plan Report is understood as the current documentation of the state of development and exploitation of a deposit during its economic life including current mining plans. It is generally made by the operator of the mine. The study takes into consideration the quantity and quality of the minerals

	extracted during the reporting time, changes in Economic Viability categories due to changes in prices and costs, development of relevant technology, newly imposed environmental or other regulations, and data on exploration conducted concurrently with mining
MineScape	MineScape (Version 4.116) by Mincom Limited
Mining Rights	The mining rights granted by the relevant authorities to conduct mining activities within the area specified, mining method specified, and annual coal output level specified
MLR	Ministry of Land and Resources of PRC
mm	Millimeter
MP Logistics	MP Logistics International Holdings Limited
Mt	Million tonnes
Mtpa	Million tonnes per annum
Normal Fault	A fault where the hanging wall has dropped along the fault plane (fault angle between 45 and 90 degrees) relative to the footwall
OP	Open Pit
OSD	Out-of-seam dilution, i.e., roof and floor rock recovered with the coal seam during the normal coal loading process
Outcrop	The part of the coal formation exposed to the surface
Out-of-Seam	Non-coal material above and below the coal seam recovered during mining
Overburden	Waste rock material overlying a coal seam
Partings	Rock material within mineable coal seams usually extracted with the coal
PRC	The People's Republic of China

Prefeasibility Study	Provides a preliminary assessment of the Economic Viability of a deposit and forms the basis for justifying further investigations (detailed exploration and feasibility). It usually follows a successful exploration campaign and summarizes all geological, engineering, environmental, legal and economic information accumulated to date
Probable Coal Reserve	A Probable Coal Reserve is the economically mineable part of an Indicated, and in some circumstances Measured, Coal Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments, which may include feasibility studies, have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. Also referred to as Recoverable Probable Coal Reserve
Productivity	Measurements of worker efficiency usually expressed in terms of tonnes per unit of time
Proved Coal Reserve	A Proved Coal Reserve is the economically mineable part of a Measured coal resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments, which may include feasibility studies, have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. Also referred to as Recoverable Proved Coal Reserve
Raw Coal	Coal on an as-mined basis, which may be sold directly or processed if necessary
Recoverable Coal	Portion of coal reserve available for mining exclusive of coal losses due to mining
Recoverable Reserves	Proved and Probable reserves prior to adjustment for preparation plant yield

RMB	Renminbi – Chinese currency
ROM	Run-of-mine – the as-mined material as it leaves the mine site
Strike	The course or bearing of an inclined coal seam or stratum on a level surface; the direction of a horizontal line perpendicular to the dip
Stripping Ratio	The ratio between overburden stripping quantities expressed in in-situ cubic meters and the quantity of coal exposed by that stripping in tonnes
Subcrop	Projected limited of coal deposition where the coal seam outcrop is overlain by surface alluvial material (i.e., bed outcrop is obscured)
Tonne	Metric ton equal to 1,000 kilogrammes
tph	Tonnes-Per-Hour
Whittle	Whittle (Version 4.0) by Gemcom Software International, Inc.
Xinjiang	Xinjiang Uygur Autonomous Region of the People's Republic of China
Zexu Company	Qitai Zexu Trading Enterprise Limited
Zexu Open Pit Coal Mine	Zexu Open Pit Coal Mine situated at Beita Mountain, Qitai County, Xinjiang Uygur Autonomous Region of the PRC

1.0 INTRODUCTION

1.1 Background

John T. Boyd Company (BOYD) was engaged in July 2007 by MP Logistics International Holdings Limited (MP Logistics) to complete an Independent Technical Review (ITR) of the Kaiyuan and Zexu Open Pit Coal Mine projects. The open pit coal mine projects are located at Beita Mountain, Qitai County, Xinjiang Uygur Autonomous Region of PRC, approximately 80km north of Mulei County. These two mines are located in close proximity, about 2 km apart.

A profile of the Kaiyuan and Zexu Open Pit Coal Mine projects is as follows:

- Kaiyuan Open Pit Coal Mine is currently in operation and is expanding coal output. Mulei County Kaiyuan Coal Company Limited (Kaiyuan Company) owns and operates the mine. Completion of Kaiyuan Open Pit Coal Mine expansion work is projected by Kaiyuan Company in December 2007.

- Detailed exploration at the greenfield Zexu Open Pit Coal Mine area is completed open pit mine construction is projected to commence in 2008. Qitai Zexu Trading Enterprise Limited (Zexu Company) anticipates reaching the mine design operating capacity in 2010.

- Design capacity of 0.9 Mtpa is currently projected for each mine, but expansion to 1.8 Mtpa (per mine) is being evaluated. This ITR is prepared on the basis of 0.9 Mtpa for each mine.

- Kaiyuan Company controls the Mining Rights and Zexu Company controls the Exploration Rights (Exploration Permit) to their respective resource areas. (BOYD uses the terminology of Exploration Rights for Exploration Permit.)

- Principal coal seams to be exploited at Kaiyuan Open Pit Coal Mine are the No. B_3 and No. B_2.

- Zexu Open Pit Coal Mine has seven mineable seams, in descending order: B_7, B_6, B_5, $B_{4'}$, B_4, B_3 and B_2.

- Coal quality for these mines is non-caking coal (according to Chinese standard classification).

- Planned processing is limited to crushing and screening (there are no plans for washing the coal). Coal will be dispatched to market(s) using truck and railway transportations.

1.2 Scope of Work

The scope of work for the ITR includes the following items:

- *Geology, Reserves*
  - Review of reported coal resources (reserves) as presented in available documents and prepared using Chinese standards. Using the existing resource (reserve) work as the starting point, re-estimation of open pit mineable resources and reserves to comply with international JORC requirements. To facilitate the resource and reserve estimation process, BOYD elected to use available drill hole data and develop computer base geologic models for each site.
- *Mine Current Status* – Based on our site visit and other source data, summarize and review the current status (stage) of mine operation and expansion at Kaiyuan Open Pit Coal Mine.
- *Mine Plans* – Assess the reasonableness of available mine plans for Kaiyuan and Zexu Open Pit Coal Mines regarding:
  - Technology and mining methods.
  - Mine site employment levels.
  - Capital investment budget.
  - Operating cost estimate.
- Environmental Protection
- Planned environmental protection practices (i.e., policies and procedures regarding compliance with World Bank/Chinese environmental requirements).
- Transportation – Assessment of transportation infrastructure:
  - Adequacy of existing transportation infrastructure for dispatching coal output to market(s).
- *Economic Mineability* – Opine on the projected mining costs and market prices regarding economic mineability of the identified reserves.

Public filing requirements and fulfillments of the HKSE under its Chapter 18 for mineral companies for the independent technical adviser and the ITR include, but are not limited to:

1. Estimate of proven, economically exportable reserves within controlled exploration right and/or mining right area using accepted international standards.

2. Statement of the economic conditions for working identified reserves. For a greenfield site, provide the estimated capital cost to achieve productive position and an estimate of time and working capital required to achieve a position to earn revenue.

3. Summary of drilling records, forward mining and business plans, and other evidence to support conclusions and opinions.

1.3 Work Program

A comprehensive list of required source data was forwarded to MP Logistics upon initiating project preparation work in July 2007 with information provided to BOYD's Beijing Office.

During the course of this study, a five (5) member team of BOYD's US and China technical specialists in coal mining completed an initial site visit from 24 June to 27 June 2007. The objectives of the initial site visit were to complete firsthand observations of the current status of mine expansion work at Kaiyuan Open Pit Coal Mine, to collect available source data, and to discuss future plans with Kaiyuan Company and Zexu Company. BOYD's Beijing Office provided technical and translation support. Geologic source data were reviewed at the mine site for potential reproduction. Kaiyuan and Zexu Companies also provided available geology, resource and mine feasibility reports, this included financial projections and coal output projections.

1.4 Source Data

The principal sources of information provided to BOYD for use in this project are:

1. *Operation Geologic Report of Kaiyuan Open Pit Coal Mine*, May 2005, as prepared by the Kuanglian Science and Technology Consulting Center, Xinjiang Uygur Autonomous Region, PRC.

2. *Assets Assessment Report of Kaiyuan Company*, 18 December 2006, as prepared by the Zhengxiang Certified Public Accountants, Xinjiang Uygur Autonomous Region, PRC.

3. *Geological Exploration Report of Kaiyuan Open Pit Coal Mine*, 3 July 2007, as prepared by the Exploration Team 9, Geology and Minerals Bureau, Xinjiang Uygur Autonomous Region, PRC.

4. *Feasibility Study Report of Kaiyuan Open Pit Coal Mine*, July 2007, as prepared by the Coal Design & Research Institute Co. Ltd. of Xinjiang Uygur Autonomous Region, PRC.

5. *Assets Assessment Report of Zexu Company*, 18 December 2006, as prepared by the Zhengxiang Certified Public Accountants, Xinjiang Uygur Autonomous Region, PRC.

6. *Geological Exploration Report of Zexu Open Pit Coal Mine*, 27 July 2007, as prepared by the Exploration Team 9, Geology and Minerals Bureau, Xinjiang Uygur Autonomous Region, PRC.

7. *Feasibility Study Report of Zexu Open Pit Coal Mine*, August 2007, as prepared by the Coal Design & Research Institute Co. Ltd. of Xinjiang Uygur Autonomous Region, PRC.

While the primary source of information (written and verbal) relied upon by BOYD in preparing this ITR was Kaiyuan and Zexu Companies, we independently evaluated the reasonableness of the data provided within the context of our professional, and technical expertise, and our broad Chinese mining and international experience. To confirm our interpretation of the Kaiyuan and Zexu Open Pit Coal Mine data, discussions were conducted after our initial analysis of the available data and, where necessary, additional information was compiled.

1.5 Project Team

The BOYD project team has extensive professional experience in coal resource and mine evaluations. Included in this team are:

Mr. Ronald L. Lewis – Chief Operating Officer and Managing Director, BS (Civil Engineering)

Mr. Lewis has 37 years of experience in assessment and evaluation of coal mining companies with specialized expertise in the areas of coal/mineral reserve estimation, opencut and underground mine analysis and economic assessment of mining operations. He is a Registered Professional Mining Engineer and a recognized expert in mining property valuation. Mr. Lewis is a Registered Member of the Society for Mining, Metallurgy, and Exploration, Inc., and is qualified as a Competent Person as defined in the Australasian Code for Reporting of Mineral Resources and Ore Reserves (JORC Code).

Mr. James F. Kvitkovich – Vice President, BS (Mining Engineering)

Mr. Kvitkovich has 25 years experience in assessment and evaluation of underground coal mining operations throughout the world. He is a Registered Professional Engineer and is highly experienced with regard to reviewing and evaluating LW mining operations. Mr. Kvitkovich is a Registered Member of the Society for Mining, Metallurgy, and Exploration, Inc., and is qualified as a Competent Person as defined in the Australasian Code for Reporting of Mineral Resources and Ore Reserves (JORC Code).

Mr. Thomas G. Simonetti – Director of China/Asia, BS (Biology), MS (Civil Engineering)

Mr. Simonetti oversees the daily operation of the Beijing Office and has 31 years of experience in the US and international mining industry in environmental review and evaluation as well as other aspects of mining operations. He is a Registered Professional Mining Engineer and oversees BOYD's Beijing (China).

Mr. David Zhong – Managing Director – China, BS (Mining Engineering)

Mr. Zhong manages the BOYD Beijing Office and has over 40 years experience in the mining industry, primarily in coal mine design at the Beijing Coal Design and Research Institute. His last position was that of Chief Engineer.

Mr. Paul D. Anderson – Director of Geological Services, BS (Geology)

Mr. Anderson is a Certified Professional Geologist (AIPG) with 31 years of professional experience in exploration, evaluation, and development of coal and mineral deposits. Mr. Anderson is a Registered Member of the Society for Mining, Metallurgy, and Exploration, Inc., and a member of the American Institute of Professional Geologists, and is qualified as a Competent Person as defined in the Australasian Code for Reporting Mineral Resources and Ore Reserves (JORC Code).

Mr. Dennis R. Lancy – Mining Engineer, BS (Mining Engineering)

Mr. Lancy has 28 years of mining industry experience in operations, operational assessments, mine design and planning and economic analysis.

Mr. John Hird – Associate Senior Engineer, BS (Mining Engineering)

Mr. Hird has 23 years of experience in mine design and production planning for open pit and underground mines in coal and metals. Computer skills include geologic modeling, resource/reserve estimation, and mine planning. Software experience includes MINCOM and Whittle programs. Mr. Hird is a Registered Professional Engineer.

Mr. Zhao Liang – Mining Engineer, BS (Coal Mine Technology)

Mr. Zhao has 9 years of mining industry experience with a broad base of knowledge of coal mine design and feasibility gained at the Beijing Huayu Engineering Co. Ltd.

Mr. Jisheng Han – Mining Engineer, MS (Mining Engineering)

Mr. Han has 10 years of mining industry experience in both China and US.

1.6 BOYD Qualifications

BOYD is one of the largest independent consulting firms in the world exclusively serving the mining, financial, utility, power, and related industries. Our consultancy services have been provided on a continuous basis since 1943 in over 50 countries. Our full-time staff includes specialists in the analysis of geology, reserves, mine planning and costs, material handling, markets, business planning, transport, and environmental issues. Our full range of professional services includes:

- Due diligence of mining operations
- Fuel and energy supply planning
- Permitting and environmental analysis
- Contract negotiations
- Market and transport analysis
- Economic feasibility studies and valuations
- Assessment of existing operations
- Strategic business planning
- Transport issues
- Asset appraisals
- Minerals industry restructuring
- Privatization studies
- Geologic, reserve and mine plan modeling
- Exploration design and supervision
- Reserve and geotechnical
- Technical assistance in legal matters
- Monitoring of operating companies
- Financial analysis

Our headquarters office is located in the Pittsburgh, Pennsylvania, region in the US. Branch offices are established in Denver, Colorado (US), Brisbane, Australia, and Beijing, China.

Our website, www.jtboyd.com, contains additional details.

BOYD also possesses extensive computer and software systems to estimate reserves and complete mine plans including Vulcan, MINCOM, SurvCadd, and others.

We have extensive experience in preparing Competent Persons and Independent Financial Technical Review Reports for international financing purposes and for stock exchange filings. We are knowledgeable of listing requirements of The Stock Exchange of Hong Kong, London Stock Exchange, and NI43101 (Canadian Requirements), JORC Code, US Securities and Exchange Rules, etc. We are familiar with the level of effort required by international investors and financial institutions.

Among our many Chinese IPO projects, represented Shenhua Group Corporation as their Technical Advisor for their successful IPO on the Hong Kong Stock Exchange. Our work included an analysis of reserves (JORC, SEC, and UN Reporting Standards), coal quality, mine operations, processing, material handling and rail and ocean transport facilities, and economics. Shenhua Group Corporation's reserve holdings were evaluated according to JORC Code to meet the requirements of the Hong Kong Exchange Rule 18. Our report was accepted by the Hong Kong Exchange.

BOYD is a recognized consultancy having worldwide stature. We were retained by Her Majesty's Government, Department of Trade and Industry regarding the privatization of British Coal Corporation (British Coal) and actively involved with N M Rothschild, the lead financial advisor, during the course of this project. Our work assisted in the restructuring of the industry. The coal mining operations of British Coal were successfully privatized for a total purchase price of US$1.4 billion equivalent. We have completed over 2,000 resource and reserve audits. BOYD's reserve statements have been used by client companies, including some of the largest US coal producers, for Securities and Exchange (SEC) filings. Representatives of BOYD have appeared before SEC's technical staff to support our estimates.

We have worked with and for virtually all of the major international banks. Numerous financial agencies have used our services to opine on property/mine operations. We have the proven ability to prepare a bankable document that is accepted and used with confidence by major financial institutions and other investors around the world.

1.7 Statement of Interests

BOYD is a privately owned consultancy firm with headquarters in the US. Our company was selected for this assignment on the basis of our internationally-recognized expertise in exploration, resource/reserve studies, mine development, and valuation. BOYD has no ownership or shareholder interest in the Kaiyuan or Zexu Companies and their respective assets, or MP Logistics. Payment for our services is not contingent upon our opinions regarding the merits of the project or approval of our work by MP Logistics.

1.8 Forward-Looking Statements

Estimates of coal resources and reserves, as well as projections of coal mine output, are inherently forward-looking statements. Actual performance may differ from projections of future performance due to various reasons beyond the control of BOYD, including, but not limited to: inherent uncertainties in geologic data interpretation, occurrence of unforeseen geological conditions, change or lack of development in key domestic and international markets, material changes in market prices, variances in execution of construction and mine plans, and significant changes in projected materials, supplies, parts and equipment, operating costs, and expenditures. Imposition of different central, regional, and/or local government policies could effect future coal production. For example, increased environmental compliance and changes in regulatory oversight for health and safety could result in reduced output and increased costs. Possible variations of future performance from the projections presented in this report are addressed in more detail in specific sections of this report. Comments on the risks inherent in the various operations are discussed in the appropriate sections.

It is also important to recognize that there is a material, and substantial, difference between resource and reserve. Resource is a broad estimate of coal potential or coal tonnage in the ground which could be potentially mined at some future (undefined) date. Reserve requires a confirmation that reported tonnage is both technically and economically mineable on the date of estimation.

1.9 Closing

In preparing this report, we have relied on reserve, operating, and other data as provided by Kaiyuan and Zexu Companies. We have exercised due care in reviewing the information provided herein and believe it is both reasonable and representative. We have no reason to believe that any material facts have been withheld, or that a more detailed analysis may reveal additional material information. Our ITR has been completed in accordance with generally accepted standards and practices employed in the international mining industry. Although we have compared key information provided by Kaiyuan and Zexu Companies with expected values, the accuracy of the results and conclusions of this report are reliant on the accuracy of the information provided. We are not responsible for any material errors or omissions in the information provided.

The findings and conclusions presented in this report represent the independent professional opinion of BOYD based on our review of available project information. We have made no attempt to verify the technical and geological information presented in the reference material documents and assume it has been prepared by competent engineers and geologists. Our expertise is in technical and financial mining issues and BOYD is not qualified, nor do we represent, that any of our findings include matters of a legal or accounting nature. BOYD's independent analyses of the available data have been developed in a manner consistent with reasonable industry standards and accepted engineering practices. We believe our conclusions are reasonable assessments of the information provided.

The ability of Kaiyuan and Zexu Companies, or any mine operator, to achieve the projections contained in this report is dependent on numerous factors that are beyond the control of, and cannot be anticipated by, BOYD. These factors include mining and geologic conditions, the capabilities of management and employees, securing required approvals and permits in a timely manner, etc. Unforeseen changes in regulations could also impact performance, although we believe all findings and conclusions to be reasonable, we do not warrant this report in any manner, express or implied.

While this report addresses technical (e.g., reserve, mining, etc.) and financial (operating costs, capital costs, etc.) issues, qualified legal expertise is required to verify existing exploration and mining rights to the various areas.

Following this page is Figure 1.1, General Location Map Showing Kaiyuan and Zexu Open Pit Coal Mines.

Respectfully submitted,

JOHN T. BOYD COMPANY
By:

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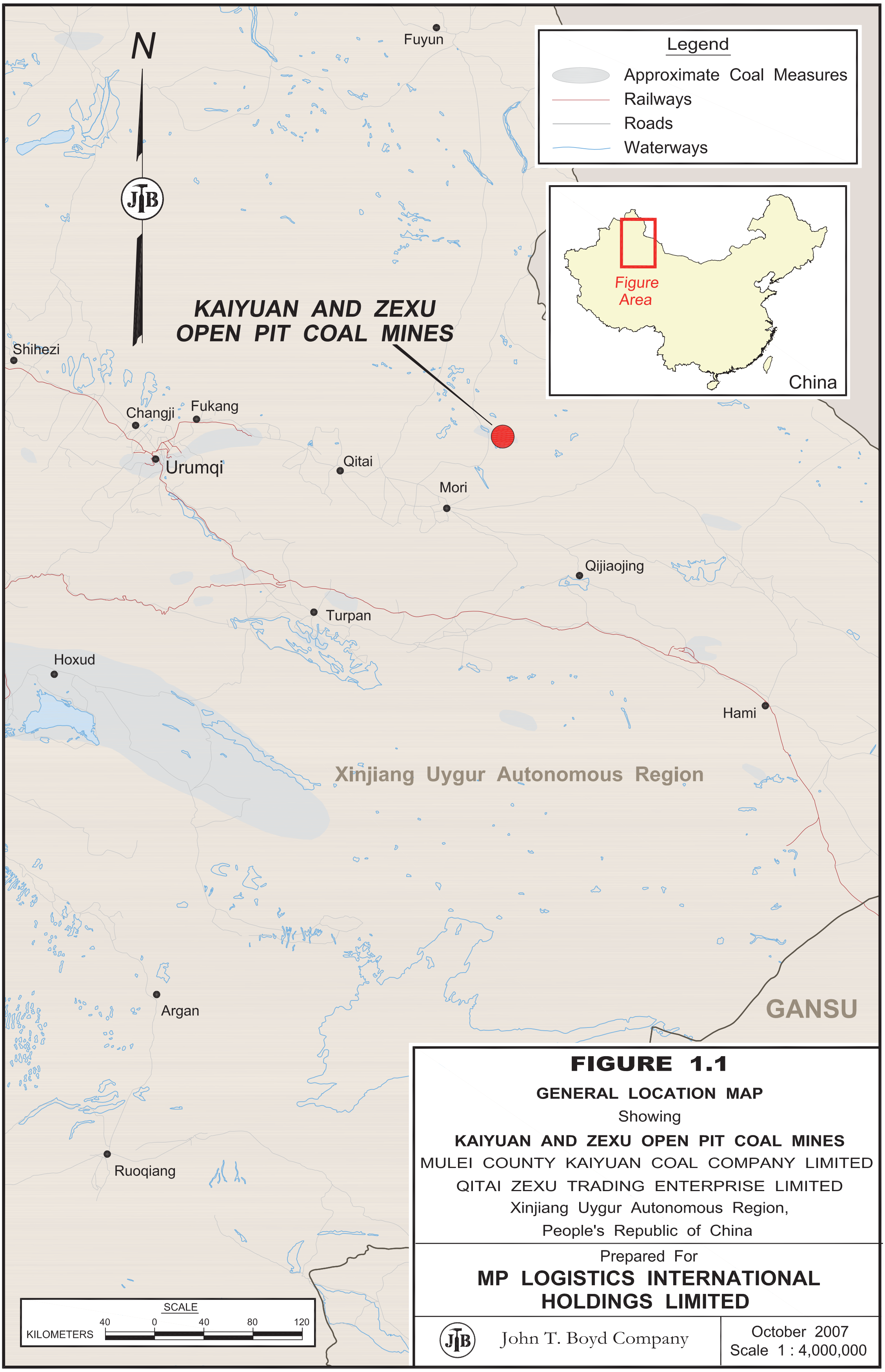


FIGURE 1.1

GENERAL LOCATION MAP

Showing

KAIYUAN AND ZEXU OPEN PIT COAL MINES

MULEI COUNTY KAIYUAN COAL COMPANY LIMITED

QITAI ZEXU TRADING ENTERPRISE LIMITED

Xinjiang Uygur Autonomous Region,

People's Republic of China

Prepared For

MP LOGISTICS INTERNATIONAL HOLDINGS LIMITED

John T. Boyd Company

October 2007

Scale 1 : 4,000,000

2.0 SUMMARIZED FINDINGS

2.1 Introduction

The Kaiyuan and Zexu Open Pit Coal Mine projects are located about 80km north of Mulei County, Xinjiang Uygur Autonomous Region, PRC. Kaiyuan Open Pit Coal Mine, for which Kaiyuan Company controls the Mining Rights, was in operation and expanding output during our review with a current design output capacity 0.9 Mtpa. Zexu Open Pit Coal Mine was in greenfield status and Zexu Company holds the Exploration Rights to this area.

Mining Exploration Rights Area	Certificate No.	Mining Method	Area	Mining/Exploration Rights (year/month) Permit Grant Date	Expiration
			(km²)		
Kaiyuan (Mining Rights)	6500000730212	OP	1.158	2007/8	2008/6
Zexu (Exploration Rights)	6500000732125	OP	2.87	2007/6	2008/6

It is reported that future expansion of each mine to 1.8 Mtpa is being considered as a longer-term objective. This ITR is based on 0.9 Mtpa (per mine), which is supported by available reports.

The principal findings of this study are summarized in this chapter, and are supported by the text included in the body of this report. This section presents the major findings regarding coal resources and reserves. Technical description and discussion of mine facilities, operating practices, future mine plans, mine economics, etc., concerning Kaiyuan and Zexu Open Pit Coal Mines can be found in their respective sections.

2.2 Conclusion

Our independent coal resource assessment concludes that the respective mining right/exploration rights areas for the Kaiyuan and Zexu Open Pit Coal Mines have significant coal resources and reserves meeting JORC classification standards, which consider geologic, technical and economic factors. In arriving at this conclusion, we reviewed available data, conducted an initial site visit to the two study areas, and reviewed the proposed mine plan, technical operating factors and economic projections. Kaiyuan and Zexu Open Pit Coal Mines reserve and resource classifications are supported both technically and economically in our opinion.

Estimated reserves in the mining right area of Kaiyuan Open Pit Coal Mine total 26.6 million marketable tonnes at an average stripping ratio of $1.2m^3/t$.

Estimated resources in the exploration right area of Zexu Open Pit Coal Mine total 119.4 million marketable tonnes at an average stripping ratio of $3.5m^3/t$ (including 25.65 million m^3 of rehandle material). When approval and receipt of the mining right certificate, estimated resources for Zexu Open Pit Coal Mine project can be reclassified to the reserve category since these coals are determined to be economically mineable.

2.3 Geology and Resources

On a global basis, the geological setting or nature of both the Kaiyuan and the Zexu Open Pit Coal Mine deposits is judged to be simple.

The Kaiyuan Mining Rights area is well defined by drilling and detailed mining feasibility studies have been prepared. Based on our review of the geology, mining studies, and mine economics, it is our opinion that the Kaiyuan mine area meets JORC reserve classification criteria. BOYD has prepared independent reserve estimates within the mine plan.

The Zexu Exploration Rights area is moderately well defined by drilling and detailed mining feasibility studies have been prepared; however Zexu Company does not control the mining rights for this area, and therefore cannot legally recover the coal. Since the mining rights are not controlled, the coal tonnage cannot be classified as reserves by the JORC Code. Therefore, we have classified our estimated as resources; however, when the mining rights are obtained it would be appropriate to reclassify these estimates as reserves.

BOYD has developed a computer geologic model and has prepared independent resource and reserve estimates for the two deposits. Estimates of Measured and Indicated Coal Resources and Proved and Probable Coal Reserves presented in this report are JORC compliant.

Estimated coal reserves for the Kaiyuan Open Pit Coal Mine are:

Seam	Seam Thickness *(m)*	Marketable Reserves – Million Tonnes Proved	Probable	Total	Stripping Ratio *m^3/t*	% of Total
B_3	9.4	3.81	0.14	3.95	2.2	15
B_2	17.2	17.01	5.62	22.63	1.1	85
Total		20.82	5.76	26.58	1.2 *	100

* Average

Approximately 78% of the total reserves are classified as Proved.

Estimated seam quality for the Kaiyuan Open Pit Coal Mine reserves is:

Estimated Average Product Coal Quality (11% Moisture Basis)

Seam	% of Resources	Ash%	Volatile Matter (%)	Sulfur%	Kcal/kg net
B_3	15	12.3	26	0.52	5,070
B_2	85	7.3	27	0.54	5,600
Weighted Average	100 *	8.1	27	0.54	5,520

* Total

Estimates of Coal Resources for the Zexu Open Pit Coal Mine Exploration Rights Area total 119.38 Mt, as summarized below:

Seam	Average Mineable Seam Thickness (m)	Marketable Resources (tonnes-million) Measured	Indicated	Total	Stripping Ratio (m^3/t)	% of Resources
Initial Mine Area (District 1)						
B_7	9.1	1.37	1.93	3.30	3.1	9
B_6	4.9	0.75	1.62	2.37	1.5	6
B_5	8.4	0.94	5.65	6.59	2.1	17
B_4	5.2	0.79	4.59	5.38	1.9	14
B_3	5.3	2.63	2.97	5.60	3.3	14
B_2	20.1	7.53	7.95	15.48	1.8	40
Total		14.01	24.71	38.72	2.2 *	100
Remaining Area (Districts 1 & 2)						
B_7	8.4	8.86	8.53	17.39	10.9	22
B_6	3.5	2.02	2.36	4.38	1.6	5
B_5	5.4	4.86	4.77	9.63	3.8	12
$B_{4'}$	1.8	0.29	0.01	0.30	9.1	1
B_4	6.6	6.06	5.62	11.68	2.7	14
B_3	7.0	5.43	5.06	10.49	2.8	13
B_2	21.5	15.05	11.74	26.79	1.6	33
Total		42.57	38.09	80.66	4.2 *	100

* Average

Total Area

B_7	8.5	10.23	10.46	20.69	9.7	17
B_6	3.9	2.77	3.98	6.75	1.6	6
B_5	6.3	5.80	10.42	16.22	3.1	14
$B_{4'}$	1.8	0.29	0.01	0.30	9.1	1
B_4	6.1	6.85	10.21	17.06	2.5	14
B_3	6.3	8.06	8.03	16.09	3.0	13
B_2	21.1	22.58	19.69	42.27	1.7	35
Total		56.58	62.80	119.38	3.5 *	100

* Average

Seam quality estimates for the Zexu Open Pit Coal Mine Exploration Rights area is as follows:

Run of Mine Seam Quality (11% Moisture Basis)

Seam	% of Resources	Ash%	Volatile Matter%	Sulfur%	Kcal/kg net
Initial Mine Area (District 1)					
B_7	9	8.1	24	0.66	6,260
B_6	6	8.2	24	0.65	6,320
B_5	17	14.1	23	0.59	5,790
B_4	14	15.4	23	0.34	5,660
B_3	14	11.0	25	0.47	6,100
B_2	40	6.8	28	0.21	6,560
Weighted Average	100*	10.0	25	0.39	6,200
Remaining Area (Districts 2 & 3)					
B_7	22	9.5	24	0.58	6,040
B_6	5	9.1	23	0.47	6,080
B_5	12	18.2	22	0.39	5,310
$B_{4'}$	1	19.2	22	0.22	5,350
B_4	14	16.4	23	0.22	5,530
B_3	13	10.4	24	0.24	6,070
B_2	33	6.5	27	0.21	6,470
Weighted Average	100*	10.7	25	0.33	6,022

* Total

2.4 Current Mine Status

Kaiyuan Open Pit Coal Mine operation and current status of mine expansion (to 0.9 Mtpa) was observed by BOYD representatives during our initial site visit in June 2007. At the time of our initial site visit, the mine output expansion program was well advanced. A mining pit, 500m by 480m, had been developed within the western part of the mining right area. The operation of the pit was orderly and the pit exhibited a good standard of work (e.g., uniform highwalls, orderly bench development, etc.). Mine site equipment included a fleet of small capacity excavators (six $3m^3$ capacity excavators and eight $1m^3$ capacity excavators), twenty-one 18t rear dump trucks, and other mining support equipment. With reported coal output of 0.14 Mt from January to May of 2007 (which reflects temporary production outages), the proposed 0.45 Mt coal output for 2007 appears reasonable and attainable. Construction of the administrative offices building, mine operations building, worker change house, and repair shop had been completed. Water pipeline and power line construction had been completed. Temporary screening stations were being utilized for coal screening until the permanent screening plant construction is complete. Staffing as of June 2007 was 112 personnel.

The mine construction as built appeared to be consistent with the mine design and capable of supporting the 0.9 Mtpa design output capacity.

Zexu Open Pit Coal Mine was in greenfield status at the time of BOYD's initial site visit in June 2007. Exploration drilling activity had been recently completed. The Zexu exploration right certificate is valid until June 2008. A Geologic Report was subsequently issued in July 2007, followed by the Feasibility Study Report of Zexu Open Pit Coal Mine in August 2007. Zexu Company is projected to acquire the mining right certificate with 0.90 Mtpa coal output capacity in June 2009, and is considering plan for expansion of coal output at 1.8 Mtpa from 2010 onwards.

2.5 Mine Design and Operation

According to the FSR, Kaiyuan Open Pit Coal Mine will use four hydraulic excavators equipped with $2.4m^3$ buckets and twenty-one 19.6 t capacity rear dump trucks as the primary overburden stripping and coal loading equipment. In the initial 7 years of mine operation, approximately 1.44 million m^3 of overburden (waste rock) and 0.9 Mt coal will be excavated annually by Kaiyuan Open Pit Coal Mine once the mine attains its full production output of 0.9 Mtpa. The current equipment being used by Kaiyuan Open Pit Coal Mine does not have adequate capacity to meet future mining requirements. If two more excavators (each at $2.4m^3$ bucket capacity) are added, as planned by the FSR, the total equipment capacity would be sufficient to achieve the mine's requirements. The output buildup sequence from 0.45 Mt for 2007 to 0.9 Mt for 2008 appears to be reasonable and achievable.

In the initial 12 years of mine operation, Zexu Open Pit Coal Mine will excavate 2.03 million m^3 of overburden and 0.9 Mt coal annually once the mine reaches full production output. Starting in Year 13, the annual overburden movement is 2.34 million m^3. The mine plan for Zexu Open Pit Coal Mine is based on utilizing two excavators equipped with $4m^3$

buckets and two excavators equipped with 1.5m^3 buckets, which can be used interchangeably for coal loading and overburden removal (stripping), and thirty-one 32 t capacity, rear dump trucks. BOYD's analysis indicates the planned capacity of the primary excavators is inadequate to meet overburden stripping and coal loading production requirements. This can be addressed by adding three additional 4m^3 units, expanding the size of the two primary excavators from 8m^3 to 11m^3 units, and/or outsourcing some of the work to third party contractors.

Use of larger equipment would improve mining efficiency and lower operating cost, and is recommended by BOYD as the preferred option.

2.6 Economic Analysis

2.6.1 Kaiyuan Open Pit Coal Mine

2.6.1.1 Mine Output

The current equipment fleet has sufficient capacity to achieve overburden stripping and coal loading requirements for an annual coal output of 0.9 Mt.

2.6.1.2 Labor Force

Personnel staffing in June 2007, according to Kaiyuan Company during the BOYD's initial site visit was 112. According to the FSR, projected staffing at full output for Kaiyuan Open Pit Coal Mine is 147 personnel:

	Payroll
Total	147

From June 2007 levels, mine staffing is projected to increase by 35 personnel from 112 to 147. Open pit labor productivity, based on projected pit staffing, is 12,680 raw tonnes/employee-year at raw coal output of 0.9 Mtpa. According to our experience, the labor force staffing projections appear low (or projected labor productivity is high) for the anticipated mining conditions and technology. Given the nature of the Kaiyuan Open Pit Coal Mine reserve, a larger workforce may be necessary; although, this would be considered in the context of potential outsourcing of a portion of the overburden removal process.

2.6.1.3 Capital Expenditures

According to the Kaiyuan Open Pit Coal Mine FSR, capital spending for mine construction is projected at RMB120.55 million, of which RMB38.94 million (32% of budgeted funds) had been expended as of mid-2007. The time frame is as follows:

	Capital *(RMB millions)*				
	Initial Construction/Expansion			Original	
	Finished	Future	Subtotal	Investment	Total
Total	38.94	81.61	120.55	27.00	147.55

On an annual tonne of raw output basis at 0.9 raw Mtpa, planned initial capital expenditures for mine construction (excluding mining right fees and original investment monies) are RMB101/raw tonne of annual output, which is relatively low (capital efficient) for coal mine projects in China. In BOYD's opinion the level of anticipated spending is reasonable, in RMB terms, given the low stripping ratio, and scale of the proposed mining operation.

Projected capital monies for production equipment are sufficient for overburden removal and coal loading (excavator, truck, etc.). Capital contingency on projected expenditures (project reserve and contingency) approximates 8% (excluding mining right fee and working capital). According to our experience, a higher contingency (12%) is prudent. Since the initial overburden removal work and other related construction work is in an advanced stage, expenditures for the remaining reconstruction plan are reasonably predictable.

Ongoing sustaining capital expenditures for maintaining the mining operation as well as supporting routine mine extension, are not discussed in the FSR. We anticipate that the stripping equipment, coal loading equipment and support equipment will be replaced midway through the expected mine life.

2.6.1.4 Operating Costs

Kaiyuan Open Pit Coal Mine coal output was 0.25 Mt in 2006 and 0.14 Mt from January to May of 2007. The mine has been in reduced operating mode since acquisition with work focused on mine expansion to 0.9 Mtpa. Output in the first five months of 2007 also reflects Chinese New Year holidays and a two-month idling due to a transportation outage. Historical operating costs are as follows:

Historical Operating Cost *(RMB/Raw Tonne)*	
2006	**2007 (Jan – May)**
21.80	31.80

At raw coal output of 0.9 Mtpa, the FSR projects Kaiyuan Open Pit Coal Mine cash operating cost of RMB25.1/tonne as shown below:

Category	**Unit Cost** *(RMB/Raw Tonne)*
Cash Cost	25.1
Non-Cash Operating	17.1
Total	42.2

Our review of operating costs for Kaiyuan Open Pit Coal Mine indicate that the probable cash costs at 0.9 Mtpa will range from RMB35 to RMB40 per tonne of product coal (excluding Production Maintenance and Safety Fund fees).

2.6.2 Zexu Open Pit Coal Mine

2.6.2.1 Mine Output

According to the FSR, a 0.9 Mtpa coal output design capacity is planned for Zexu Open Pit Coal Mine, which is projected in 2010 Zexu Company is considering a plan for expansion of coal output at 1.8 Mtpa from 2013 onwards.

2.6.2.2 Labor Force

According to the FSR, projected staffing at full output for Zexu Open Pit Coal Mine is 162 personnel:

	Payroll
Total	162

Open pit labor productivity, based on projected pit staffing, is 10,340 raw tonnes/employee-year at raw coal output of 0.9 Mtpa. According to our experience, the labor force staffing projections appear adequate for the anticipated mining conditions and technology.

2.6.2.3 Capital Expenditures

According to the Zexu Open Pit Coal Mine FSR, capital spending for mine construction is projected at RMB121.59 million:

	Initial Capital *(RMB millions)*
Total	121.59

On an annual tonne of raw output basis, assuming 0.9 raw Mtpa, planned construction capital expenditures (excluding mining right fees) are RMB128/raw tonne of annual output, which is relatively low (capital efficient) for coal mine projects in PRC. In BOYD's opinion the level of anticipated spending is reasonable, in RMB terms, given the low stripping ratio, and scale of the proposed mining operation.

Projected capital monies for production equipment are sufficient for overburden removal and coal loading (excavator, truck, etc.). The capital contingency on projected expenditures (project reserve and contingency) approximates 8% (excluding mining right fee and working capital). According to our experience, a higher contingency (15%) is prudent at this stage of planning.

Ongoing sustaining capital expenditures for maintaining the mining operation as well as supporting routine mine extension, are not discussed in the FSR. We anticipate that the stripping equipment, coal loading equipment and support equipment will be replaced on 12-year cycles.

2.6.2.4 Operating Costs

At raw coal output of 0.9 Mtpa, the FSR projects Zexu Open Pit Coal Mine cash operating cost of RMB32.9/tonne as shown below:

Category	**Unit Cost** *(RMB/Raw Tonne)*
Cash Cost	32.9
Non-Cash Operating	15.5
Total	48.4

Our review of operating costs for Zexu Open Pit Coal Mine indicate that the probable cash costs at 0.9 Mtpa will range from RMB39 to RMB47 per tonne of product coal (excluding Production Maintenance and Safety Fund fees).

2.6.3 Cash Margins

Kaiyuan and Zexu Open Pit Coal Mines coal quality is suitable for both industrial and domestic uses. Recognizing Chinese economic development and the national policy of promoting development of western areas of the country, a strong market situation for Kaiyuan Open Pit Coal Mine and Zexu Open Pit Coal Mine output is anticipated. Mid-2007 prices for coal of quality similar to that projected for Kaiyuan and Zexu Open Pit Coal Mines approximate RMB125/tonne (net of VAT). Mine cash margins are estimated at RMB75 to RMB90/tonne.

2.7 Environmental Overview

Appropriate environmental protection measures in accordance with national environment protection laws are planned and are consistent with measures employed at similar mining enterprises in PRC. While the particulars of actual environmental practices may need to be upgraded in some areas in the future, there do not appear to be environmental constraints to future coal mining operations. In BOYD's opinion, environmental protection measures planned for Kaiyuan and Zexu Open Pit Coal Mines comply with applicable Chinese requirements for environmental protection related to coal mining activities and follow World Bank policies for responsible environmental management.

3.0 GEOLOGY AND RESOURCES

3.1 Introduction

In June 2007, BOYD made the initial visit to the Kaiyuan Open Pit Coal Mine site and Zexu Exploration Right area and met with Kaiyuan Company technical personnel to discuss available exploration, the coal resources, and open pit mine plans.

3.2 Mining and Exploration Rights

The Kaiyuan and Zexu Open Pit Coal Mine deposits are in Xinjiang Uygur Autonomous Region, PRC. Mining rights are controlled for the Kaiyuan Open Pit Coal Mine, which is located approximately 2 km north of the Zexu Open Pit Coal Mine. Only Exploration Rights are controlled for the Zexu Open Pit Coal Mine, and Mining Rights must be obtained before mining activities can begin. Information on the existing mining and exploration rights are:

				Mining/Exploration Rights (year/month)	
Mining/Exploration Rights Area	Certificate No	Mining Method	Area	Permit Grant Date	Expiration
			(km^2)		
Kaiyuan (Mining Rights)	6500000730212	OP	1.158	2007/8	2008/6
Zexu (Exploration Rights)	6500000732125	OP	2.87	2007/6	2008/6

The Kaiyuan Open Pit Coal Mine mining right certificate allows production of 0.09 million tonnes per year; however, Kaiyuan Company has informed us that it has received local government permission to increase production to 0.9 Mtpa and is considering a plan for expansion of coal output at 1.8 Mtpa from 2009 onwards.

3.3 Geology

On a global basis, the geological setting or nature of the two coal deposits is judged to be simple.

Areas of coal occurrence evaluated in this report are located in the middle Jurassic age Xishanyao Formation. The strata consists mudstones, siltstones and sandstones with a basal section of medium and coarse grained sandstone. This formation is unconformably overlain by semiconsolidated Tertiary aged mudstones and siltstones averaging 16 meters thick in the Zexu Open Pit Coal Mine, but is not present at Kaiyuan Open Pit Coal Mine. The surfaces of both areas are overlain by erratic thicknesses of Quaternary age alluvium. At Kaiyuan Open Pit Coal Mine the alluvium is typically about 10 meters thick and at Zexu Open Pit Coal Mine minimal alluvium is present.

The structural setting at both deposits is simple and faulting has not been identified in either area. The strata dip approximately 4 degrees to the south at Kaiyuan Open Pit Coal Mine and from 4 to 6 degrees to the southeast at Zexu Open Pit Coal Mine.

Coal seams present at Kaiyuan and Zexu Open Pit Coal Mine are numbered in ascending order as B_2, B_3, B_4, B'_4, B_5, B_6, B_7. The coal bearing sequence is commonly divided into upper and lower section at the top of the B3 seam. Kaiyuan Open Pit Coal Mine Mining Rights area only the lower section of the coal sequence is present (seams B_2 and B_3) however at Zexu Open Pit Coal Mine all seams are present.

A summary of the coal seams in each area from our geologic mine model is:

Seam	Average Interburden Interval (m) to Underlying Seam – Kaiyuan	Average Interburden Interval (m) to Underlying Seam – Zexu	Kaiyuan Area (ha)	Kaiyuan Seam Thickness (m) Average (range)	Zexu Area (ha)	Zexu Seam Thickness (m) Average (range)
B_7	–	5	–	–	189	8.5 (4 – 14)
B_6	–	18	–	–	131	3.9 (1 – 6)
B_5	–	18	–	–	212	6.3 (1 – 12)
$B_{4'}$	–	16	–	–	13	1.8 (1 – 5)
B_4	–	20	–	–	213	6.1 (1 – 14)
B_3	25	35	30	9.4 (1 – 12)	207	6.3 (2 – 11)
B_2	–	–	95	17.2 (1 – 22)	158	21.1 (19 – 25)
Overall Pit Area			116		286	

As shown, the B_2 seam is the thickest seam in both deposits.

3.4 Resource Evaluation Data

In order to prepare an evaluation of coal resources underlying the Kaiyuan and Zexu Open Pit Coal Mine areas, BOYD was provided with detailed data for the respective Mining Right Area/Exploration Rights area. Typical data provided included:

1. Exploration report.

2. Geologic data, including tables detailing available seam thickness and coal quality data.

3. Resource tonnage tables and maps for each seam.

4. Mine plan maps.

5. Other information.

The exploration report contained information for the following items:

1. Location and Geography.

2. Regional Geology, Mine Geology, Coal Seam Geology.

3. Coal Quality.

4. Hydrology.

5. Engineering Geology.

6. Environmental Geology.

7. Exploration Status.

8. Resource Assessment.

9. Resource Calculations.

The reports also contained supporting maps, cross sections, and figures.

Resources are defined by exploration drilling. Typical drill hole data includes:

1. Drill hole logs.

2. Geophysical logs.

3. Coal Analyses.

BOYD received resource tables and maps for each seam for each of the resource areas. The resource maps show hole locations, seam thickness and structure, geologic and hydrologic features, mining rights limits, buffer areas, local mine areas, current mining, and surface features. Resource polygons were shown with polygon identification number, area, seam thickness, density, and in-place tonnage data.

The coal resources in both areas are defined by exploration drilling. The relatively small ($1.2km^2$). Kaiyuan Open Pit Coal Mine area is well defined by drilling with a total of nine (9) holes on a 300 to 500m spacing. The larger ($2.8km^2$) Zexu Open Pit Coal Mine area is less well defined with 10 holes on a 500m by 800m spacing.

3.5 Resource Classification

In reporting resources for mining properties, most international classification systems require two major factors must be considered, namely:

- Geologic assurance of existence.
- Economic viability.

All systems require that the degree of geological assurance of the subject coal's occurrence and definition be separated into various categories based on the spacing of points of observation (drill holes, mine measurements, and outcrop measurements).

Economic viability of resources is usually reported in economic and subeconomic categories.

The terms Resource and Reserve are commonly used in the reporting of coal tonnage, but the usage or definition supplied to these terms can vary between parties.

BOYD has prepared resource estimates for the deposits using the Australasian Code for Reporting of Mineral Resources and Ore Resources, also known as the JORC Code. The reserve and resource classification terminology of the JORC Code are found in the Glossary and Definitions section of this report.

In this report Measured, Indicated, and Inferred resources are defined as follows.

Drill Hole Spacing (m)	
Measured	**Indicated**
500	1,000

The resources in the Kaiyuan and Zexu Open Pit Coal Mine deposits are well defined and are all within the Measured and Indicated categories. Figures 3.1 through 3.4, following this text, show the location of the drillholes in the areas and a typical cross section through each deposit.

Projections of resources in any category beyond any point of observation do not exceed one half of the defined spacing. We have assigned these spacing criteria based on our professional independent evaluation of the geologic conditions. We believe the points of observation spacings used in this study are conservative but appropriate, and provide the required level of geological assurance.

Estimates of Measured, Indicated, and Inferred Coal Resources and Proved and Probable Coal Reserves presented in this report are JORC compliant.

3.6 Resource Estimating Methodology

BOYD prepared independent estimates of resources and reserves within the Kaiyuan and Zexu Open Pit Coal Mine areas. These estimates are based on a three dimensional computer geologic models developed by BOYD using MINCOM Minescape geologic modeling and mine planning software. The basic steps in developing the geologic models are:

1. Database development.

2. Model generation and validation.

3. Resource estimation.

4. Mine plan development.

5. Reserve estimation.

In order to develop a geologic model, survey, lithology, and quality databases are prepared. BOYD prepared each database from files, drill hole logs, and data file provided by Kaiyuan and Zexu Companies.

The survey database contained drill hole locations and depth. The lithology database contains intercepts of all coal seams and other strata (partings, oxidation depths, etc.) to be modeled. Each unique lithology is assigned a seam code and lithology type. The quality database contains the coal quality data for each seam intercept identified in the lithology database. Additional data files for surface topography and faults were also prepared by BOYD. The surface topography digital terrain model (DTM) was created by triangulating surface contours from CAD drawings. An additional file of the current pit at Kaiyuan was also prepared to correct the topography for current mining.

The completed database files were loaded into MINCOM software and validated against the unique stratigraphic sequence order (schema) developed for the deposit. The three dimensional model is then created. The model is then verified by viewing the 3D model and with cross sections and isopach maps. All model anomalies are checked and corrected as needed.

The Kaiyuan and Zexu Open Pit Coal Mine coal resource geologic models are developed on a 20-meter grid spacing. MINCOM's finite element method (FEM) interpolation was used to estimate grid values.

Once this in situ model was validated, estimates of in situ resource estimates were prepared.

In order to develop run-of-mine (ROM) estimates for the deposit, a mine plan pit shell was designed. The mine plans were developed for both areas are based on the current pit layouts as developed in available mine design reports. BOYD engineers have reviewed these plans and are in agreement with general parameters and sequence of pit progressions. The pit shells were designed for both deposits using an overall pit slope of 40 degrees. Criteria for coal mining losses and dilution factors were entered into MINCOM's ROM module. ROM reserve estimates within the pit shell were then prepared.

Both areas are well-defined by drilling, and we are confident that the geologic models developed by BOYD provide an accurate representation of the deposits. While we have developed reserve estimates for the total area, this model can be used for detailed mine planning purposes. MINCOM's mine scheduling module can develop detailed schedules by required production tonnage, or using equipment capacity and utilization. This state-of-the-art software is currently used by major mining companies to prepare accurate plans for short-term (weekly) operations needs and for long-term planning.

BOYD defined the extent of mineable resource areas using a minimum seam thickness (coal and parting) of 1.0m. All inseam partings greater than 0.5m were considered removable and were excluded from the ROM tonnage estimate. All resource and reserve estimates presented in this report were limited to the mine plan (mining right) areas except at Zexu Open Pit Coal Mine where there is an agreement with the adjacent mineral holder to the south to allow the pit slope to extend from the B_2 seam at 40 degrees to the surface. In this case, all coal in the Exploration Rights area was included in our estimates with only the overburden in the pit slope included in our estimates. The agreement to allow extension of mining activity beyond the Zexu Open Pit Coal Mine Mining Rights provides for an equal exchange of tonnage (i.e., upper seams mined by Zexu Open Pit Coal Mine from the adjacent area offset by an equal tonnage of Seam B_2 to be left by Zexu within their area for future mining by the adjacent mining right holder).

An average mining recovery of 97% was used at Kaiyuan Open Pit Coal Mine with 95% used at Zexu Open Pit Coal Mine. The slightly lower recovery used at Zexu Open Pit Coal Mine is due to the more irregular shape of the area.

Mining dilution (extraneous roof and floor rock) of 0.10m per seam is assigned (added) by BOYD to estimate ROM tonnage.

3.7 Resource Estimates

BOYD has reviewed the available mining feasibility studies and has conducted an independent evaluation of the mining economics for both Kaiyuan and Zexu Open Pit Coal Mine projects. The results of our evaluation demonstrate that the resources within the open pit mine plan areas are economically mineable. However while both resource areas are considered economically mineable, the legal Mining Rights have only been obtained for Kaiyuan Open Pit Coal Mine. Since the Mining Rights are held by Kaiyuan Company, we have classified tonnage within the mine area as reserves. However, only the Exploration Rights are held by Zexu Company, thus tonnage within the mine plan are classified as resources. Since our assessment has demonstrated that the resources at Zexu Open Pit Coal Mine are economically recoverable, when the Mining Rights is obtained, then it would be appropriate to reclassify our estimates of Recoverable Measured and Indicated Resources as Proved and Probable Reserves.

3.7.1 *Kaiyuan Open Pit Coal Mine Proved and Probable Reserves*

Our estimates of the Proved and Probable Reserves are presented in Table 3.1 of this report and are summarized as follows:

Seam Bench	Average Mineable Seam Thickness (m) Total (Coal/Parting)	Marketable Reserves (tonnes-millions) Proved	Probable	Total	% of Total	Stripping Ratio (m^3/t)
B_3	9.4	3.81	0.14	3.95	15	2.2
B_2	17.2	17.01	5.62	22.63	85	1.1
Total		20.82	5.76	26.58	85	1.2*

* Average

Over 78% of the total reserves are classified as Proved.

3.7.2 *Zexu Open Pit Coal Mine Resources*

Our estimates of the Measured and Indicated Resources for the Zexu Open Pit Coal Mine Exploration Right Area are presented in Table 3.2, following this text, and are summarized as follows:

Seam	Average Mineable Seam Thickness (m)	Marketable Resources (tonnes-million) Measured	Indicated	Total	Stripping Ratio (m^3/t)	% of Resources
		Initial Mine Area (District 1)				
B_7	9.1	1.37	1.93	3.30	3.1	9
B_6	4.9	0.75	1.62	2.37	1.5	6
B_5	8.4	0.94	5.65	6.59	2.1	17
B_4	5.2	0.79	4.59	5.38	1.9	14
B_3	5.3	2.63	2.97	5.60	3.3	14
B_2	20.1	7.53	7.95	15.48	1.8	40
Total		14.01	24.71	38.72	2.2*	100

Seam	Average Mineable Seam Thickness *(m)*	Marketable Resources *(tonnes-million)* Measured	Indicated	Total	Stripping Ratio *(m^3/t)*	% of Resources
			Remaining Area (Districts 2 & 3)			
B_7	8.4	8.86	8.53	17.391	0.9	22
B_6	3.5	2.02	2.36	4.38	1.6	5
B_5	5.4	4.86	4.77	9.63	3.8	12
B_4	1.8	0.29	0.01	0.30	9.1	1
B_4	6.6	6.06	5.62	11.68	2.7	14
B_3	7.0	5.43	5.06	10.49	2.8	13
B_2	21.5	15.05	11.74	26.79	1.6	33
Total		42.57	38.09	80.66	4.2*	100

Seam	Average Mineable Seam Thickness *(m)*	Marketable Resources *(tonnes-million)* Measured	Indicated	Total	Stripping Ratio *(m^3/t)*	% of Resources
			Total Area			
B_7	8.5	10.23	10.46	20.69	9.7	17
B_6	3.9	2.77	3.98	6.75	1.6	6
B_5	6.3	5.80	10.42	16.22	3.1	14
B_4	1.8	0.29	0.01	0.30	9.1	1
B_4	6.1	6.85	10.21	17.06	2.5	14
B_3	6.3	8.06	8.03	16.09	3.0	13
B_2	21.1	22.58	19.69	42.27	1.7	35
Total		56.58	62.80	119.38	3.5*	100

* Average

In the current mine plan a total of 25.65 million m^3 of spoil from the initial pit will be stockpiled the future Districts 2 and 3 (and extending into the adjacent mining right area to the south), overlying the coal resources. We have included this material in the overburden volume for the B_7 seam in Districts 2 and 3. Over 47% of the total resources are classified as Measured.

3.8 Coal Quality

Coal resources are classified as Bituminous B, and are to be utilized in the industrial and domestic coal markets.

BOYD has reviewed available coal quality data and has prepared estimates of product quality based on our geologic model of the Kaiyuan and Zexu Open Pit Coal Mine areas.

Estimated average quality for the reserves underlying the Kaiyuan Open Pit Coal Mine area is:

	Average Product Coal Quality (11% Moisture Basis)				
Seam	**% of Resources**	**Ash**	**Volatile Matter**	**Sulfur**	**Kcal/kg net**
		%	(%)	%	
B_3	15	12.3	26	0.52	5,070
B_2	85	7.3	27	0.54	5,600
Weighted Average	100*	8.1	27	0.54	5,520

* Total

Estimated quality for the resources underlying the Zexu Open Pit Coal Mine Exploration Rights area is:

	Average Product Coal Quality (11% Moisture Basis)				
Seam	**% of Resources**	**Ash**	**Volatile Matter**	**Sulfur**	**Kcal/kg net**
		%	(%)	%	
		Initial Mine Area (District 1)			
B_7	9	8.1	24	0.66	6,260
B_6	6	8.2	24	0.65	6,320
B_5	17	14.1	23	0.59	5,790
B_4	14	15.4	23	0.34	5,660
B_3	14	11.0	25	0.47	6,100
B_2	40	6.8	28	0.21	6,560
Weighted Average	100*	10.0	25	0.39	6,200

* Total

Average Product Coal Quality (11% Moisture Basis)

Seam	% of Resources	Ash %	Volatile Matter (%)	Sulfur %	Kcal/kg net
		Remaining Area (Districts 2 & 3)			
B_7	22	9.5	24	0.58	6,040
B_6	5	9.1	23	0.47	6,080
B_5	12	18.2	22	0.39	5,310
$B_{4'}$	1	19.2	22	0.22	5,350
B_4	14	16.4	23	0.22	5,530
B_3	13	10.4	24	0.24	6,070
B_2	33	6.5	27	0.21	6,470
Weighted Average	100*	10.7	25	0.33	6,022

* Total

According to Chinese standards only the coal and partings less than 0.05 meters are recovered from drill core samples and sampled and analyzed. In order to prepare estimates of Marketable or product coal quality, BOYD used standard default quality values for partings and out of seam dilution.

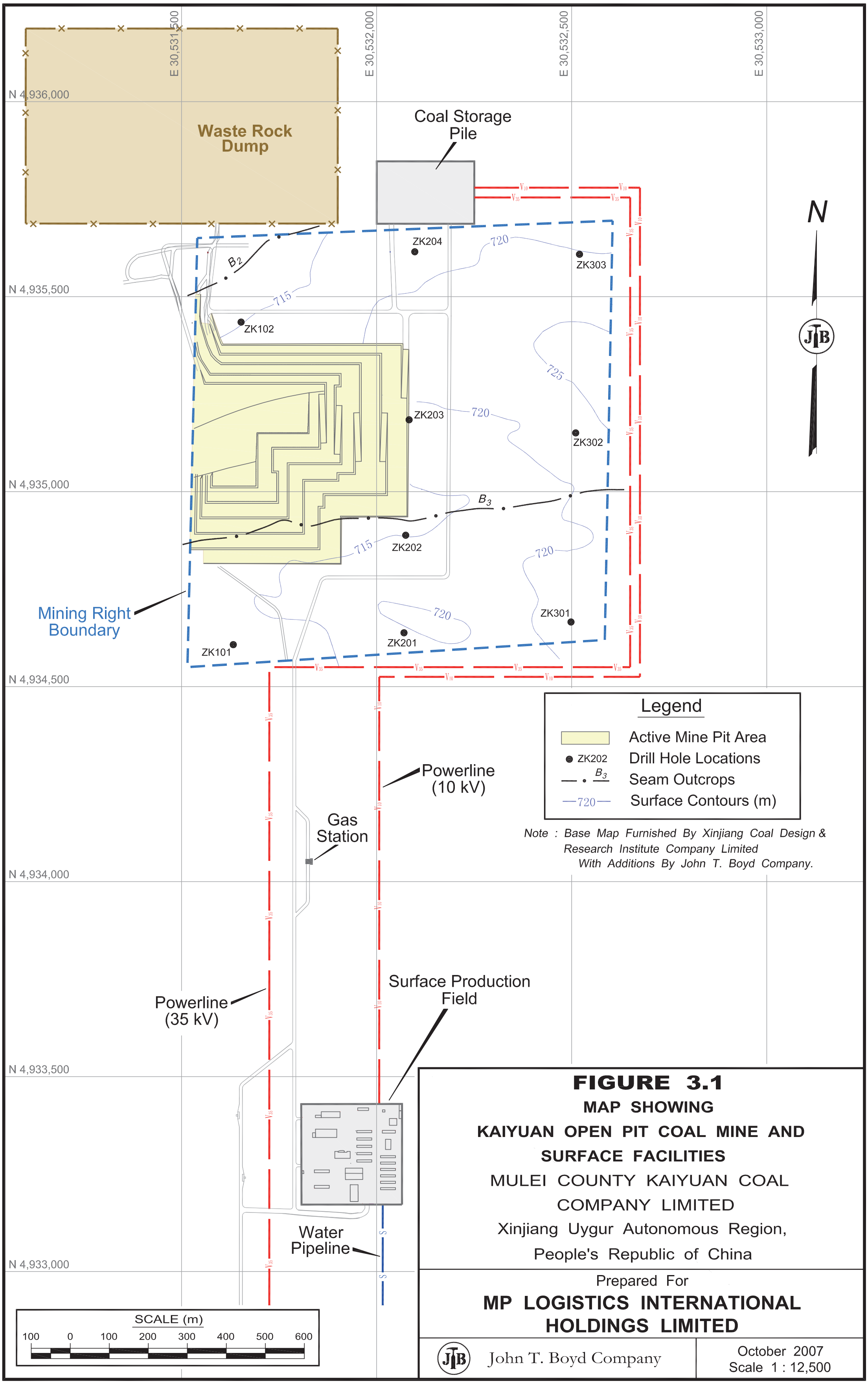
Following this page are:

Figures:

3.1: Map Showing Drill Hole Location Kaiyuan Open Pit Coal Mine
3.2: Cross Section Kaiyuan Open Pit Coal Mine
3.3: Map Showing Drill Hole Location Zexu Open Pit Coal Mine
3.4: Cross Section Zexu Open Pit Coal Mine

Tables

3.1: Coal Reserve Estimate, Kaiyuan Open Pit Coal Mine
3.2: Coal Resource Estimate, Zexu Open Pit Coal Mine Exploration Rights Area



E 30,531,500
E 30,532,000
E 30,532,500
E 30,533,000
N 4,936,000
N 4,935,500
N 4,935,000
N 4,934,500
N 4,934,000
N 4,933,500
N 4,933,000
Waste Rock Dump
Coal Storage Pile
N
ZK204
ZK303
ZK102
ZK203
ZK302
ZK202
ZK301
ZK201
ZK101
720
715
725
B_2
B_3
Mining Right Boundary
Legend
Active Mine Pit Area
ZK202 Drill Hole Locations
B_3 Seam Outcrops
720 Surface Contours (m)
Note : Base Map Furnished By Xinjiang Coal Design & Research Institute Company Limited With Additions By John T. Boyd Company.
Powerline (10 kV)
Gas Station
Surface Production Field
Powerline (35 kV)
Water Pipeline
SCALE (m)
100 0 100 200 300 400 500 600
FIGURE 3.1
MAP SHOWING
KAIYUAN OPEN PIT COAL MINE AND
SURFACE FACILITIES
MULEI COUNTY KAIYUAN COAL
COMPANY LIMITED
Xinjiang Uygur Autonomous Region,
People's Republic of China
Prepared For
MP LOGISTICS INTERNATIONAL
HOLDINGS LIMITED
John T. Boyd Company
October 2007
Scale 1 : 12,500

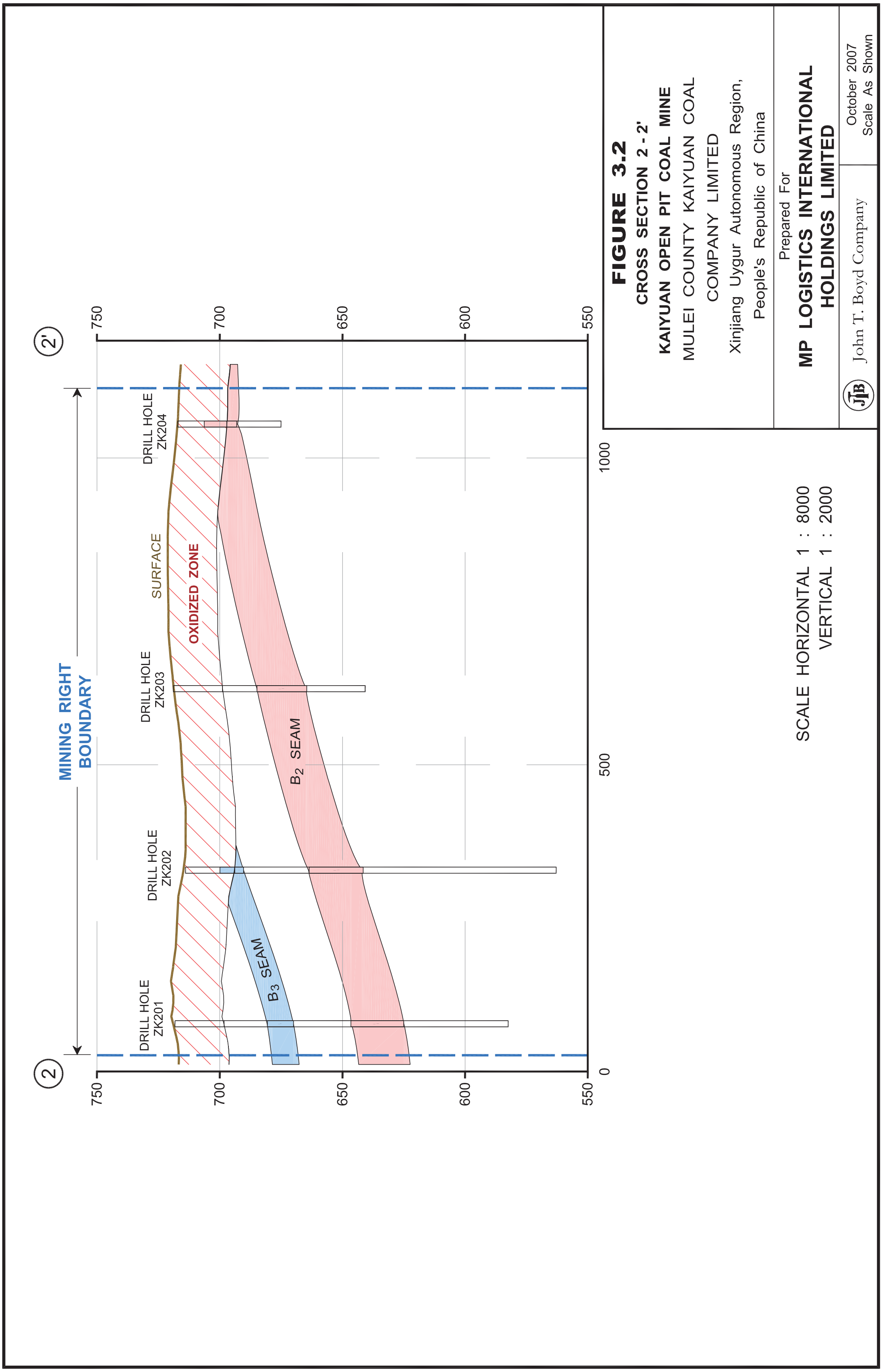


FIGURE 3.2
CROSS SECTION 2 - 2'
KAIYUAN OPEN PIT COAL MINE
MULEI COUNTY KAIYUAN COAL COMPANY LIMITED
Xinjiang Uygur Autonomous Region, People's Republic of China
Prepared For
MP LOGISTICS INTERNATIONAL HOLDINGS LIMITED
October 2007
Scale As Shown
John T. Boyd Company
SCALE HORIZONTAL 1 : 8000
VERTICAL 1 : 2000
MINING RIGHT BOUNDARY
DRILL HOLE ZK201
DRILL HOLE ZK202
DRILL HOLE ZK203
DRILL HOLE ZK204
SURFACE
OXIDIZED ZONE
B2 SEAM
B3 SEAM
2
2'
750
700
650
600
550
0
500
1000

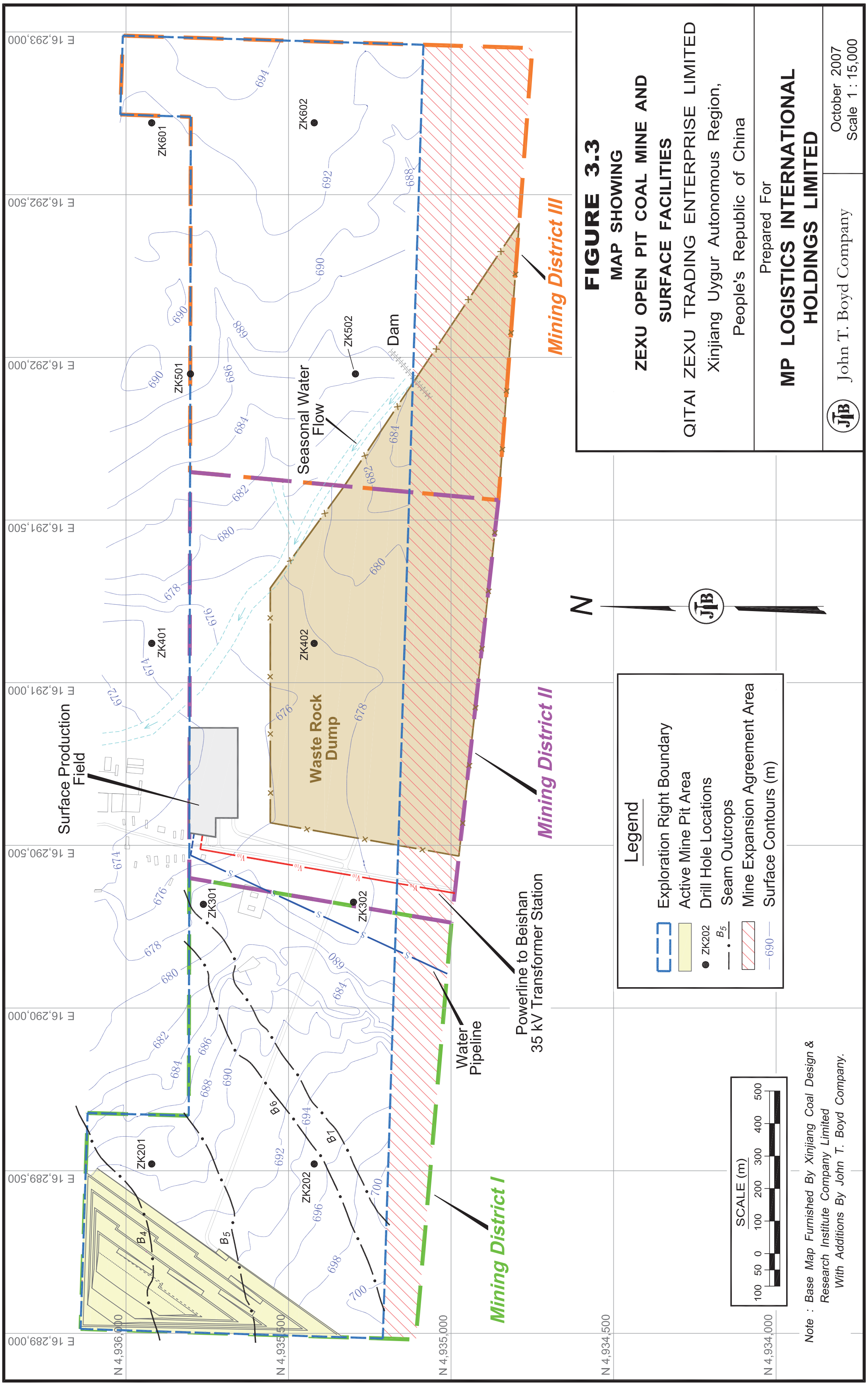


FIGURE 3.3
MAP SHOWING
ZEXU OPEN PIT COAL MINE AND
SURFACE FACILITIES
QITAI ZEXU TRADING ENTERPRISE LIMITED
Xinjiang Uygur Autonomous Region,
People's Republic of China
Prepared For
MP LOGISTICS INTERNATIONAL
HOLDINGS LIMITED
John T. Boyd Company
October 2007
Scale 1 : 15,000
Legend
Exploration Right Boundary
Active Mine Pit Area
ZK202 Drill Hole Locations
B5 Seam Outcrops
Mine Expansion Agreement Area
690 Surface Contours (m)
SCALE (m)
100 50 0 100 200 300 400 500
Mining District I
Mining District II
Mining District III
Waste Rock Dump
Surface Production Field
Seasonal Water Flow
Dam
Powerline to Beishan 35 kV Transformer Station
Water Pipeline
ZK601
ZK602
ZK501
ZK502
ZK401
ZK402
ZK301
ZK302
ZK201
ZK202
B1
B4
B5
B6
N
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E 16,289,000
N 4,936,000
N 4,935,500
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N 4,934,500
N 4,934,000
Note : Base Map Furnished By Xinjiang Coal Design & Research Institute Company Limited With Additions By John T. Boyd Company.

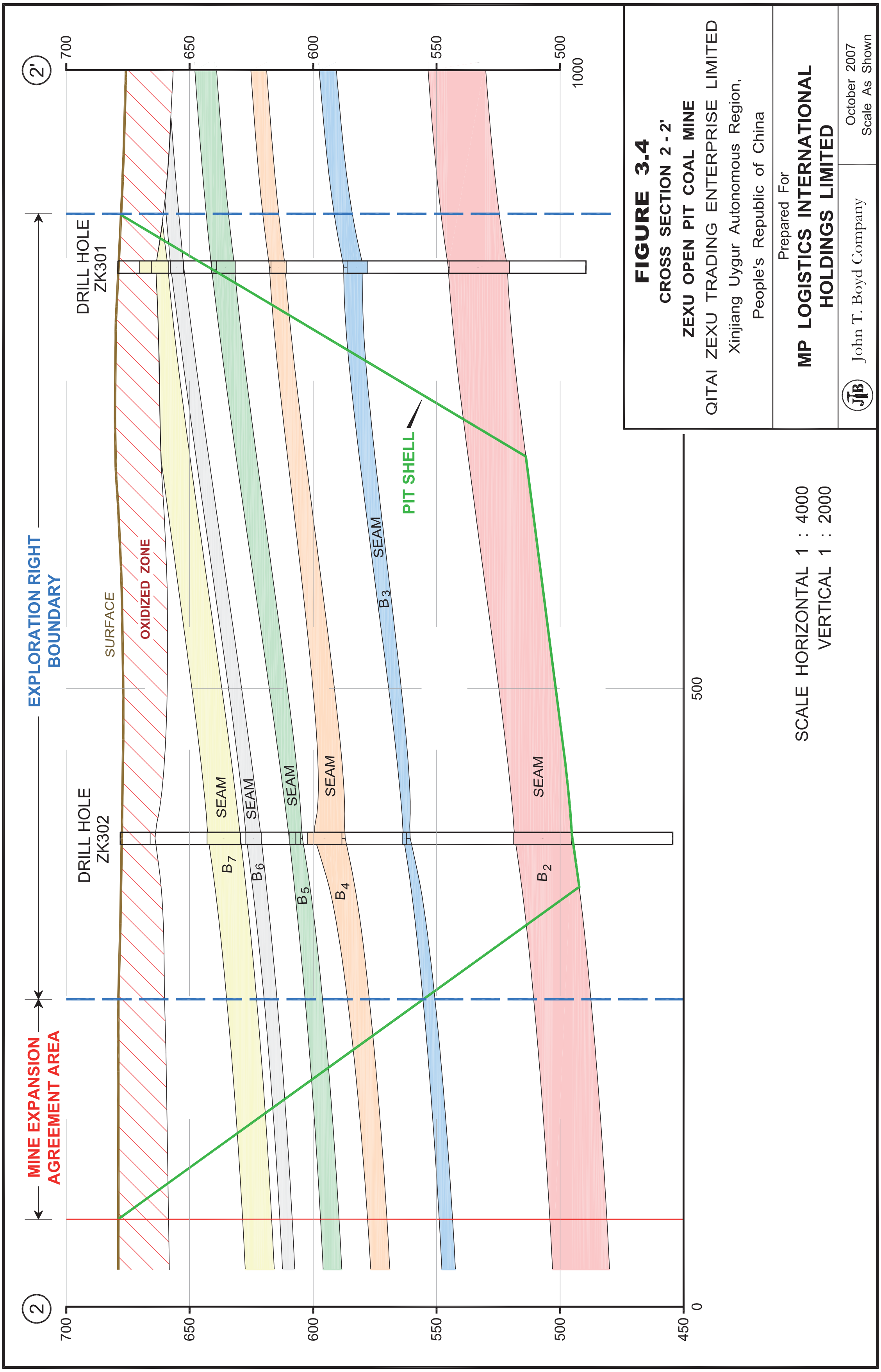


FIGURE 3.4
CROSS SECTION 2 - 2'
ZEXU OPEN PIT COAL MINE
QITAI ZEXU TRADING ENTERPRISE LIMITED
Xinjiang Uygur Autonomous Region,
People's Republic of China
Prepared For
MP LOGISTICS INTERNATIONAL HOLDINGS LIMITED
John T. Boyd Company
October 2007
Scale As Shown
EXPLORATION RIGHT BOUNDARY
MINE EXPANSION AGREEMENT AREA
DRILL HOLE ZK301
DRILL HOLE ZK302
SURFACE
OXIDIZED ZONE
PIT SHELL
B7 SEAM
B6 SEAM
B5 SEAM
B4 SEAM
B3 SEAM
B2 SEAM
SCALE HORIZONTAL 1 : 4000
VERTICAL 1 : 2000
2
2'
700
650
600
550
500
450
0
500
1000

TABLE 3.1

COAL RESERVE ESTIMATE
KAIYUAN OPEN PIT COAL MINE
Xinjiang Uygur Autonomous Region, PRC
Prepared For
MP LOGISTICS INTERNATIONAL HOLDINGS LIMITED
By
John T. Boyd Company
Mining and Geological Consultants
September 2007

	In-Place Resources *(Mt)*			Recoverable Reserves *(Mt)*			Stripping		
Seam	**Measured**	**Indicated**	**Total**	**Proved**	**Probable**	**Total**	**Burden** *(M m³)*	**Stripping Ratio** *(m³/t)*	**% of Resources**
B_3	4.64	0.15	4.79	3.81	0.14	3.95	8.61	2.2	15
B_2	20.21	6.06	26.27	17.01	5.62	22.63	24.41	1.1	85
Total	24.85	6.21	31.06	20.82	5.76	26.58	33.02	1.2*	100

* Average

TABLE 3.2

COAL RESOURCE ESTIMATE
ZEXU OPEN PIT COAL MINE EXPLORATION RIGHTS AREA
Xinjiang Uygur Autonomous Region, PRC
Prepared For
MP LOGISTICS INTERNATIONAL HOLDINGS LIMITED
By
John T. Boyd Company
Mining and Geological Consultants
September 2007

Seam	In-Place Resources *(Mt)*			Recoverable Marketable Resources *(Mt)*			Overburden Waste Rock *(M m^3)*	Stripping Ratio *(m^3/t)*	% of Resources
	Measured	Indicated	Total	Measured	Indicated	Total			
Initial Mine Area (District 1)									
B_7	1.77	1.99	3.76	1.37	1.93	3.30	10.23	3.1	9
B_6	1.00	1.65	2.65	0.75	1.62	2.37	3.55	1.5	6
B_5	1.48	6.08	7.56	0.94	5.65	6.59	14.09	2.1	17
B_4	1.56	5.08	6.64	0.79	4.59	5.38	10.22	1.9	14
B_3	3.69	3.78	7.47	2.63	2.97	5.60	18.33	3.3	14
B_2	15.06	15.34	30.40	7.53	7.95	15.48	28.05	1.8	40
Total	24.56	33.92	58.48	14.01	24.71	38.72	84.47	2.2*	100
Remaining Area (Districts 2 & 3)									
B_7	10.09	9.86	19.95	8.86	8.53	17.39	189.83	10.9	22
B_6	2.05	2.68	4.73	2.02	2.36	4.38	7.06	1.6	5
B_5	5.79	5.86	11.65	4.86	4.77	9.63	36.12	3.8	12
$B_{4'}$	0.70	0.18	0.88	0.29	0.01	0.30	2.74	9.1	1
B_4	8.22	7.72	15.94	6.06	5.62	11.68	31.60	2.7	14
B_3	8.38	7.86	16.24	5.43	5.06	10.49	29.75	2.8	13
B_2	29.45	27.47	56.92	15.05	11.74	26.79	41.86	1.6	33
Total	64.68	61.63	126.31	42.57	38.09	80.66	338.96	4.2*	100
Total Area									
B_7	11.86	11.85	23.71	10.23	10.46	20.69	200.06	9.7	17
B_6	3.05	4.33	7.38	2.77	3.98	6.75	10.61	1.6	6
B_5	7.27	11.94	19.21	5.80	10.42	16.22	50.21	3.1	14
$B_{4'}$	0.70	0.18	0.88	0.29	0.01	0.30	2.74	9.1	1
B_4	9.78	12.80	22.58	6.85	10.21	17.06	41.82	2.5	14
B_3	12.07	11.64	23.71	8.06	8.03	16.09	48.08	3.0	13
B_2	44.51	42.81	87.32	22.58	19.69	42.27	69.91	1.7	35
Total	89.24	95.55	184.79	56.58	62.80	119.38	423.43	3.5*	100

* Average

Note: The 189.83 million m^3 of overburden waste rock for the B_7 seam in the Remaining Area (Districts 2 and 3) includes 25.65 million m^3 of rehandle burden from the initial pit that will be temporarily on the surface overlying Districts 2 and 3 (which must be removed prior to mining).

4.0 KAIYUAN OPEN PIT COAL MINE

Kaiyuan Open Pit Coal Mine is located at Beita Mountain, Qitai County, Xinjiang Uygur Autonomous Region of the PRC and was established in 1996 with an initial design output of 0.09 Mtpa. Kaiyuan Company acquired the mine in 2006. An application to increase output capacity increase from 0.09 Mtpa to 0.9 Mtpa was submitted to the local government in early 2007. The application was reported to have been approved by the Coal Industry Administration Bureau of Xinjiang Uygur Autonomous Region of the PRC and confirmed by the document [2007]304. A FSR of Kaiyuan Open Pit Coal Mine completed by the Coal Design and Research Institute of Xinjiang in July 2007. The review of open pit mine design and financial aspects of Kaiyuan Open Pit Coal Mine presented in this section is mainly based on this report and other information BOYD collected during our initial mine site visit on 24 June 2007 and follow-up visits to the design institute. The mine was under expansion at the time of BOYD's initial site visit. Kaiyuan Open Pit Coal Mine produced 0.25 Mt in 2006 and 0.14 Mt from January to May of 2007. Output for calendar year 2007 is projected to be 0.45 Mt. Output from the mine is screened and sold on a raw or ROM coal basis. Mine staffing was 112 personnel at the time of BOYD's visit.

4.1 Mine Design

4.1.1 Surface Transportation Access

Kaiyuan Open Pit Coal Mine is located about 80km north of Mulei County in northeast Xinjiang Autonomous Region and 330km from the capital city of Urumchi. National Highway 216 is located approximately 30km southwest of Kaiyuan area. The highway from Jijihu to Beita Mountain passes 1km west of the mine. In addition, paved local roads link the mine to the nearby Liushuquan and Laojunmiao Mines and other towns. Although the road system is well developed, road quality in some places is substandard.

Output being dispatched from the Kaiyuan Open Pit Coal Mine will be transported by trucks and highways connected to a railway system which is 200km from the mine.

4.1.2 Mining Conditions

4.1.2.1 Topography

The mine is located in a sparsely populated area in northwestern PRC; no residents and villages inhabit the mining right area. The terrain in this area is flat gobi and desert landscape with little vegetation.

4.1.2.2 Overburden

Overburden thickness ranges from approximately 20m to 90m, which is favorable for open pit mining. Quaternary strata overlies the surface in the southern part of the mining right area with a thickness ranging from 2m to 6m. Tertiary age strata, siltstone, mudstone and conglomerate underlies the Quaternary alluvial material and thickens west to east from 6m to 11m. Exploration drilling data show large areas of strata and coal seam are subject to weathering.

4.1.2.3 Hydrology and Water Supply

Minor quantities of groundwater is present in the Quaternary and Tertiary strata. The climate is dry. Water from summer rains seeps into the underlying ground and typically evaporates. Based on the hydrological condition and climate at this area, water drainage is not a concern for Kaiyuan Open Pit Coal Mine.

Water supply for use at the mine site will be sourced from four wells planned to be drilled at Hongshaquan, about 5km south of the mine. The expected water inflow rate is $20m^3/h$ or higher (per well). Water from the wells will be transported through pipelines to the $400m^3$ clean water pool at the mine site. Under normal conditions, only three wells are required to be in operation (pumping) with one well on standby.

4.1.2.4 Power Supply

Power supply for Kaiyuan Open Pit Coal Mine is provided by the 35 kV Beishan transformer station which is located about 10km southwest of the mine. A 10 kV substation is planned at the (mine site) main service complex. A set of diesel power generators are available for standby power supply. Maximum power requirements for operation of the Kaiyuan Open Pit Coal Mine are 1,000kW.

4.1.3 Mine Plan

Shovel/truck open pit mining methods are employed utilizing small capacity mining equipment. Since the mining right area is relatively small, the mine is developed as a single district (see Figure 4.1, following this text). The direction of mining will advance from south to north and west. By the end of June 2007, a mining pit, 500m by 480m, had been developed within the western part of the mining right area. Overburden stripping is conducted via a series of benches, 10m high with a 65-degree design slope angle. Bench width is 35m with a 50m offset maintained between working faces. Competent rock strata and the in situ coal seams are rock strata drilled and blasted prior to excavation. Small capacity excavators are used to load the broken coal into rear dump trucks, which will transport mined coal to the planned screening plant.

Initial stripping and preparation work is projected through the end of 2007. Projected stripping volumes and coal reserves by 10-m bench intervals, as presented in the FSR, are as follows:

Stripping Level *(m)*	Overburden (waste rock) Volume *(million m^3)*	Coal Reserves *(Mt)*	Cumulative Overburden Volume *(million m^3)*	Cumulative Coal Reserves *(Mt)*
710	0.70	0.63	0.70	0.63
700	1.24	0.95	1.94	1.58
690	3.12	1.54	5.06	3.12
680	2.59	1.20	7.65	4.32
670	3.23	1.89	10.88	6.21
660	6.66	6.82	17.54	13.03
650	6.17	4.93	23.70	17.96
640	6.79	4.53	3.49	22.49
630	2.19	4.39	32.68	26.88
620	–	0.13	32.68	27.01

The FSR develops a balanced mine plan to minimize the initial stripping volumes and maintain a relatively uniform stripping ratio over the mine life, as follows:

Stage of Mining	Period	Stripping Ratio Mine Plan *(m^3/t)*	Years
Transition		1.60	0.25
Production	I	1.60	7
	II	1.20	18
	III	0.38	5

Proposed stripping/mining schedule and stripping ratios with initial coal output level at 0.9 Mtpa are summarized as follows:

Year	Coal Output *(Mt)*	Stripping Waste Rock Volume *(million m^3)* Disposed Outside of the Pit	Disposed Inside of the Pit	Total	Stripping Ratio *(m^3/t)*
Transition	0.15	0.24	–	0.24	1.60
1	0.90	1.44	–	1.44	1.60
2	0.90	1.12	0.32	1.44	1.60
3	0.90	1.08	0.36	1.44	1.60
4	0.90	1.01	0.43	1.44	1.60
5	0.90	0.76	0.68	1.44	1.60
6	0.90	0.55	0.89	1.44	1.60
7	0.90	–	1.44	1.44	1.60
8	0.90	–	1.08	1.08	1.60
9–25	15.30	–	18.36	18.36	1.20
26–29	3.60	–	1.38	1.38	0.38
30	0.76	–	0.29	0.29	0.38
Total	27.01	6.20	25.23	31.43	1.16*

* Average

Current Kaiyuan Open Pit Coal Mine design output capacity is 0.9 Mtpa. The mine production schedule projects 330 operating days annually, with two 8-hour shifts per day. Daily coal output at full production averages 2,730 tonnes.

According to Kaiyuan Company, the mining is scheduled at a staged development plan, and BOYD understands that Kaiyuan Company is considering plan for expansion of coal output at 1.8 Mtpa from 2010 onwards.

4.1.4 Mining Method and Mining Equipment

4.1.4.1 Mining Technology

Based on the geologic conditions at Kaiyuan Open Pit Coal Mine, excavators working in conjunction with rear-dump trucks were selected for both overburden removal and coal mining. Use of shovel/truck equipment is common in PRC open pit mines and widely employed internationally. The selection of small capacity, domestically manufactured equipment is done to control initial capital investment.

Rock strata and the in situ coal seams are drilled and blasted prior to excavation. Small capacity excavators are used to load the broken coal into rear dump trucks, which will transport mined coal to the planned mine site screening plant. In the event oversize coal pieces occur, secondary blasting will be completed in the pit (before loading) to reduce coal sizes for handling by the excavator.

4.1.4.2 Mining Equipment

At full output capacity of 0.9 Mtpa, Kaiyuan Open Pit Coal Mine major equipment fleet is projected as follows:

Usage	Equipment	Model	Quantity
Mining Operation	Excavator	EX550LC (2.4m^3)	4
	Front-End Loader	ZL50	5
	Downhole Drill	KQG150Y	1
	Downhole Drill	CLQ100	1
	Air Compressor	HF (17m^3)	1
	Air Compressor	LUY165DC	1
	Air Compressor	LUY238DC	1
	Pump	250QJ80-80/4	2
	Hydraulic Shovel	(not specified)	2
	Rear Dump Truck	SX3322BM2944 (19.6t)	21
Support Vehicles	Oil Tank Truck	CGJ5200GJY (10t)	1
	Material Truck	Dongfeng (5t)	1
	Ambulance	SY5031XJH-A2-E	1
	Fire-fighting Truck	SGX5100GXGSG30/EQ	1
	Living Material Truck	Dongfeng (8t)	2
	Shuttle Bus	HBJ6472Y	1
	Van	Jinbei SY6480AF	1
	Pick-up	Jiangling JX1021DSj	1
	Pick-up	Changcheng Pick-up	2
	Other		2
Road Maintenance	Road Grader	G710B	1
	Front-End Loader	ZL-50	1
	Road Roller	3Y12-15t	1
	Bulldozer	T-120	4
	Water Spray Truck	Dongfeng (5t)	1
	Rear Dump Truck	Dongfeng (8t)	1

At the time of BOYD's initial site visit, the mine site equipment included eight (8) 1.0m^3 excavators, six (6) 3m^3 excavators, and twenty-one (21) 19.6-t rear dump trucks for stripping and coal loading operations.

At the projected stripping rate of 1.9 Mm^3/year (overburden waste rock and coal), the on-site equipment (or projected equipment complement shown in the FSR) has adequate capacity to achieve the mine plan requirements.

4.1.5 Coal Transportation

Mined coal is loaded in the pit into nominal 18 t to 19.6 t capacity, rear dump trucks (also used for overburden removal) and transported to the planned mine site screening plant. Roads within the mine area are paved to facilitate truck haulage and control dust. According to the FSR, Kaiyuan Open Pit Coal Mine output will be dispatched from the mine site using on-highway trucks. A 5-km access road will be built from the mine site to connect the main highway from Beita Mountain to Jijihu. The mines access road is designed to be 8.5m in width and the road surface will be paved with asphalt 7m wide. In addition, the highway connects to a railway system, 200 km away from the mine, which allows coal to be delivered to customers by mass containers.

4.1.6 Coal Preparation

According to anticipated Kaiyuan Open Pit Coal Mine raw coal quality and regional market coal quality requirements quality of the as-mined or ROM coal will be acceptable with raw coal screened to various sizes prior to sale. The proposed screening plant processing capacity is 260 tph with four coal products produced: plus 50mm, 25 – 50mm, 4 – 25mm, and minus 4mm.

Incoming coal from the mine pit is either directly dumped into the crushing/screening plant receiving chute or placed into ground storage for later recovery and processing. As raw coal enters the plant, it is passed through a series of screens to separate the plus 50mm, 25 – 50mm, 4 – 25mm, and minus 4mm size fractions. The undersize material is collected separately by belt conveyors and transported to the open storage area and is stored according to different size. Lump coal (> 50mm) is transferred directly to ground storage outside of the screening plant, and subsequently loaded and transported to the lump coal storage pile. On-site storage capacity totals 15,000 tonnes, or about five days of mine output. A weighing station, located near the storage piles, weighs outgoing coal trucks.

4.1.7 Waste Rock Disposal

Waste rock from the stripping operations are transported by truck and dumped in designated areas. Until sufficient area is mined to create a sufficient void area in the pit, rock must be hauled to and disposed of in permanent disposal areas located outside the pit (i.e., external dumps). Currently, spoil is stored on the northern side of the pit outside of the mine plan area. Approximately 6.20 million m^3 will be placed in external dumps during the first six years of mining. The designated external dump area has adequate capacity to satisfy the future waste rock disposal requirement.

Disposal of waste rock in the pit will begin gradually and in the 7th year of mining onward, all waste material generated from stripping and mining operation can be completely disposed of inside the pit. Spoil (waste rock) generated through the mine life totals 25.23 million m^3.

4.1.8 Water Drainage and Control

According to the FSR, a maximum pumping capacity of 72.7m^3/h is projected for Kaiyuan Open Pit Coal Mine. The pit will be equipped with two pumps, each with 80 m^3/h capacity. The surface topography is higher on the eastern side of the area and lower to the west. A dam will be built along the east side of the pit to prevent flooding during raining. The dam is designed at 2.0m high and 100m long. The top of dam is 2.0m wide and the slope factor is 1:1. External dumps constructed along the north side of the pit, will present water from flowing into the pit from that side.

4.2 Economic Analysis

4.2.1 Introduction

This section discusses economic aspects of the planned Kaiyuan Open Pit Coal Mine operation at 0.9 Mtpa. Our review incorporates information, projections, and findings from documentation provided by Kaiyuan Company, including the FSR and the Assets Assessment Report.

4.2.2 Mine Output

Kaiyuan Open Pit Coal Mine raw coal output is currently designed at 0.9 Mtpa, and equipment and facilities are selected and designed to achieve this level. The maximum annual waste rock (overburden) stripping volume is projected to be 1.44 million m^3 (including rehandle). The mine schedule projects two 8-hour shifts each day and 330 working days each year.

Currently Kaiyuan Open Pit Coal Mine has six 3m^3 capacity hydraulic excavators on site which can be used interchangeably for coal loading or overburden removal (stripping). We estimate that the coal loading capacity for this size excavator at 100 to 115 tph. Assuming 5,280 annual working hours per unit, it would require an average of 1.9 excavators to load 0.9 Mtpa. If the excavator is used for stripping, the capacity is estimated at 90m^3/h (bank), or 0.42 million m^3 annually. Considering the additional smaller excavators and other equipment available at Kaiyuan Open Pit Coal Mine, the overall equipment capacity is adequate to achieve both stripping and coal loading requirements.

The twenty-one rear-dump trucks with 19.6-t load capacity are marginally adequate to support transport of overburden and coal output. Actual output may be impacted by missed days for regulatory safety closures, mine incidents such as flooding, and unusual maintenance-related events (e.g., slope failures).

According to Kaiyuan Company, the following buildup in coal output is projected:

Year	**Output** *(Mtpa)*
2007	0.45
2008	0.90

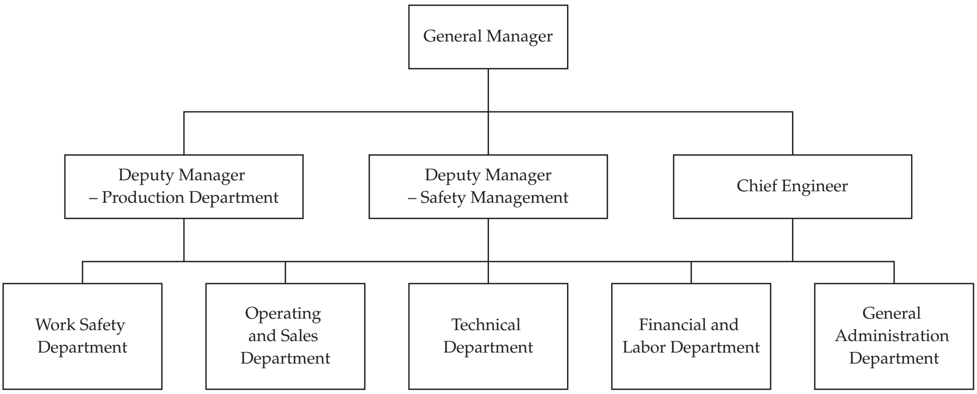
During the first five months of 2007, Kaiyuan Open Pit Coal Mine produced 0.14 Mt of coal. The mine was in operation for less than three months, and the equipment was not running at full capacity. The proposed 0.45 Mt for 2007 is reasonable and attainable. The output buildup sequence from 2007 to 2008 proposed by Kaiyuan Company is realistic.

Kaiyuan Company reportedly intends plans to double the output capacity of Kaiyuan Open Pit Coal Mine to 1.8 Mtpa from 2010 onward. To legally increase the output capacity beyond 0.9 Mtpa, an application for a new mining right certificate is needed. If the application can be approved as planned, a new mine design for the 1.8 Mtpa output capacity would be necessary. Technical and capital expenditure plans for this output change are not available yet and we have not reviewed the economics for the higher output mine plan. As the mine's output level is increased, the use (and recommendation of BOYD) of larger capacity equipment becomes critical.

Based on the information provided by Kaiyuan Company, additional temporary excavation/loading capacity is available either through leasing additional excavators or by engaging local stripping contractors.

4.2.3 Labor Force

Current administrative structure for Kaiyuan Open Pit Coal Mine is shown below:



Personnel staffing in June 2007, according to Kaiyuan Company during the BOYD's initial site visit, was 112. According to the FSR, projected staffing at full output (0.9 Mtpa) for the Kaiyuan Open Pit Coal Mine is 147 personnel:

Category	Shift 1	Shift 2	Subtotal	Payroll Factor	On Payroll
Total	76	52	128	1.15	147

From June 2007 levels, mine staffing is projected to increase by 35 personnel from 112 to 147. Open pit labor productivity, based on projected pit staffing, is 12,680 raw tonnes/employee-year at raw coal output of 0.9 Mtpa. According to our experience, the labor force staffing projections appear low (or projected labor productivity is high) for the anticipated mining conditions and size of the projected equipment fleet. Given the nature of the Kaiyuan Open Pit Coal Mine reserve, a larger workforce may be necessary although this would need to be evaluated in the context of potential outsourcing of a portion of the overburden removal process.

Although a portion of the overburden removal work may be outsourced to contractors, significant efforts will be needed to recruit and effectively educate and train the requisite workforce for the mining and other production work. It is BOYD's opinion that recruiting and training miners in a timely manner will benefit mine safety, and improve early mining performance.

4.2.4 Capital Expenditures

According to the Kaiyuan Open Pit Coal Mine FSR, capital spending for mine construction is projected at RMB120.55 million, of which RMB38.94 million (32% of budgeted funds) had been expended as of mid-2007. The capital budget does not include the RMB27.00 million investment for mine acquisition in 2006.

A time frame of actual and projected capital spending is as follows:

	Capital *(RMB million)*				
	Reconstruction				
	Spent (thru June)	Future	Subtotal	Originally Invested	Total
Total	38.94	81.61	120.55	27.00	147.55

Most of the initial mine construction preparation and overburden stripping had been completed when the FSR was issued in July 2007. Ongoing mine expansion construction work is planned through December 2007.

On an annual tonne of raw output based basis at 0.9 raw Mtpa, planned initial capital expenditures for mine construction (excluding mining right fees and original investment monies) are RMB101/raw tonne of annual output, which is relatively low (capital efficient) for coal mine projects in PRC.

This measure of capital efficiency, which is highly dependent upon on output level, varies widely, and is useful only for relative benchmark guidance. Modest increases in output over the projected output level could significantly decrease this metric. In BOYD's opinion, the level of anticipated spending is reasonable, in RMB terms, given the very low stripping ratio reliance on domestically manufactured equipment, and scale of the proposed mining operation.

Capital spending projections assume outright purchase of production, support, and infrastructure equipment with no provisions for leasing. Projected capital monies for production equipment are sufficient for overburden removal and coal loading (excavator, truck, etc.). Capital contingency on projected expenditures (project reserve and contingency) approximates 8% (excluding mining right fee and working capital). According to BOYD's experience, a higher contingency (12%) is prudent. Since the initial overburden removal work and other related construction work is in an advanced stage, expenditures for the remaining expansion construction work are reasonably predictable.

Projected capital spending figures include the mining right purchase fee at RMB30 million. No capital spending is projected for village moves as none are anticipated. Ongoing sustaining capital expenditures for maintaining the mining operation as well as supporting routine mine extension, are not discussed in the FSR. We anticipate that the stripping equipment, coal loading equipment and support equipment will be replaced midway through the expected mine life.

4.2.5 Operating Cost

Kaiyuan Open Pit Coal Mine coal output was 0.25 Mt in 2006 and 0.14 Mt from January to May of 2007. The mine has been in reduced operating mode since acquisition in order to conduct mine construction activities needed for expansion.

Output in the first five months of 2007 also reflects Chinese New Year holidays and a two-month idling due to a transportation outage. Historical operating costs are as follows:

	Historical Operating Cost *(RMB/Raw Tonne)*		
	2006	**2007 (Jan–May)**	**2007**
Total – Cash Cost	21.79	31.76	43.10

At raw coal output of 0.9 Mtpa, the FSR projects, the operating costs of the Kaiyuan Open Pit Coal Mine is as follows:

Category	**Unit Cost** *(RMB/Raw Tonne)*
Cash Cost	25.11
Depreciation	5.46
Production maintenance fee (II)	5.50
Safety Fund (70%)*	2.10
Amortization	4.01
Total	42.18

* FSR allocated 30% of Safety Fund fee as a cash cost.

Our comments on estimated operating costs are as follows:

- In general, based on our experience with PRC mines with similar output levels and operating conditions, the RMB25.1/raw tonne FSR cash cost projection is significantly lower than would be anticipated on a sustained basis.

- The FSR does not provide a calculation for Material costs. As projected at RMB5.6/raw tonne, Material costs are lower than Kaiyuan Open Pit Coal Mine's 2007 cost experience and lower than our experience would indicate. Material costs are expected to approximate RMB14/tonne to RMB17/tonne of raw coal output.

- Fuel and power costs are estimated according to calculations reflecting major fuel and power usage from equipment and facilities over the course of a typical operating year. In the Kaiyuan Open Pit Coal Mine FSR, the power rate factor is 3.6kwh/tonne and power costs are calculated at RMB0.46/kwh. The fuel usage is estimated at 0.575 kg/tonne and fuel costs are calculated at RMB4.70/kg. Based on historical costs, ranging from RMB4.7/tonne to RMB6.6/tonne, the FSR projection is reasonable.

- Projected salary costs and related welfare expense (at 14% of salaries as required by national regulations) in the FSR appear low for the projected workforce. Workforce salaries as calculated from the FSR projection average RMB18,000 per year, which appears to be low and may not be adequate to attract a workforce from the Mulei and Qitai Counties area and the surrounding region. Average annual salary of RMB27,000 per year is projected for the nearby proposed Zexu Mine. Based on our experience with general industry and local conditions, the proposed annual salary is adequate for sustaining a workforce. At RMB27,000, salary and welfare costs are projected at RMB4.4/tonne of raw coal output.

- Although the supporting calculations for repair costs are not provided, it is BOYD's opinion that the equipment maintenance (repair) costs shown in the FSR are adequate for initial mine operation. Kaiyuan Open Pit Coal Mine reported historical repair costs have been low. Repair costs are anticipated to increase in time as the equipment ages, according to our experience with similar mines.

- The "Other" cost category generally includes other labor benefits as shown below as well as mine site general and administrative costs, annual resource fees, etc. Labor benefits are calculated according to the following breakdown provided by Kaiyuan Company:

Cost Item*	**Percent of Salary**
Labor Union	2.0
Personnel Education Fund	1.5
Labor Insurance	20.0
Hospitalization Premium	6.5
Total	30.0

* These items are not included in Welfare costs.

Based on our experience in PRC, we anticipate additional labor benefit expenses including:

Cost Item	**Percent of Salary**
Housing Provident Fund	6.0
Pension	5.0
Injury Insurance	2.0
Unemployment Insurance	2.0

We anticipate that "Other" costs will range from RMB5 to RMB6 per tonne of raw coal output.

- Subsidence compensation costs are recognized in the FSR at RMB0.5/ raw tonne as compensation to inhabitants for mining activities. We do not anticipate significant compensation requirements as the areas scheduled for mining have no dwellings or villages. Mine reclamation costs are not recognized in the FSR projections.

- In the FSR, Production Maintenance ("Keeping Simple Production") fee of RMB3.00/tonne and 30% of the Safety Fund are shown as mine cash costs. Our experience is that these costs are generally recognized as non-cash operating costs.

- Depreciation costs are calculated using the straight-line method for fixed assets according to established asset depreciation lives and salvage value estimations. Amortization charges are calculated for intangible assets on a 10-year basis.

Our review of operating costs for Kaiyuan Open Pit Coal Mine indicate that probable future cash costs at 0.9 Mtpa would range from RMB35 to RMB40 per raw tonne of output (excluding Production Maintenance and 100% of the Safety Fund fees).

4.2.6 Market

The FSR provides the following marketing plan for Kaiyuan Open Pit Coal Mine's output:

Target Customer	**Projected Sale Tonnage** *(million Tonnes)*
Jiuquan Steel Group, Gansu	0.25
Asia-Europe Continental Co. Xinjiang	0.55
Lituo Co. Ltd, Hamei Group, Xinjiang	0.05
Retails	0.05
Total	0.90

Kaiyuan Open Pit Coal Mine coal quality is suitable for both industrial and domestic uses. Recognizing China's economic development and the national policy of promoting development of western areas of the country, a strong market for Kaiyuan Open Pit Coal Mine's coal output is anticipated. Mid-2007 prices for coal of Kaiyuan Open Pit Coal Mine quality coals approximate RMB125/tonne (net of VAT).

Based on our review, we conclude that the Kaiyuan Open Pit Coal Mine operation is economically viable supporting its classification as a reserve under the JORC rules.

5.0 ZEXU OPEN PIT COAL MINE

Zexu Open Pit Coal Mine Exploration Rights area is located approximately 2 km southwest of the Kaiyuan Open Pit Coal Mine and is in greenfield exploration status. The Exploration Rights are controlled by Zexu Company, which was founded solely by Ming Kei International Holding Co. Limited. An FSR was provided by Zexu Company. The review of mine design and financial aspects of the proposed Zexu Open Pit Coal Mine presented in this section is primarily based on the FSR and other information provided to BOYD during the initial site visit and subsequent visits to the Coal Design and Research Institute of Xinjiang from 24 to 27 June 2007.

5.1 Mine Design

5.1.1 Surface Transportation Access

Zexu Exploration Rights area is situated at Beita Mountain, Qitai County, Xinjiang Uygur Autonomous Region of PRC, approximately 80km north of Mulei County and 330km from Urumchi, the capital city of Xinjiang. The highway from Jijihu to Beita Mountain passes through the Exploration Rights area and connects Zexu Open Pit Coal Mine Exploration Rights area with Provincial Road No. 228, 30km southwest, and Provincial Road No. 303, 50km south of the mine.

5.1.2 Mining Conditions

5.1.2.1 Topography

Zexu Open Pit Coal Mine Exploration Rights area is located in a sparsely populated area in northwestern China. No residents and villages inhabit the exploration right area. The terrain within this area is flat gobi and desert landscape with little vegetation.

5.1.2.2 Overburden

Depth of overburden above the coal seams to be open pit mined, ranges from 20m to 30m. This shallow depth of mining is highly favorable for open pit development. Strata overlying the coal seams can be divided into two groups, the upper zone of unconsolidated and semi consolidated Quaternary and Tertiary strata and the underlying clastic rocks which are middle-upper and upper Jurassic age strata. The depth of overburden is thicker on the eastern side of the mine area.

5.1.2.3 Hydrology and Water Supply

Minor quantities of ground water are present in the Quaternary and Tertiary strata. There are no surface water drainages traversing the planned mining area. A small reservoir (200m by 80m in size) is situated at the southeast boundary of the mining area. Water from summer rains seeps into the underlying ground and typically evaporate due to the dry climate. Consequently, water drainage is not a concern for the proposed Zexu Open Pit Coal Mine, and initial water drainage work is not required.

Zexu Open Pit Coal Mine water supply will be sourced from the same location as Kaiyuan Open Pit Coal Mine. Two additional water wells (in addition to the four wells Kaiyuan Open Pit Coal Mine already has there) are planned at Hongshaquan, which is located about 5km south of the Zexu Open Pit Coal Exploration Rights area. Yield from the 300mm diameter wells is expected to be 20m^3/h (per well) or greater. Water pumped from the wells will be transported through pipelines to the planned 400m^3 clean water pool at the mine site. The water volumes will be balanced between Kaiyuan and Zexu Open Pit Coal Mine mining operations.

5.1.2.4 Power Supply

Power for the Zexu Open Pit Coal Mine will be provided by the 35kV Beishan transformer station, located about 8km southwest of the mine. A 10 kV substation is planned at the (mine site) main service complex. Diesel power generators will be installed at the surface production sites, remote pumping sites and at the pit pump station for standby power supply. The estimated maximum power requirements for operation of the Zexu Open Pit Coal Mine are 820kW.

5.1.3 Mine Plan

The Zexu Open Pit Coal Exploration Rights area, which is 4.0km long in west-east direction and 0.6 to 0.9km wide in north-south direction (paralleling the regional strike of the coal seams), is divided into three mining districts from west to east (see Figure 5.1, following this text). The direction of mining is scheduled to advance from west to east. Overburden stripping is completed in a series of 10m high benches with 65-degree batter slope angles. Initial stripping and site preparation work is projected to take 12 months. Initial pit stripping volumes, as estimated in the FSR, are as follows:

	Stripping Volume, 000m^3		
Bench Level	**Rock**	**Soil**	**Total**
+690	81	58	139
+680	202	56	258
+670	969	79	1,048
Total	1,252	193	1,445

FSR reserves, stripping volumes and average stripping ratios for the individual mining districts are as follows:

		District			
Item	**Unit**	**No. 1**	**No.2**	**No.3**	**Total**
Mineable Reserves	Mt	35.38	37.68	40.68	113.73
Stripping Volume					
Soil	million m^3	23.96	28.60	44.26	96.82
Rock	million m^3	55.92	66.72	103.28	225.92
Subtotal	million m^3	79.88	95.32	147.55	322.75
Average Stripping Ratio	m^3/t	2.26	2.53	3.63	2.84

Note: Figures may not add due to rounding.

FSR stripping volumes and coal reserves for the initial mining district by 10-m bench intervals are as follows:

			Cumulative	
Stripping Level *(m)*	**Overburden (waste rock) Stripping Volume** *(million m^3)*	**Coal Reserves** *(Mt)*	**Overburden Stripping Volume** *(million m^3)*	**Coal Reserves** *(Mt)*
+690	0.14	–	0.14	–
+670	2.02	0.33	2.16	0.33
+650	4.23	2.75	6.39	3.08
+630	8.13	3.48	14.52	6.56
+610	11.38	4.22	25.89	10.78
+590	12.98	5.39	38.87	16.17
+570	16.69	6.07	55.56	22.24
+550	16.34	7.84	71.89	30.08
+530	7.99	5.30	79.88	35.38

The FSR develops a balanced mine plan to minimize the initial stripping volumes and maintain a relatively uniform stripping ratio over the mine life. Stripping ratios for the initial mining district are as follows:

Year	Coal Output *(Mt)*	Stripping Volume *(million m³)* Disposed Outside of the Pit	Disposed Inside of the Pit	Total	Stripping Ratio *(m³/t)*
Transition	–	1.45	–	1.45	–
1	0.90	2.03	–	2.03	2.26
2	0.90	1.92	0.12	2.03	2.26
3	0.90	1.85	0.19	2.03	2.26
4	0.90	1.88	0.15	2.03	2.26
5	0.90	1.71	0.32	2.03	2.26
6	0.90	1.91	0.12	2.03	2.26
7	0.90	1.75	0.29	2.03	2.26
8	0.90	1.93	0.10	2.03	2.26
9	0.90	1.72	0.32	2.03	2.26
10	0.90	1.94	0.10	2.03	2.26
11	0.90	1.61	0.42	2.03	2.26
12	0.90	1.95	0.09	2.03	2.26
13	0.90	1.25	1.10	2.34	2.60
14	0.90	0.55	1.79	2.34	2.60
15	0.90	0.20	2.14	2.34	2.60
16–25	9.00	–	23.40	23.40	2.60
26–34	8.10	–	16.83	16.83	1.41
35–40	4.78	–	6.76	6 76	1.41
Total	35.38	25.65	54.24	79.88	2.26*

* Average

The current Zexu Open Pit Coal Mine design output capacity is 0.9 Mtpa. The mine production schedule projects 330 operating days annually, with two 8-hour shifts per day. Zexu Company expects to acquire the Mining Rights certificate (for 0.90 Mtpa) by end of June 2009 and reaching full output capacity in 2010. Average daily coal output at full production is 2,730 tonnes.

Even with the shallow depth of mining, this mine construction schedule appears to be aggressive in BOYD's opinion.

The narrow width (0.6 to 0.9km) of the Zexu Open Pit Coal Mine Exploration Rights area presents issues for mine planning. The adjacent mining or exploration right areas are controlled by others. Efficiently mining the Zexu Open Pit Coal Mine Exploration Rights area requires the initial depositing of spoil waste on the surface overlying Mining Districts 2 and 3, extending onto adjacent surface areas and acquiring the right to excavate overburden on adjacent areas to the south of the Zexu Open Pit Coal Mine area in order to recover coal located along the exploration rights area. Zexu Company has recognized these issues and has taken measures to address them. Zexu Company is seeking the cooperation of the adjoining coal right holders to extend the overburden removal area, on the south side of the exploration right (to permit establishing pit slopes batter angles), and also provide spoil storage. According to the FSR, Zexu Company has entered into an agreement with Zhonglian Runshi Holdings Limited to mine the coal reserves on the southern boundary area and also to temporarily store spoil. According to this agreement, Zexu Open Pit Coal Mine will mine the upper seams beyond its own boundary and compensate the neighboring mine by leaving an equal tonnage of coal in the lower seams within Zexu Open Pit Coal Mine's pit boundary. The spoil on the Zhonglian Runshi Holdings Limited area would be transferred back to the Zexu Mining District No. 1 of Open Pit Coal Mine over the course of the mine's operating period. We believe this a reasonable (and necessary) approach to effectively mining the area.

5.1.4 Mining Method and Mining Equipment

5.1.4.1 Mining Technology

Mine area topography is generally flat and the annual coal production and stripping volumes are fairly small. Based on the dimensions of mine plan for Zexu Open Pit Coal Mine and prevailing geologic conditions, shovel/truck open pit mining method was selected. This approach will provide operating flexibility for both overburden removal and coal loading.

The bench height in Zexu Mine is designed to be 10m with a 65 degree highwall slope angle. The minimum bench width is 35m to allow mining and loading operations as well as truck maneuver. A 50m offset is maintained between neighboring working faces in different benches. Overburden depth varies from 20m to 30m across the exploration right area. Drilling and blasting are conducted in the consolidated rock material and in situ coal seams. Waste rock or coal is then loaded by excavators into rear-dump trucks. Secondary blasting will be used (in the pit) if oversize rock and/or coal pieces occur, prior to excavation. The trucks then transport the waste rock to the designated external dump or in-pit backfill area and the coal to the mine site screening plant. Drilling and blasting procedures are completed utilizing blasthole drills and loading holes with blasting agents.

5.1.4.2 Mining Equipment

According to the Zexu Open Pit Coal Mine FSR, CE(D)650-6 excavators equipped with 4.0m^3 bucket and CAT320 excavators equipped with 1.5m^3 bucket are the primary overburden stripping and coal loading equipment. Rear dump trucks (32- tonne) are to be used to transport coal and spoil (waste rock). At full output capacity of 0.9 Mtpa, the Zexu Open Pit Coal Mine major equipment fleet is projected as follows:

Equipment	Model	Number of Units
Single Bucket Excavator	CE(D)650-6 (4m^3)	3
Single Bucket Excavator	CAT320 (1.5m^3)	2
Front-End Loader	ZL50	3
Downhole Drill	KQG150Y	3
Downhole Drill	KQG120Y	1
Air Compressor	HF 400	4
Pump	250QJ80-80/4	2
Rear Dump Truck	32 t	31
Oil Tank Truck	CGJ5200GJY 10 t	1
Material Truck	Dongfeng 8 t	2
Ambulance	SY5031XJH-A2-E	1
Fire-fighting Truck	SGX5100GXGSG30/EQ	1
Living Material Truck	Dongfeng 8 t	2
Shuttle Bus	DD6112H1 40 seat	2
SUV		2
Pick-up	Changcheng Pick-up	2
Road Grader	G710B	1
Road Roller	3Y12-15t	1
Bulldozer	T-120	1
Bulldozer	T-140	7
Water Spray Truck	Dongfeng 8 t	1
Rear Dump Truck	Dongfeng 8 t	1
Tow Truck	CQ30290-40	1
Crane	QY8	1
Crane Truck	QY20	1

In BOYD's opinion, the specified primary excavator fleet will not have the adequate capacity to meet projected waste rock stripping and coal removal requirements (i.e., 2.7 to 2.9 Mm^3/yr, including coal). BOYD projects a total of six 4m^3 capacity excavators would be needed for mining in District 1.

5.1.5 Coal Transportation

As-mined coal from the pit will be hauled in the 32 t rear dump truck fleet, over paved roads, to the planned mine site screening plant. According to the FSR, all the coal produced by Zexu Open Pit Coal Mine will be dispatched to market using both highway trucks and railway. The highway from Beita Mountain to Jijihu passes through the second mining district and needs to be re-routed when mining operations in this district begin. To ensure adequate transportation capabilities, a portion of the nearby highways will need to be repaired or rebuilt. In addition, the highway connects a railway system which is 200km from the mine, and it allows to deliver coal to customers by mass containers.

5.1.6 Coal Processing

According to the estimated Zexu Open Pit Coal Mine raw coal quality and regional market coal quality requirements, the quality of the as-mined or ROM coal will be acceptable for sale (without further processing). ROM coal will be screened to produce 3 or 4 different coal sizes (similar to the Kaiyuan Open Pit Coal Mine operation). The proposed screening plant raw coal processing capacity is designed at 260 tph.

Incoming as-mined coal from the mine pit is delivered to the screening plant and either discharged directly to the plant's receiving chute or placed in temporary stockpile for later recovery and processing. After transfer into the receiving chute, the raw coal is passed over a series of screens to separate coal into various sizes. Lump coal (plus 50mm) is transferred directly to ground storage and subsequently moved by front-end loader and bulldozer to the lump coal storage pile. The various undersize (minus 50mm) coal products are separately recovered and conveyed to their respective stockpile area. The total storage capacity for the three piling facilities is 15,000 tonnes, or approximately five days of mine output. A weighing station is located near the storage piles and is used to weigh outgoing coal trucks.

5.1.7 Waste Soil/Rock Disposal

Waste rock (spoil) generated during stripping is transported by truck and dumped in designated areas. Disposal outside the active and planned pit area is required initially until an adequate area or in-pit void is created to allow disposal in-pit.

Coal resources are abundant in this region, and the areas surrounding the Zexu Open Pit Coal Mine Exploration Rights area are currently being mined or will be mined. As a result, it is difficult to find an accepted external disposal dump location (not underlain by coal) for Zexu Open Pit Coal Mine spoil. According to the mine plan and current coal mining status, the surface overlying Districts 2 and 3 (and adjacent areas to the south) has been selected for waste soil/rock disposal. Spoil to be stored outside of the pit totals approximately 25.65 million m^3 during the first fifteen years of mining. The selected area has adequate capacity (34.50 million m^3) to satisfy the projected disposal requirements. However, in this case Zexu Open Pit Coal Mine will be required to rehandle and remove the spoil material placed in the external dump when mining on Zexu Open Pit Coal Mine has sufficiently advanced to allow recovery of coal underlying Districts 2 and 3. The rehandled waste rock will be relocated and placed in the mined out portion of District 1.

It is our understanding that Zexu has reached an agreement with the holder of the adjoining mining right area on which a portion of the temporary external spoil dump site is planned although we have not reviewed this agreement.

Pit spoil disposal will be available on a gradually increasing basis from the second year of full mining operation. According to design estimates, from the 16th year of mining operation onward, the waste rock generated from stripping operations can be completely disposed of inside the pit. In-pit disposal spoil generated through the depletion of the initial mining district amounts to 54.24 million m^3.

5.1.8 Water Drainage and Control

Projected ground water inflow rate for Zexu Open Pit Coal Mine is $2.9m^3/h$. In addition, water from rainfall is projected to be $3.1m^3/h$ under normal conditions and $90.6m^3/h$ in maximum storm conditions. According to the FSR, the pit will be equipped with four pumps, two having a pumping capacity of $20m^3/h$ for normal pumping (one active, the other standby), and two with $80m^3/h$ capacity, which will be used in tandem with the other pumps during heavy rain conditions. This pumping arrangement can satisfy pumping requirements under the most severe known regional rain conditions.

5.2 Economic Analysis

5.2.1 Introduction

This section discusses economic aspects of the projected Zexu Open Pit Coal Mine operation. Our review relies upon information, projections, and findings from documentation provided by Zexu Company.

5.2.2 Mine Output

Zexu Open Pit Coal Mine raw coal output is currently specified as 0.9 Mtpa, and mining equipment is selected and facilities designed to achieve this output level. The maximum annual overburden stripping volume requirement is projected to be 2.34 million bank m^3 (including rehandle). The mine schedule projects two 8-hour shifts each day and 330 working days annually.

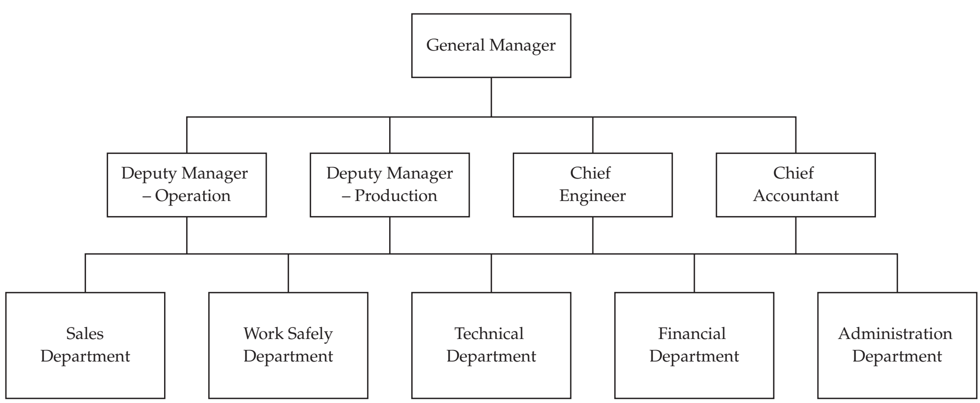
The proposed mine plan uses two $4m^3$ excavators and two $1.5m^3$ excavators, which can be used interchangeably for coal loading and overburden removal (stripping). We estimate the coal loading capacity for the $4m^3$ excavator at 150 tph, or 0.7 Mtpa, assuming 5,280 annual scheduled working hours, 330 working days annually and 90% availability. If the excavator is used for stripping, capacity is estimated at $100m^3/h$, or 0.5 million m^3 annually. The coal loading capacity for the $1.5m^3$ excavator loaded into 32 t trucks is very low (estimated at 0.33 Mtpa), but could be used on a supplemental basis. In addition, Zexu Open Pit Coal Mine is projected to have three front-end loaders with $3.6m^3$ bucket capacity. We estimate the annual coal loading capacity of each front-end loader at 0.4 Mtpa, assuming the front end loader design is acceptable for loading the 32 t trucks.

Assuming one excavator and one front-end loader are used for the coal loading operation, the remaining excavators fleet has 1.5 million bank m^3 stripping capacity. The projected 31 (32-t capacity) rear-dump trucks are adequate to handle the transportation of overburden material and coal output. According to our review, the capacity of the proposed excavator fleet does not meet the overburden removal requirements to support the 0.9 Mtpa coal output design capacity. In addition, output may be impacted by missed days for regulatory safety closures, mine incidents such as flooding, and unusual maintenance-related events (e.g., slope failures). In BOYD's opinion, either the size of the excavators needs to be increased to $8m^3$ capacity (or larger), or a minimum of three additional $4m^3$ units are needed (including one spare unit).

Based on the information provided by Zexu Company, additional temporary excavation/loading capacity is available either through leasing additional excavators or by engaging local stripping contractors. We believe employing these options would increase the flexibility of mine operation and be necessary to achieve the production schedule.

5.2.3 Labor Force

Proposed administrative structure for the Zexu Open Pit Coal Mine is shown below:



According to the FSR, projected staffing at full output of 0.9 Mtpa for Zexu Open Pit Coal Mine is 162 personnel:

	Shift 1	Shift 2	Subtotal	Payroll Factor	On Payroll
Total	75	70	145	1.12	162

Open pit labor productivity, based on projected pit staffing, is 10,340 raw tonnes/employee-year at raw coal output of 0.9 Mtpa. According to our experience, the labor force staffing projections appear adequate for the anticipated mining conditions and technology.

Significant efforts will be needed to recruit and effectively educate and train the requisite workforce for the mining and other production work. It is BOYD's opinion that recruiting and training miners in a timely manner will benefit mine safety, and improve early mining performance.

5.2.4 Capital Expenditures

According to the Zexu Open Pit Coal Mine FSR, the initial capital spending for mine construction is projected at RMB121.59 million:

	Initial Capital *(RMB million)*
Total	121.59

On an annual tonne of raw output basis, assuming 0.9 raw Mtpa, planned construction capital expenditures (excluding mining right fees) are RMB128/raw tonne of annual output, which is relatively low (capital efficient) for coal mine projects in PRC.

This measure of capital efficiency, which is highly dependent upon on output level, varies widely and is useful only for relative benchmark guidance. Modest increases in output over the projected output level could significantly decrease this metric. In BOYD's opinion the level of anticipated spending is reasonable, in RMB terms, given the low stripping ratio, and scale of the proposed mining operation.

Capital spending projections assume outright purchase of production, support, and infrastructure equipment with no provisions for leasing. Projected capital monies for production equipment may need to be increased to increase the capacity of excavators (to 8m^3 units) for overburden removal and coal loading. The capital contingency on projected expenditures (project reserve and contingency) approximates 8% (excluding mining right fee and working capital). According to our experience, a higher contingency (15%) is prudent at this stage of planning, amounting to 14.88 million.

Zexu Open Pit Coal Mine output will be transported by truck and railway system to customers. Monies for the on-highway truck loading facility are included with the mine construction funds.

Project capital spending figures as shown in the FSR include the mining right purchase fee at RMB6 million. No capital spending is projected for village moves as none are anticipated.

Ongoing sustaining capital expenditures for maintaining the mining operation as well as supporting routine mine extension, are not discussed in the FSR. We anticipate that the stripping equipment, coal loading equipment and support equipment will be replaced on 12-year cycles.

5.2.5 Operating Cost

At raw coal output of 0.9 Mtpa, the FSR projects Zexu Open Pit Coal Mine cash operating cost of RMB32.9/tonne:

Category	**Unit Cost** *(RMB/Raw Tonne)*
Cash Cost	32.91
Depreciation	6.77
Production maintenance fee (II)	5.50
Safety Fund (70%)	2.10
Amortization	1.11
Total	48.39

Our comments on projected operating costs are as follows:

- The FSR does not provide a calculation for Material costs. As projected at RMB6.6/raw tonne, Material costs appear to be low. Material costs are expected to approximate RMB14/tonne to RMB17/tonne of raw coal output according to our experience.

- Generally fuel and power costs are estimated according to calculations reflecting major fuel and power usage from equipment and facilities over the course of a typical operating year. In the Zexu Open Pit Coal Mine FSR, the power rate factor is 13.9kwh/tonne and power costs are calculated at RMB0.46/kwh. Fuel cost calculations and estimates were not provided.

- Projected salary costs and related welfare expense (at 14% of salaries as required by national regulations) n the FSR appear reasonable for the projected workforce. Workforce salaries as calculated from the FSR projection average RMB27,000 per year, which is adequate to attract a workforce from the Mulei and Qitai Counties and the surrounding region in our opinion.

- Although the supporting calculations for repair costs are not provided, it is BOYD's opinion that the equipment maintenance (repair) costs shown in the FSR are adequate for initial mine operation. According to our experience with similar mines, the repair costs are anticipated to be increase as the equipment ages.

- The "Other" cost category generally includes other labor benefits as shown below as well as mine specific general and administrative costs, annual resource fees, etc. BOYD was provided the following background calculations for the cost projection:

Cost Item*	**Percent of Salary**
Labor Union Costs	2.0
Personnel Education Fund	1.5
Labor Insurance	20
Hospitalization Premium	6.5
Total	30.0

* These items are not included in Welfare costs.

Based on our experience in China, we anticipate additional benefit expenses including:

Cost Item	**Percent of Salary**
Housing Provident Fund	6.0
Pension	5.0
Injury Insurance	2.0
Unemployment Insurance	2.0

- Subsidence compensation costs are recognized in the FSR at RMB0.5/raw tonne as compensation to inhabitants for mining activities. We do not anticipate significant compensation requirements as the areas scheduled for mining have no dwellings or villages. Mine reclamation costs are not recognized in the FSR projections.

- In the FSR, Production Maintenance ("Keeping Simple Production") fee of RMB3.00/tonne and 30% of the Safety Fund are shown as mine cash costs. Our experience is that these costs are generally recognized as non-cash operating costs.

- Depreciation costs are calculated using the straight-line method for fixed assets according to established asset depreciation lives and salvage value estimations. Amortization charges are calculated for intangible assets on a 10-year basis.

Our review of operating costs for Zexu Open Pit Coal Mine indicate that cash costs at 0.9 Mtpa will have a probable range from RMB39 to RMB47 per raw tonne of product or marketable coal output (excluding Production Maintenance and Safety Fund fees).

5.2.6 Market

The FSR provides the following market plan for Zexu Open Pit Coal Mine's output:

Target Customer	Projected Sale Tonnage *(million Tonnes)*
Mulei, Jimusa'er and Qitai Counties	0.55
A'ertai District	0.10
Ku'erle and South Xinjiang	0.05
Shihezi, Changji and Western Urumchi	0.10
Hexi Corridor Area of Gansu Province	0.05
Retails	0.05
Total	0.90

Zexu Open Pit Coal Mine coal quality is suitable for both industrial and domestic uses. Recognizing PRC economic development and the national policy of promoting development of western areas of the country, a strong market situation for Zexu Open Pit Coal Mine's coal output is anticipated. Mid-2007 prices for coal of Zexu Open Pit Coal Mine quality approximate RMB125/tonne (net of VAT). Mine cash margins are estimated at RMB75 to RMB85/tonne.

Based on our review, we conclude that the proposed Zexu Open Pit Coal Mine operation is economically viable. When the necessary mining right is received, the estimated Resources can be reclassified as Reserves under JORC criteria.

6.0 ENVIRONMENTAL OVERVIEW

6.1 Introduction

The physical environment where the Kaiyuan and Zexu Open Pit Coal Mine operates (or will operate) is flat gobi terrain with few inhabitants. Surface elevations generally range from 670m to 720m. Adverse impacts are largely related to overburden removal and disposal noise and dust generation during mining and coal processing, community byproducts (e.g., handling of sewage), and power and heating plant emissions.

6.2 Guidelines of the World Bank

The World Bank does not set explicit standards regarding environmental protection relating to mining activities. However, the Bank's guidelines and principles support the view that coal mining activities affect the environment, and that environmental protections must be provided. Responsible environmental management on the part of the mining enterprises includes establishing the policies and practices companies must employ to protect the environment and to minimize the impact of mining and related activities. Based on our initial site visit, BOYD is satisfied that Kaiyuan Company and Zexu Company recognize their environmental responsibilities and plan accordingly. Significant efforts have been reflected in the mine design covered by the respective FSR's to protect the environment.

6.3 Environmental Protection Regulations

The principal environment protection laws of the PRC, as they relate to mining operations, pertain to the following areas:

- Environmental protection.
- Air pollution control.
- Water pollution control.
- Solid waste control.
- Ambient noise control.
- Water preservation.
- Soil and water conservation.
- Responsible production practices (compliance to standards).
- Environmental impact evaluation.

Surface mining disrupts the original land environment and postmining land reclamation is required by law. The Article No.30 of Mineral Resource Law of the PRC issued in 1986 requires:

> In mining mineral resources, attention shall be paid to using land economically. In case cultivated land, grassland or forest land is damaged due to mining, the relevant mining enterprise shall take measures to utilize the lands affected, such as reclamation, tree- planting and grass-planting, as appropriate to the local conditions.

The Land Reclamation Regulations issued in 1988 are the first specific official document regulating the land reclamation in mining and other land-related activities. One of the major principles in land reclamation is that land reclamation should be the responsibility of the entity which makes disruption to the land. Other laws related to land reclamation include Environmental Protection Law, Law of Land Administration, Law of the PRC on the Coal Industry, etc.

Environmental protection issues are addressed in the FSRs for the Kaiyuan and Zexu Open Pit Coal Mines. Facilities, equipment, and capital for environmental protection are incorporated into the mine design and construction.

6.4 Solid Waste Disposal and Land Reclamation

Solid wastes include waste soil/rock, ash residue from boiler, and municipal waste. Waste soil/rock generated by the stripping and mining operations will be stored in surface disposal areas. When use of a waste rock disposal facility is completed, the surface will be re-vegetated. Ash residue and municipal waste will be collected and disposed together with waste rock.

No plan regarding refilling of the removed cover back to the pit is available in the FSR of both Kaiyuan and Zexu Open Pit Coal Mines. The initial quantities of waste rock and soil stripped and dumped outside the pit will be permanently piled outside the excavated pit. Both the pit area and the outside waste rock disposal site are designed to be covered by soil (to the extent available) and re-vegetated after mining operation is finished.

It should be noted that due to the adverse climate in this area, lack of ground water and bad soil quality at barren gobi terrain, the land reclamation plan proposed for Kaiyuan and Zexu Open Pit Coal Mines may face significant challenges.

6.5 Water Resources Protection

Water resources in this area are valuable. Kaiyuan and Zexu Open Pit Coal Mines have water management plans in place to protect water resources during the mining process, and recycle water from domestic usage after such water is collected and processed. About 194m^3 waste water by Kaiyuan Open Pit Coal Mine and 162m^3 by Zexu Open Pit Coal Mine are generated each day. The water will be used for vegetation irrigation, dust depression spray, vehicle wash, etc. after being processed.

6.6 Air Pollution Control

Kaiyuan and Zexu Open Pit Coal Mines are located in an area with few residents. Boiler exhaust emissions and fugitive dust from blasting, overburden removal and coal processing, coal handling, and transportation activities are the primary sources of air pollution.

Kaiyuan Open Pit Coal Mine will be equipped with three coal-burning boilers, in which two are environment-friendly type while the other will be improved by installing filtering equipment for capturing and processing exhaust emissions. After filtering, the smoke discharges will meet the requirements of local environment authorities. The projected pollutant generation is shown in the table follows:

			Smoke		SO_2		NO_x	
Boiler	Quantity	Coal Consumption *t/a*	Release Amount *t/a*	Release Content *mg/m³*	Release Amount *t/a*	Release Content *mg/m³*	Release Amount *t/a*	Release Content *mg/m³*
CWWL1.4–95/70-AII	1	552	0.21	1,625.3	5.21	872	2.02	347
CLLG-III	2	285	3.52	≤120	2.69	872	1.04	347

Only the concentration of the CWWL1.4-95/70AII in the boiler emission is above the authorized release level. After the filter is installed, at least 88% of the smoke will be depressed.

Zexu Open Pit Coal Mine will be equipped with two DZL1-1.25-A boilers with cyclone dust collectors. The dust collection efficiency is reported to be above 90%. The projected pollutant generation is shown in the table below:

			Smoke		SO_2		NO_x	
Boiler	Quantity	Coal Consumption *t/a*	Release Amount *t/a*	Release Content *mg/m³*	Release Amount *t/a*	Release Content *mg/m³*	Release Amount *t/a*	Release Content *mg/m³*
CZL1-1.25-A	2	1280	2.11	157.1	12.08	890.6	9.78	720.8

After dust collection, the content of dust, SO_2 and NO_x in smoke would meet the release requirement.

Regular water spraying by spray vehicle is planned at different operation sites to reduce fugitive dust. Routine road washing and planting trees along the roads are also planned to minimize dust movement.

6.7 Noise Abatement

According to the FSR, the mines have adopted noise insulation and reduction practices for high-noise generation activities. Examples include selecting low-noise equipment, reducing the window size of workshops and the boiler room which generate higher noise, soundproofing of the equipment rooms, planting fencing vegetations, etc.

6.8 Environmental Management

Environmental management is generally incorporated into mining operation management. The FSR addresses environmental management plan regarding office, personnel, working system, monitoring, analysis, assessment and supervision.

6.9 Capital for Environmental Protection

Kaiyuan Company projects RMB2.77 million, or 3.3% of the total mine construction capital budget for environmental protection. Zexu Company's capital budget for environmental protection is RMB3.32 million, or 3.0% of the total capital expenditure. It's BOYD's opinion that the planned capital for environmental protection will cover the need for required equipment and environmental protection facilities.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:

(a) the information contained in this circular is accurate and complete in all material respects and not misleading;

(b) there are no other matters the omission of which would make any statement in this circular misleading; and

(c) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date were, and immediately following the Completion will be, as follows:

Ordinary shares:

Authorised:		*HK$*
10,000,000,000	ordinary shares of HK$0.01 each (the "Share(s)")	100,000,000
Issued and fully paid:		
1,920,000,000	Shares in issue	19,200,000
400,000,000	Consideration Shares	4,000,000
320,000,000	Conversion Shares to be allotted and issued upon exercise in full the Convertible Bonds	3,200,000
2,640,000,000		26,400,000

3. DISCLOSURE OF INTERESTS

(a) Directors' and chief executives' interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in the Shares

Number of Director	Name of Shares	Type of Interests	Approximate percentage of issued share capital
Mr. Guo Xu *(Note 1)*	902,000,000	Corporate	46.98

Note:

1. Tolmen Star Limited ("Tolmen Star") is wholly owned by Mr. Guo Xu ("Mr. Guo") who is the spouse of Ms. Zhou Ya Ping ("Ms. Zhou") Accordingly, each of Mr. Guo and Ms. Zhou is deemed to be interested in the 902,000,000 Shares in which Tolmen Star is interested in.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests and short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) are required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

(b) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO

So far as is known to the Directors and the chief executive of the Company, as at the Latest Practicable Date, the following person (not being Directors or chief executive of the Company) or corporation had, or was deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were 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 member of the Group:

Long positions in the Shares

Name of Shareholder	*Notes*	**Type of interests**	**Number of Shares**	**Approximate percentage of interests**
Tolmen Star Limited ("**Tolmen Star**")	*1*	Beneficial	902,000,000	46.98
Ms. Zhou Ya Ping	*2*	Deemed	902,000,000	46.98
Ming Kei International Holding Company Limited ("**Ming Kei**")	*3*	Beneficial	432,000,000	22.5
Mr. Wong Wai Sing	*4*	Beneficial	144,000,000	7.5
	5	Deemed	432,000,000	22.5
Mr. Wong Wai Ngok	*6*	Beneficial	144,000,000	7.5
	7	Deemed	432,000,000	22.5
Ms. Tsang Tsz Kwan	*8*	Deemed	576,000,000	30
Ms. Wong Ho Yi Chloe	*9*	Deemed	576,000,000	30

Notes:

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

2. Ms. Zhou Ya Ping is the wife of Mr. Guo Xu.

3. Ming Kei holds 60% beneficial interests of the Target. Of the 432,000,000 Shares, 240,000,000 Shares refers to the Consideration Shares and 192,000,000 Shares refers to the Conversion Shares assuming exercise in full the Convertible Bonds.

4. Mr. Wong Wai Sing holds 20% beneficial interests of the Target. Of the 144,000,000 Shares, 80,000,000 Shares refers to the Consideration Shares and 64,000,000 Shares refer to the Conversion Shares assuming exercise in full the Convertible Bonds.

5. Ming Kei is owned as to 50% by Mr. Wong Wai Sing and as to 50% by Mr. Wong Wai Ngok. Therefore Mr. Wong Wai Sing is deemed interested in the Shares of Ming Kei.

6. Mr. Wong Wai Ngok holds 20% beneficial interests of the Target. Of the 144,000,000 Shares, 80,000,000 Shares refers to the Consideration Shares and 64,000,000 Shares refer to the Conversion Shares assuming exercise in full the Convertible Bonds.

7. Ming Kei is owned as to 50% by Mr. Wong Wai Sing and as to 50% by Mr. Wong Wai Ngok, therefore Mr. Wong Wai Ngok is deemed interested in the Shares of Ming Kei.

8. Ms. Tsang Tsz Kwan is the wife of Mr. Wong Wai Ngok, therefore she is deemed interested in the Shares of Mr. Wong Wai Ngok.

9. Ms. Wong Ho Yi Chloe is the daughter of Mr. Wong Wai Ngok, and she is under 18 years old, therefore she is deemed interested in the Shares of Mr. Wong Wai Ngok.

Save as disclosed above, as at the Latest Practicable Date, the Directors and the chief executive of the Company were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the shares or underlying shares of the Company (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was 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 member of the Group.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has any existing or proposed service contracts with the Company or any member of the Group which does not expire or is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

5. LITIGATION

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.

Further, 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 rounds to defend. Accordingly, no provision has been made in the Company's account.

Save as disclosed above, as at the Latest Practicable Date, no member of the Group is engaged in any litigation or arbitration of material importance and no litigation of claim of material importance is known to the Directors to be pending or threatened by or against any member of the Group.

6. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business of the Group) have been entered into by any member of the Group within two years immediately preceding the Latest Practicable Date which are or may be material:

(a) the subscription agreement dated 22 September 2006 entered into between the Company and Tolmen Star for the subscription of shares of the Company;

(b) the placing agreement dated 23 May 2007 entered into between the Company and Partners Capital International Limited for placing of the shares of the Company; and

(c) the S&P Agreement.

Save for the aforementioned, no contract, not being contracts in the ordinary course of business carried on by the Company or any of its subsidiaries, has been entered into by members of the Group within the two years immediately preceding the Latest Practicable Date.

7. COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors are aware of, none of the Directors, management shareholders or substantial shareholders or any of their respective associates had any interests in a business which competes or may compete, either directly or indirectly, with the business of the Group or has, any other conflict of interest which any such person has or may have within the Group.

8. INTEREST IN CONTRACTS AND ASSETS

No contract or arrangement of significance in relation to the Group's business to which the Company or any of its subsidiaries is a party and in which any Director has a material interest, whether directly or indirectly, subsist at the date of this circular.

None of the Directors and experts referred in the paragraph headed "Qualification and consent of experts" in this appendix has any direct or indirect interest in any asset which has been acquired or disposed of by or leased to, or which are proposed to be acquired or disposed of by or leased to, the Company or any of its subsidiaries during the period since 31 March 2007, the date to which the latest published audited consolidated financial statements of the Group were compiled, up to and including the Latest Practicable Date.

9. QUALIFICATION AND CONSENT OF EXPERTS

(a) The following are the respective qualifications of the experts who have been named in this circular or have given their opinions, letters or advice which are contained in this circular:

Name	Qualification
Cheung and Siu Certified Public Accountants ("**C&S**")	Certified Public Accountants
Greater China Appraisal Limited ("**Greater China**")	Chartered Valuation Surveyor Registered Professional Surveyor
John T. Boyd Company ("**BOYD**")	Independent technical advisers

(b) None of C&S, Greater China and BOYD has any shareholding, directly or indirectly, in any member of the Group or any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

(c) Each of C&S, Greater China and BOYD has given and has not withdrawn its written consent to the issue of the circular, with the inclusion of the reference to its name and/or its opinion in the form and context in which they are included.

(d) None of C&S, Greater China and BOYD has any direct or indirect interest in any assets which had been acquired, or disposed of by, or leased to any member of the Enlarged Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Enlarged Group since 31 March 2007, the date to which the latest published audited financial statements of the Group were made up.

10. CORPORATE INFORMATION

(a) The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the head office and principal place of business of the Company is located at Room 3308-3309, The Center, 99 Queen's Road Central, Hong Kong.

(b) The principal share registrar and transfer office of the Company is Bank of Bermuda (Cayman) Limited, located at P.O. Box 513 GT, Strathvale House, North Church Street, George Town, Grand Cayman, KY1-1111, Cayman Islands. The branch share registrar and transfer office of the Company in Hong Kong is Tricor Tengis Limited, located at 26th Floor, Tesbury Centre, 28 Queen's Road East Wanchai, Hong Kong.

(c) The company secretary and qualified accountant of the Company is Mr. Tsang Ho Ka, Eugene who is a Certified Practicing Accountant of the CPA Australia, a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants, an Associate Management Accountant of the Institute of Certified Management Accountants, Australia and also an associate member of the Hong Kong Institute of Directors.

(d) The compliance officer of the Company is Mr. Guo Xu who is also an executive Director.

(e) The Company has established an audit committee with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules.

The audit committee reviews the effectiveness of both the external and internal audit and of internal controls and risk evaluation.

Mr. Wong Ming, Kerry ("**Mr. Wong**"), aged 53, is a member of the American Institute of Certified Pubic 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. Pang Hong Tao, Peter ("**Mr. Pang**"), aged 38, 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. Tam Chak Chi, ("**Mr. Tam**"), aged 30, is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants. Mr. Tam has over 6 years of experience in accounting, auditing and financial management and previously worked with a big four international accounting firm. Mr. Tam is currently the financial controller, qualified accountant and company secretary of Wing Lee Holdings Limited, which is a company listed on the main board of the Stock Exchange.

(f) The English text of this circular shall prevail over the Chinese text in case of any inconsistency.

11. PROCEDURES FOR THE DEMAND BY POLL

Pursuant to article 66 of the Articles of Association of the Company, at any general meeting, a resolution put to the vote of a meeting shall be decided on a show of hands, unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:

(a) by the chairman of such meeting; or

(b) by at least three Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or

(c) by a Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the meeting; or

(d) by a Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right; and

(e) if required by the rules of the designated stock exchange, by the chairman of the meeting or any Director or Directors who, individually or collectively, hold proxies in respect of Shares representing five per cent. (5%) or more of the total voting rights at such meeting.

Unless a poll is so demanded and not withdrawn, a declaration by the chairman of the general meeting that a resolution has on a show of hands been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect made in the book containing the minutes of the Company shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded for or against such resolution.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the head office and principal place of business of the Company in Hong Kong at Room 3308-3309, The Center, 99 Queen's Road Central, Hong Kong during normal business hours on any weekday other than public holidays and on the Company's web site at http://www.irasia.com/listco/hk/mplogistics/ from the date of this circular up to and including the date of the EGM and at the EGM:

(a) the memorandum of association and article of associations of the Company;

(b) the annual report of the Company for the years ended 31 March 2006 and 2007;

(c) the interim report of the Company for the six months ended 30 September 2006;

(d) the accountants' report of the Target Group, the text of which is set out in Appendix II of this circular;

(e) the letter from Cheung and Siu in respect of the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular;

(f) the valuation report prepared by Greater China, the text of which is set out in Appendix IV of this circular;

(g) the technical report prepared by John T. Boyd Company, the text of which is set out in Appendix V of this circular;

(h) the written consents of the experts referred to in the paragraph headed "Qualification and consent of experts" in this appendix;

(i) the material contracts referred to in the paragraph headed "Material contracts" in this appendix;

(j) the circular dated 1 November 2006 regarding the proposed subscription of the subscription shares of the Company by Tolmen Star Limited;

(k) the composite offer document dated 23 November 2006 relating to mandatory unconditional cash offer by Kingston Securities Limited on behalf of Tolmen Star Limited for all the issued shares of the Company (other than those shares of the Company already owned or agreed to be acquired by Tolmen Star Limited and parties acting in concert with it);

(l) the circular dated 16 April 2007 regarding the proposed refreshment of general mandate and scheme mandate limit and proposed change of auditors; and

(m) the circular dated 1 August 2007 regarding the proposed refreshment of general mandate and scheme mandate limit.

MP Logistics International Holdings Limited
MP 物 流 國 際 控 股 有 限 公 司 *

(proposed to be renamed as Ming Kei Energy Holdings Limited明基能源控股有限公司)*
(incorporated in the Cayman Islands with limited liability)
(Stock Code: 8239)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of the shareholders of MP Logistics International Holdings Limited (the "**Company**") will be held at Room 3308–09, 33/F, The Center, 99 Queen's Road Central, Central, Hong Kong, on Monday, 12 November 2007 at 11:00 a.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolutions as ordinary resolutions and special resolution of the Company:

ORDINARY RESOLUTIONS

1. "**THAT**

(i) the sale and purchase agreement (the "**S&P Agreement**") as defined in the circular dated 15 October 2007 despatched to the shareholders of the Company (the "**Circular**"), a copy of which has been produced to this meeting marked "A" and signed by the chairman hereof for the purpose of identification, and all the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

(ii) any one or more of the directors (the "**Directors**") of the Company be and is/are hereby authorised to do all such acts and things and execute all such documents which he/she/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Agreement including but not limited to the allotment and issue of 400,000,000 ordinary shares of HK$0.01 each in the share capital of the Company (the "**Consideration Shares**") and the transactions contemplated thereunder;

(iii) the issue of the convertible bonds (the "**Convertible Bonds**") in the principal amount of $288,000,000 to be issued by the Company in accordance with the terms and conditions of the S&P Agreement and the transactions contemplated therein be and are hereby approved; and

* *for identification purposes only*

(iv) any one or more Directors be and is/are hereby authorised to do all such acts and things and execute all such documents which he/she/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the issue of Convertible Bonds including but not limited to the allotment and issue of 320,000,000 ordinary shares of HK$0.01 each in share capital of the Company (the "**Conversion Shares**") of which may fall to be issued upon the exercise of the conversion rights attached to the Convertible Bonds."

2. "**THAT** subject to the ordinary resolutions no. 1 above being duly passed, the unconditional specific mandate granted to the Directors to exercise the powers of the Company to allot, issue and deal with the Consideration Shares be and is hereby approved".

3. "**THAT** subject to the ordinary resolutions no. 1 above being duly passed, the unconditional specific mandate granted to the Directors to exercise the powers of the Company to allot, issue and deal with the Conversion Shares be and is hereby approved".

SPECIAL RESOLUTION

4. "**THAT** subject to and conditional upon the approval of the Registrar of Companies in Cayman Islands being obtained, the name of the Company be and is hereby changed from "MP Logistics International Holdings Limited" to "Ming Kei Energy Holdings Limited", and upon the change of name becoming effective, a new Chinese name "明基能源控股有限公司" to be adopted to replace "MP物流國際控股有限公司" for identification purpose only with effect from the date of entry of the new name on the register maintained by the Registrar of Companies in Cayman Islands and that the Directors be and are hereby authorised to do all such acts and things and execute all such document they consider necessary or expedient to give effect to the aforesaid change of name of the Company."

By Order of the Board of
MP Logistics International Holdings Limited
Guo Xu
Chairman

Hong Kong, 15 October 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

Notes:

1. A member entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and, subject to the provisions of the articles of association of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the EGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of Shares in respect of which each such proxy is so appointed.

2. A form of proxy for use of the EGM is enclosed. Whether or not you intend to attend the EGM in person, you are encouraged to complete and return the enclosed form of proxy in accordance with the instructions printed thereon. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the EGM or any adjournment thereof, should he so wish.

3. In order to be valid, the form of proxy, together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority must be deposited at the Company's Hong Kong branch share registrar, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof.

4. In the case of joint holders of Shares, any one of such holders may vote at the EGM, either personally or by proxy, in respect of such Shares as if he was solely entitled thereto, but if more than one such joint holders are present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such Shares shall alone be entitled to vote in respect thereof.