

Interim Report 2011



China Railway Logistics Limited 中國鐵路貨運有限公司*

(incorporated in Bermuda with limited liability)

Stock Code: 8089

* For identification purpose only



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This report, for which the directors (the “Directors”) of China Railway Logistics Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (“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 the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

The board of directors (the "Board") of China Railway Logistics Limited (the "Company") hereby announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the "Group") for the three months and six months ended 30 June 2011, together with the comparative figures for the corresponding periods in year 2010, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Three months ended 30 June		Six months ended 30 June	
		2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000 (Restated)	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000 (Restated)
Turnover	3	31,990	8,206	43,976	14,744
Revenue	4	12,929	8,206	24,915	14,744
Cost of sales		(429)	(1,226)	(1,049)	(2,295)
Gross profit		12,500	6,980	23,866	12,449
Other income	4	71	251	94	445
Distribution and selling expenses		(4)	(6)	(9)	(14)
Administrative expenses		(10,626)	(7,579)	(20,051)	(15,659)
Gain arising from fair value changes of investment properties		28,324	–	28,324	–
Gain on disposal of investments held for trading		3,010	–	3,010	–
(Loss) gain arising from fair value changes of investments held for trading		(48,471)	65,472	(49,352)	6,822
Gain on disposal of convertible instruments designated at financial assets at fair value through profit or loss		–	–	–	563
(Loss) gain arising from fair value changes of convertible instruments designated at financial assets at fair value through profit or loss		(12,913)	8,391	(13,441)	(7,848)
Gain on deconsolidation of a subsidiary	10	–	–	–	414,302
Share of profit (loss) of a jointly controlled entity		226	(446)	16	(185)
Finance costs	5	(88)	–	(116)	–
(Loss) profit before tax	6	(27,971)	73,063	(27,659)	410,875
Income tax (expense) credit	7	(2,653)	12,775	(2,653)	(1,560)
(Loss) profit for the period		(30,624)	85,838	(30,312)	409,315

	Note	Three months ended 30 June		Six months ended 30 June	
		2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000 (Restated)	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000 (Restated)
Other comprehensive (expenses) income					
Fair value loss on available-for-sale financial assets		(1,179)	(1,354)	(1,508)	(283)
Exchange differences on translating foreign operations		553	118	1,380	637
Other comprehensive (expenses) income for the period		(626)	(1,236)	(128)	354
Total comprehensive (expenses) income for the period		(31,250)	84,602	(30,440)	409,669
(Loss) profit for the period attributable to:					
– Owners of the Company		(30,665)	85,920	(30,314)	409,349
– Non-controlling interests		41	(82)	2	(34)
		(30,624)	85,838	(30,312)	409,315
Total comprehensive (expenses) income attributable to:					
– Owners of the Company		(31,291)	84,684	(30,442)	409,703
– Non-controlling interests		41	(82)	2	(34)
		(31,250)	84,602	(30,440)	409,669
(Loss) earnings per share					
– Basic	9	HK(4.78) cents	HK15.24 cents	HK(5.06) cents	HK72.60 cents
– Diluted	9	HK(4.78) cents	HK15.24 cents	HK(5.06) cents	HK72.60 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
Non-current assets			
Plant and equipment		15,573	14,238
Investment properties		147,404	118,887
Interest in a joint controlled entity		106,338	106,322
Deposits paid for acquisition of plant and equipment		4,670	3,121
Deposits paid for acquisition of investment property		25,378	–
Available-for-sale financial assets		22,908	23,916
Loan receivables	13	20,000	20,100
		342,271	286,584
Current assets			
Loan receivables	13	471,906	408,885
Convertible instruments designated at financial assets at fair value through profit or loss		54,325	67,766
Inventories		18,311	17,469
Trade receivables	11	729	4,571
Prepayments, deposits and other receivables		66,933	57,058
Investments held for trading		165,011	205,989
Bank balances and cash		78,637	113,577
		855,852	875,315

	Notes	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
Current liabilities			
Trade payables	12	310	394
Accruals and other payables		4,938	5,526
Receipts in advance		500	529
Taxation		15,485	12,833
Secured bank loans		741	–
		21,974	19,282
Net current assets		833,878	856,033
Total assets less current liabilities		1,176,149	1,142,617
Non-current liabilities			
Secured bank loans		17,012	–
Deferred taxation		8,055	8,055
		25,067	8,055
Net assets		1,151,082	1,134,562
Capital and reserves			
Share capital	15	676	564
Reserves		1,133,202	1,116,796
		1,133,878	1,117,360
Non-controlling interests		17,204	17,202
Total equity		1,151,082	1,134,562

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011

	Share capital HK\$'000	Share premium HK\$'000	Share contributed surplus HK\$'000	Share options reserve HK\$'000	Investment revaluation reserve HK\$'000	Capital reserve (note) HK\$'000	Warrant reserve HK\$'000	Exchange translation reserve HK\$'000	Accumulated losses HK\$'000	Equity attributable to owners of the Company HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 January 2010 (audited)	564	2,854,452	7,914	3,530	951	6,898	3,300	(98)	(1,950,033)	927,538	17,335	944,873
Other comprehensive income (expenses) for the period	-	-	-	-	(283)	-	-	637	-	354	-	354
Profit for the period	-	-	-	-	-	-	-	-	409,349	409,349	(34)	409,315
Total comprehensive income (expenses) for the period	-	-	-	-	(283)	-	-	637	409,349	409,703	(34)	409,669
Deconsolidation of a subsidiary	-	-	-	-	-	(6,898)	-	-	6,898	-	(2,657)	(2,657)
At 30 June 2010 (unaudited and restated)	564	2,854,452	7,914	3,530	668	-	3,300	539	(1,533,786)	1,337,241	14,644	1,351,885

	Share capital HK\$'000	Share premium HK\$'000	Share contributed surplus HK\$'000	Share options reserve HK\$'000	Investment revaluation reserve HK\$'000	Capital reserve (note) HK\$'000	Warrant reserve HK\$'000	Exchange translation reserve HK\$'000	Accumulated losses HK\$'000	Equity attributable to owners of the Company		Non-controlling interests HK\$'000	Total HK\$'000
										Company	HK\$'000		
At 1 January 2011 (audited)	564	2,854,452	7,914	3,590	6,430	-	3,300	5,993	(1,764,883)	1,117,360	17,202	1,134,562	
Other comprehensive income (expenses) for the period	-	-	-	-	(1,508)	-	-	1,380	-	(128)	-	(128)	
Loss for the period	-	-	-	-	-	-	-	-	(30,314)	(30,314)	2	(30,312)	
Total comprehensive income (expenses) for the period	-	-	-	-	(1,508)	-	-	1,380	(30,314)	(30,442)	2	(30,440)	
Issue of new shares	112	46,848	-	-	-	-	-	-	-	46,960	-	46,960	
At 30 June 2011 (unaudited)	676	2,901,300	7,914	3,590	4,922	-	3,300	7,373	(1,795,197)	1,133,878	17,204	1,151,082	

note: The capital reserve represents the difference between the capital contribution by non-controlling interests and the relevant share of the carrying value of a subsidiary's net assets by non-controlling interests.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000 (Restated)
Net cash used in operating activities	(55,952)	(168,751)
Net cash (used in)/generated from investing activities	(43,706)	62,360
Net cash generated from financing activities	64,713	4
Net decrease in cash and cash equivalents	(34,945)	(106,387)
Cash and cash equivalents at the beginning of period	113,577	299,866
Effect of foreign exchange rate changes	5	431
Cash and cash equivalents at the end of period	78,637	193,910
Analysis of cash and cash equivalents		
Bank balances and cash	78,637	193,910



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. COMPANY INFORMATION

The Company was incorporated in Bermuda on 25 February 2000 as an exempted company with limited liability under the Companies Act 1981 of Bermuda. Its shares are listed on GEM of the Stock Exchange since 18 May 2000. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda, and its principal place of business is located at Units A-B, 16th Floor, China Overseas Building, No.139 Hennessy Road, Wanchai, Hong Kong.

The Company is an investment holding company. The unaudited condensed consolidated financial statements are presented in Hong Kong dollars ("HK\$"), which is also the functional currency of the Company.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements for the six months ended 30 June 2011 have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of the GEM Listing Rules.

The unaudited condensed consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values.

The accounting policies used in preparing the condensed consolidated financial statements are consistent with those used in the Group's annual financial statements for the year ended 31 December 2010 (the "2010 Financial Statements"), except for the amendments and interpretations of HKFRSs ("New HKFRSs") issued by HKICPA which have become effective in this period as detailed in notes of the 2010 Financial Statements. The directors of the Company believe that the application of the other new and revised standards, amendments or interpretations has no material impact on the condensed consolidated financial statements for the period.

3. **TURNOVER AND SEGMENT INFORMATION**

The Group's operating segments, based on the information reported to the chief operating decision maker, being the chief executive officer, for making strategic decisions. The segments are managed separately as each business offers different products which vary in materials used, design and technology and services which require different production/service information to formulate different marketing strategies. The following summary describes the operations in each of the Group's reportable segments:

- | | | |
|------------------------|---|--|
| Computer telephony | – | leasing of telecommunication equipments and computer telecommunications and computer telephony system and provision of consulting and maintenance services |
| Properties investments | – | investment in properties for rental income purpose |
| Securities trading | – | trading of securities |
| Loan financing | – | provision of financing services |

3. TURNOVER AND SEGMENT INFORMATION (Continued)

Turnover represents the aggregate of the amounts received and receivable for goods sold, net of returns and services rendered by the Group; rental income; net proceeds from the disposal of investments held for trading; and interest income from the provision of loan financing during the period. The following is an analysis of the Group's turnover and results by reportable segment:

	Turnover		Segment results	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000 (Restated)
Operating divisions				
Computer telephony	2,709	4,758	(43)	271
Properties investments	795	–	27,583	(372)
Securities trading	19,061	–	(46,066)	6,822
Loan financing	21,411	9,986	16,080	9,158
	43,976	14,744	(2,446)	15,879
Unallocated corporate expenses			(11,750)	(12,466)
Unallocated corporate income			94	445
(Loss) gain arising from fair value change/disposal of convertible instruments designated at financial assets at fair value through profit or loss			(13,441)	(7,285)
Gain on deconsolidation of a subsidiary			–	414,302
Finance costs			(116)	–
(Loss) profit before tax			(27,659)	410,875
Income tax expense			(2,653)	(1,560)
(Loss) profit for the period			(30,312)	409,315

4. REVENUE AND OTHER INCOME

The analysis of the Group's revenue and other income for the periods is as follows:

	Three months ended 30 June		Six months ended 30 June	
	2011 (Unaudited)	2010 (Unaudited)	2011 (Unaudited)	2010 (Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue:				
Computer telephony	1,077	2,258	2,709	4,758
Properties investments	467	–	795	–
Securities trading	–	–	–	–
Loan financing	11,385	5,948	21,411	9,986
	12,929	8,206	24,915	14,744
Other income:				
Bank interest income	38	92	55	159
Sundry income	33	159	39	286
	71	251	94	445

5. FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2011 (Unaudited)	2010 (Unaudited)	2011 (Unaudited)	2010 (Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on bank borrowings	88	–	116	–

6. (LOSS) PROFIT BEFORE TAX

(Loss) profit before tax has been arrived at after charging (crediting):

	Three months ended 30 June		Six months ended 30 June	
	2011	2010	2011	2010
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Staff costs including directors' emoluments:				
Salaries and allowances	4,552	3,353	8,649	6,623
Contributions to retirement benefit schemes	130	41	241	136
	4,682	3,394	8,890	6,759
Depreciation of plant and equipment	463	578	1,483	1,157
Minimum lease payments under operating leases	988	902	2,068	1,957
Net foreign exchange loss	386	–	401	–
Cost of inventories recognised as an expense	429	1,226	1,049	2,295

7. INCOME TAX EXPENSE

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the three months and six months ended 30 June 2011 and 2010.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

8. DIVIDEND

No dividend was paid or proposed during the six months ended 30 June 2011 and 2010, nor has any dividend been proposed since 30 June 2011.

9. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share attributable to owners of the Company is based on the following data:

	Three months ended		Six months ended	
	30 June		30 June	
	2011	2010	2011	2010
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Restated)		(Restated)
(Loss) profit for the period attributable to owners of the Company	(30,665)	85,920	(30,314)	409,349
	'000	'000	'000	'000
Number of shares				
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	641,012	563,814	599,085	563,814

The computation of diluted (loss) earnings per share for the three months and six months ended 30 June 2011 and 2010 does not assume the exercise of the Company's share options and non-listed warrants because the respective exercise prices of the Company's share options and non-listed warrants were higher than the average market price of the shares of the Company during the periods under review.

10. DECONSOLIDATION OF A SUBSIDIARY

With reference to notes 32 and 45 to the audited consolidated financial statements of the Company for the year ended 31 December 2010 set out in the Company's 2010 Annual Report, the Group lost control over China Eco-Farming Limited ("CEF") upon the completion of placing of the convertible preference shares of CEF in January 2010 and CEF was deconsolidated as a subsidiary of the Company subsequent thereto.

Notwithstanding the Group was then holding 22.27% of the equity interest in CEF, the CEF shares held by the Group were re-classified as investments held for trading and the remaining CEF convertible preference shares held by the Group were re-classified as convertible instruments designated as financial assets at fair value through profit or loss ("FVTPL").

10. DECONSOLIDATION OF A SUBSIDIARY (Continued)

The consolidated net assets of CEF at the date control was lost were as follows:

	Three months ended 30 June		Six months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
	Net assets disposed of:			
Assets classified as held for sale	-	-	-	28,444
Goodwill	-	-	-	-
Liabilities directly associated with assets classified as held for sale	-	-	-	(3,859)
Non-controlling interests	-	-	-	(2,657)
	-	-	-	21,928
Gain on deconsolidation	-	-	-	414,302
	-	-	-	436,230
Satisfied by:				
Investments held for trading	-	-	-	239,088
Convertible instruments designated at financial assets at FVTPL	-	-	-	106,437
Loan receivable from CEF	-	-	-	12,000
Cash consideration	-	-	-	78,705
	-	-	-	436,230

The unaudited condensed consolidated statements for the three months ended 31 March 2010 had been restated in respect of the accounting impact arising from the deconsolidation of CEF in order to conform with the Company's audited consolidated financial statements for the year ended 31 December 2010 (the "Restatement").

As a result of the Restatement, the comparative unaudited condensed consolidated statements of the Group for the three months and six months ended 30 June 2010 have been restated accordingly.

11. TRADE RECEIVABLES

The Group normally grants to its customers credit period ranging from 30 days to 180 days. The following is an aged analysis of trade receivables, net of impairment loss, presented based on the invoice date at the reporting date.

	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
Within 90 days	865	5,314
91 – 180 days	13	17
181 – 365 days	636	25
	1,514	5,356
Less: impairment loss recognised	(785)	(785)
	729	4,571

12. TRADE PAYABLES

The average credit period on purchases of goods is 60 days. The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
Within 60 days	263	324
61 – 120 days	–	24
Over 365 days	47	46
	310	394

13. LOAN RECEIVABLES

	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
<i>Loan receivables arising from loan financing business:</i>		
Secured loan receivables	305,385	261,165
Unsecured loan receivables	166,521	147,820
	471,906	408,985
<i>Other loan receivables:</i>		
Amount due from a former subsidiary	151,980	151,980
Advance to a former subsidiary	20,000	20,000
Other unsecured loan receivable	3,823	3,823
	175,803	175,803
Less: impairment loss recognised	(155,803)	(155,803)
	20,000	20,000
	491,906	428,985
The Group's loan receivables (net of impairment loss) are analysed into:		
Non-current assets	20,000	20,100
Current assets	471,906	408,885
	491,906	428,985

The secured loan receivables arising from loan financing business are secured by listed equity shares, convertible bonds issued by listed companies, unlisted shares and properties located in Hong Kong and bear interest at fixed interest rates ranging from 8% to 14% (2010: 8% to 14%) per annum.

The unsecured loan receivables arising from loan financing business bear interest at fixed interest rates ranging from 5% to 12% (2010: 7% to 14%) per annum and are guaranteed by independent third parties.

13. LOAN RECEIVABLES (Continued)

The following table illustrates ageing analysis, based on loan drawn down date, of loan receivables (net of impairment loss) as of the end of the reporting period:

	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
Within 3 months	208,055	64,587
More than 3 months but less than 6 months	144,857	183,246
More than 6 months but less than 12 months	118,994	118,007
More than 12 months	20,000	63,145
	491,906	428,985

14. COMMITMENTS

Operating leases

The Group as lessor

The Group had contracted with tenants for the following future minimum lease payments:

	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
Within one year	1,379	1,032
In the second to fifth year inclusive	258	774
	1,637	1,806

Operating lease receipts represent rentals receivable by the Group for certain of its equipment and investment properties. Leases are negotiated and rentals are fixed for one to two years.

14. COMMITMENTS (Continued)

Operating leases (Continued)

The Group as lessee

The Group had commitments for future minimum lease payments in respect of premises under various non-cancellable operating leases which fall due as follows:

	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
Within one year	3,627	2,201
In the second to fifth year inclusive	2,147	2,033
	5,774	4,234

Operating lease payments represent rentals payable by the Group for certain of its office properties and staff quarter. Leases are negotiated and rentals are fixed for one to three years.

Capital commitments

	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
Capital expenditure in respect of the acquisition of plant and equipment contracted but not provided for	5,310	2,391

15. SHARE CAPITAL

	30 June 2011	
	Number of shares '000	Nominal value HK\$'000
Authorised:		
Ordinary shares of HK\$0.001 each at 1 January 2011 and 30 June 2011	100,000,000	100,000
Issued and fully paid ordinary shares of HK\$0.001 each at 1 January 2011	563,814	564
Issue of new shares	112,000	112
Ordinary shares of HK\$0.001 each at 30 June 2011	675,814	676
	31 December 2010	
	Number of shares '000	Nominal value HK\$'000
Authorised:		
Ordinary shares of HK\$0.001 each at 1 January 2010 and 31 December 2010	100,000,000	100,000
Issued and fully paid ordinary shares of HK\$0.001 each at 1 January 2010 and 31 December 2010	563,814	564



MANAGEMENT DISCUSSION AND ANALYSIS

Financial Performance

For the six months ended 30 June 2011, the Group recorded a turnover of approximately HK\$43,976,000 (six months ended 30 June 2010: approximately HK\$14,744,000), representing an increase of approximately 198.3% as compared with the last corresponding period. The increased turnover was principally contributed from the securities trading and loan financing business.

Administrative expenses for the six months ended 30 June 2011 was approximately HK\$20,051,000 (six months ended 30 June 2010: approximately HK\$15,659,000), representing an increase of 28% as compared with the last corresponding period. The increase in expenses was mainly due to increase in consultancy and professional fees and staff costs.


The loss attributable to the owners of the Company for the six months ended 30 June 2011 aggregated at approximately HK\$30,314,000 (six months ended 30 June 2010: profit approximately HK\$409,349,000). The basic loss per share for the six months ended 30 June 2011 was approximately HK5.06 cents (six months ended 30 June 2010: basic earnings per share HK72.60 cents).

Business Review and Outlook

The decrease in the revenue of the computer telephony business primarily due to comparing with the exceptional high volume of sales orders in the first half of the previous financial year. Nevertheless, management believes that the computer telephony business will generate a stable income in the second half of the year.

The performance of loan financing business continued to be encouraging. The Group has been benefitting from a continual increase in interest income. Management believes that the loan financing business segment will continue to generate solid income for the Group.

The Group recorded a gain of HK\$28,324,000 on fair value changes of investment properties for the six months ended 30 June 2011. Through renting out of the properties, the Group recorded a rental income of approximately HK\$795,000 during the period under review (six months ended 30 June 2010: nil). The Group held properties in Hong Kong and in the PRC for investment purposes with total amounted to approximately HK\$147,404,000 as at 30 June 2011 (31 December 2010: approximately HK\$118,887,000). During the period, the Group has acquired and disposed properties in PRC and in Hong Kong respectively. Details are set out in the section "Material Acquisition and Disposal in Investment Properties". Despite recent general downturn in market sentiment, the Board remains cautiously optimistic about the property market in the PRC and in Hong Kong in the long run.



As at 30 June 2011, the Group had investments held for trading amounted to approximately HK\$165,011,000 (31 December 2010: approximately HK\$205,989,000). Given the recent volatility of the global financial market, the Group will remain cautious in its investment approach and strategy.

The Board will continue to adopt a positive but prudent approach towards its investment strategy and will continue to seek other investment opportunities and to explore the feasibility of expansion into other business segments with a view to diversifying the business portfolio of the Group aiming to enhance the profitability and the shareholders' value of the Company in the long run.

Fund Raising Activities

Pursuant to a conditional placing agreement entered into by and between the Company and Fortune (HK) Securities Limited (as the placing agent) dated 13 May 2010 (as supplemented and amended by an extension letter dated 10 September 2010 and a supplemental placing agreement dated 7 January 2011, respectively), the placing agent conditionally agreed to place on a best effort basis a maximum of 112,000,000 new shares of the Company to be issued under a general mandate at a price of HK\$0.43 per share to independent institutional or private investors. Completion of the placing took place on 5 May 2011. The placing shares were fully placed with the total gross and net proceeds amounted to approximately HK\$48.2 million and HK\$47 million, respectively (the "Placing"). The Company intends to use the net proceeds from the Placing for general working capital of the Group.

Liquidity and Financial Resources

The Group principally finances its operations through a combination of shareholders equity and internally generated cash flows.

As at 30 June 2011, the Group had cash and cash equivalents of approximately HK\$78,637,000 (31 December 2010: approximately HK\$113,577,000) and had interest-bearing bank borrowings of approximately HK\$17,753,000 (31 December 2010: nil). The gearing ratio (measured as total liabilities to total assets) was 3.9% as at 30 June 2011 (31 December 2010: 2.4%).

Capital Structure

As at 30 June 2011, the Company's issued share capital was HK\$675,814 and the number of its issued ordinary shares was 675,814,000 of HK\$0.001 each ("Shares"). During the six months ended 30 June 2011, the Company allotted and issued 112,000,000 new shares pursuant to the Placing, the details of which are set out in the section headed "Fund Raising Activities" above.

Contingent Liabilities

As at 30 June 2011 and 31 December 2010, the Group did not have any material contingent liabilities.

Charges on Assets

As at 30 June 2011, investment properties of the Group with carrying value of HK\$39,680,000 have been pledged to a bank to secure the general banking facilities granted to the Group.

Exposure to Fluctuation in Exchange Rates and Related Hedges

The reporting currency adopted by the Group is Hong Kong dollars ("HK\$"). The majority of the Group's sales, receivables and expenditures are dominated in HK\$, United States dollars ("USD") or Renminbi ("RMB"). HK\$ is closely linked with USD. Although the exchange rate of HK\$ against RMB had steadily depreciated during the period under review, the Directors do not consider that the Group is exposed to any material foreign currency exchange risk. No hedging or other similar device has been implemented. However, the Directors will constantly monitor the Group's foreign exchange exposure and implement foreign currency hedging measures should the need arises.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

Reference is made to the announcements of the Company dated 4 November 2008, 24 November 2008, 26 November 2008, 30 December 2009 and 20 January 2011, respectively, and the circular of the Company dated 2 December 2008 in relation to the disposal agreement dated 13 October 2008 (as amended) between Dragon Billion Limited (as the vendor, "Dragon Billion", a wholly-owned subsidiary of the Company) and Portstar Enterprises Limited (as the purchaser, "Portstar") regarding (i) the disposal of the total issued shares (the "Sale Shares") of Eternity Profit Investments Limited ("Eternity Profit"), (ii) the disposal of the outstanding debts of HK\$151,980,000 advanced by Dragon Billion to Eternity Profit as at 30 August 2008 (the "Sale Debts") and (iii) the option (the "Call Option") to allow Dragon Billion to buy-back the Sale Shares. As additional time is required by Portstar to fulfill a condition precedent for the completion of the disposal of the Sale Debts, on 20 January 2011, Dragon Billion and Portstar entered into the second supplemental agreement to, among others, extend the long stop date to 31 December 2011. As such, the completion of the disposal of Sale Debts and the expiry date of the Call Option were extended correspondingly.



Material Acquisition and Disposal in Investment Properties

On 1 April 2011, 深圳市盛世富強科技有限公司 (Shenzhen Sheng Shi Fu Qiang Technology Company Limited, the "Purchaser"), a wholly-owned subsidiary of the Company, entered into the provisional sale and purchase agreement with 唐勇先生 (Mr. Tang Yong, the "Vendor") (as supplemented by an extension agreement dated 30 April 2011) pursuant to which the Purchaser has agreed to purchase and the Vendor has agreed to sell a property at the aggregated consideration of RMB27,500,000. Details of the transaction were set out in the announcements of the Company dated 4 April 2011, 4 May 2011 and 21 June 2011. The Group has paid RMB21,000,000 as the consideration of this acquisition and it is in the progress of transferring the title of the property from the Vendor to the Purchaser. As at the date hereof, the acquisition is not yet completed.

On 24 May 2011, Honor Wealth International Limited, a wholly-owned subsidiary of the Company, entered into a provisional sale and purchase agreement in relation to the disposal of a property at a cash consideration of HK\$19,980,000. Details of the transaction were set out in the announcement of the Company dated 25 May 2011. As at the date hereof, the disposal is not yet completed.

Employee Information and Remuneration Policy

The Group had about 59 full time employees in Hong Kong and the PRC as at 30 June 2011 (31 December 2010: 50 employees). During the period under review, the Group had incurred staff costs (including Directors' emoluments) of approximately HK\$8,890,000 (31 December 2010: HK\$15,263,000).

The emoluments of the Directors are recommended by the remuneration committee, and approved by the Board, as authorized by the Shareholders in the annual general meeting of the Company, having regard to the respective Directors' skills, knowledge and involvement in the Company's affairs. The employees are remunerated with basic salary and discretionary bonus with reference to corporate and individual's performance during the period. The Company also operates a share option scheme. Details are set out in the section "Share Option Scheme" below.

SHARE OPTION SCHEME

On 13 November 2002, the Company adopted a share option scheme ("2002 Option Scheme") under which the Board may, at its absolute discretion, grant options to the eligible participants as defined in the 2002 Option Scheme included, among others, the employees and non-executive directors of the Company, its subsidiaries or any entity in which the Group holds any equity interest. The 2002 Option Scheme will remain in force for a period of 10 years starting from 13 November 2002.

During the period under review, no option was granted, exercised, cancelled or lapsed under the 2002 Option Scheme.

Details of the outstanding options under the 2002 Option Scheme as at 30 June 2011 were as follows:

Name	Date of grant	Vesting period	Exercise price (HK\$)	Exercisable period	Number of share options outstanding as at 1 January 2011 and 30 June 2011
Employees	3 April 2007	None	7.35	3 April 2007 to 2 April 2017	1,000,000
Consultants	3 April 2007	None	7.35	3 April 2007 to 2 April 2017	1,200,000
Total					2,200,000

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 30 June 2011, the interests and short positions of the Directors and chief executives in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, or to be notified to the Company and the Stock Exchange, were as follows:

Long position in shares and underlying shares of the Company

Name of Director	Type of interests	Number of issued ordinary shares held	Total interests (Shares)	Approximate percentage of the issued share capital
Chan Shui Sheung Ivy	Beneficial owner	60,000	60,000	0.009%

Save as disclosed above, as at 30 June 2011, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to rule 5.46 of the GEM Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the above section headed "Directors' and Chief Executives' Interests in Shares", at no time during the six months ended 30 June 2011 was the Company or any of its subsidiaries a party to any arrangement to enable any of the Directors or the chief executive of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of the Company or any other body corporate, and none of the Directors, their spouse or their children under the age 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the six months ended 30 June 2011.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which any of the Directors or Company's members of its management had a material interest, whether directly or indirectly, subsisted at 30 June 2011 or at any time during the six months ended 30 June 2011.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2011, persons who had interests or short positions directly or indirectly in the Company's shares and/or underlying shares recorded in the register kept by the Company pursuant to Section 336 of the SFO or to be disclosed under provisions of Divisions 2 and 3 of Part XV of the SFO and the GEM Listing Rules were as follows:

Long position in shares and underlying shares of the Company

Name of Shareholders	Capacity	Number of shares	Percentage of interests
PME Group Limited	Interest of corporation controlled	80,254,000 (Note 1)	11.88%
Sunbright Asia Limited	Beneficial owner	71,000,000 (Note 1)	10.51%
Well Support Limited	Beneficial owner	52,415,466 (Note 2)	7.76%
Liu Yi Dong	Trustee of Liu Yi Dong Family Trust	52,415,466 (Note 2)	7.76%



Notes:

1. Pursuant to the corporate substantial shareholder notices filed by PME Group Limited and by Sunbright Asia Limited, PME Group Limited is interested in 80,254,000 Shares through its controlled corporation as follows:
 - (i) 71,000,000 Shares are directly held by Sunbright Asia Limited which in turn is 100% directly owned by CR Investment Group Limited which in turn is directly 100% owned by PME Group Limited; and
 - (ii) 9,254,000 Shares are directly held by Betterment Enterprises Limited which in turn is directly 99.49% owned by Richcom Group Limited which in turn is directly 100% owned by CR Investment Group Limited which in turn is directly 100% owned by PME Group Limited.
2. Pursuant to the corporate substantial shareholder notice filed by Well Support Limited and the individual substantial shareholder notice filed by Liu Yi Dong, these Shares are held by Well Support Limited, which is beneficially owned by Liu Yi Dong Family Trust and the beneficiaries of which are Liu Yi Dong and his family members.

Save as disclosed above, the Directors were not aware of any other persons, other than a director or chief executive of the Company, who had an interest or a short position in the shares or underlying shares of the Company as at 30 June 2011 as recorded in the register required to be kept by the Company under Section 336 of the SFO.

COMPETING INTERESTS

None of the Directors or the controlling shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules) had any business or interest that competes or may compete with the business of the Group or had any other conflict of interest with the Group during the six months ended 30 June 2011.



CODE ON CORPORATE GOVERNANCE

The Company has complied with the code provisions on Corporate Governance Practices as set out in Appendix 15 to the GEM Listing Rules (the “CG Code”) for the six months ended 30 June 2011 except for the following deviation:

The code provision A.2.1 of the CG Code prescribed, among others, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

During the six months ended 30 June 2011, the Company does not have a chairman or chief executive officer. The Board will keep reviewing the current structure from time to time and should candidates with suitable knowledge, skill, and experience be identified, the Company will make appointments to fill the posts as appropriate.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors’ securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the “Code of Conduct”). Following a specific enquiry, all Directors confirmed that they have complied with the Code of Conduct throughout the six months ended 30 June 2011.

DISCLOSURE UNDER THE GEM LISTING RULES 17.50A(1)

Below is the change of Directors’ information required to be disclosed pursuant to the GEM Listing Rules 17.50A(1):

Ms. Chan Shui Sheung Ivy, an executive Director, resigned as executive director of China Oriental Culture Group Limited (Stock Code: 2371) with effect from 26 May 2011. China Oriental Culture Group Limited is a company incorporated in the Cayman Islands, the issued shares of which are listed on the Main Board of the Stock Exchange.

Mr. Lam Ka Wai Graham, an independent non-executive Director, resigned as independent non-executive director of Hao Wen Holdings Limited (Stock Code: 8019) with effect from 17 May 2011. Hao Wen Holdings Limited is a company incorporated in the Cayman Islands, the issued shares of which are listed on GEM of the Stock Exchange.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2011.



AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") with written terms of reference in compliance with the GEM Listing Rules. As at the date of this report, the Audit Committee comprises all independent non-executive Directors. The primary duties of the Audit Committee are to review the Company's annual report and financial statements, interim reports and quarterly reports and to provide comments thereon to the Board.

The Audit Committee has reviewed the Group's unaudited financial results for the six months ended 30 June 2011 and this report and has provided comments thereon.

On behalf of the Board
China Railway Logistics Limited
Chan Shui Sheung Ivy
Executive Director

Hong Kong, 11 August 2011

As at the date hereof, the executive Directors are Ms. Yeung Sau Han Agnes and Ms. Chan Shui Sheung Ivy, and the independent non-executive Directors are Ms. Yuen Wai Man, Mr. Lam Ka Wai Graham and Mr. Wang Chin Mong.