

## Third Quarterly 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*



## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE**

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. 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 and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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 nine months ended 30 September 2011, respectively, together with the comparative figures for the corresponding period in year 2010, as follows:

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000 (Restated)	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000 (Restated)
Turnover	3	<b>37,052</b>	14,351	<b>81,028</b>	29,095
Revenue	3	<b>13,172</b>	9,757	<b>38,087</b>	24,501
Cost of sales		<b>(899)</b>	(984)	<b>(1,948)</b>	(3,279)
Gross profit		<b>12,273</b>	8,773	<b>36,139</b>	21,222
Other income	3	<b>1,019</b>	806	<b>1,113</b>	1,251
Distribution and selling expenses		<b>(4)</b>	(4)	<b>(13)</b>	(18)
Administrative expenses		<b>(14,864)</b>	(8,308)	<b>(34,915)</b>	(23,967)
Gain on disposal of an investment property		<b>880</b>	–	<b>880</b>	–
(Loss) gain arising from fair value changes of investment properties		<b>(1,097)</b>	–	<b>27,227</b>	–
Gain (loss) on disposal of investments held for trading		<b>4,822</b>	(18,398)	<b>7,832</b>	(18,398)
Loss arising from fair value changes of investments held for trading		<b>(81,058)</b>	(136,556)	<b>(130,410)</b>	(129,734)
(Loss) gain on disposal of convertible instruments designated at financial assets at fair value through profit or loss		<b>(1,869)</b>	–	<b>(1,869)</b>	563
Loss arising from fair value changes of convertible instruments designated at financial assets at fair value through profit or loss		<b>(11,141)</b>	(71,591)	<b>(24,582)</b>	(79,439)
Gain on deconsolidation of a subsidiary	9	–	–	–	414,302
Share of profit of a jointly controlled entity		<b>115</b>	599	<b>131</b>	414
Finance costs	4	<b>(70)</b>	–	<b>(186)</b>	–
(Loss) profit before tax	5	<b>(90,994)</b>	(224,679)	<b>(118,653)</b>	186,196
Income tax expense	6	<b>(1,009)</b>	(1,222)	<b>(3,662)</b>	(2,782)
(Loss) profit for the period		<b>(92,003)</b>	(225,901)	<b>(122,315)</b>	183,414



	Note	Three months ended 30 September 2011 (Unaudited) HK\$'000		Nine months ended 30 September 2011 (Unaudited) HK\$'000	
			2010 (Unaudited) HK\$'000 (Restated)		2010 (Unaudited) HK\$'000 (Restated)
<b>Other comprehensive (expenses) income</b>					
Fair value (loss) gain on available-for-sale financial assets		<b>(4,243)</b>	3,295	<b>(5,751)</b>	3,012
Exchange differences on translating foreign operations		<b>4,749</b>	503	<b>6,129</b>	1,140
Other comprehensive income for the period		<b>506</b>	3,798	<b>378</b>	4,152
Total comprehensive (expenses) income for the period		<b>(91,497)</b>	(222,103)	<b>(121,937)</b>	187,566
(Loss) profit for the period attributable to:					
Owners of the Company		<b>(92,014)</b>	(226,012)	<b>(122,328)</b>	183,337
Non-controlling interests		<b>11</b>	111	<b>13</b>	77
		<b>(92,003)</b>	(225,901)	<b>(122,315)</b>	183,414
Total comprehensive (expenses) income attributable to:					
Owners of the Company		<b>(91,508)</b>	(222,214)	<b>(121,950)</b>	187,489
Non-controlling interests		<b>11</b>	111	<b>13</b>	77
		<b>(91,497)</b>	(222,103)	<b>(121,937)</b>	187,566
(Loss) earnings per share					
Basic	8	<b>HK(13.62) cents</b>	HK(40.09) cents	<b>HK(19.57) cents</b>	HK32.52 cents
Diluted	8	<b>HK(13.62) cents</b>	HK(40.09) cents	<b>HK(19.57) cents</b>	HK32.52 cents

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2011

	Share capital	Share premium	Share contributed surplus	Share options reserve	Investment revaluation reserve	Capital reserve (note)	Warrant reserve	Exchange translation reserve	Accumulated losses	Equity attributable to owners of the Company	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2010 (audited)	564	2,854,452	7,914	3,590	951	6,898	3,300	(98)	(1,950,033)	927,538	17,335	944,873
Other comprehensive income for the period	-	-	-	-	3,011	-	-	639	-	3,650	-	3,650
Profit for the period	-	-	-	-	-	-	-	-	183,337	183,337	77	183,414
Total comprehensive income for the period	-	-	-	-	3,011	-	-	639	183,337	186,987	77	187,064
Deconsolidation of a subsidiary	-	-	-	-	-	(6,898)	-	-	6,898	-	(2,657)	(2,657)
At 30 September 2010 (unaudited and restated)	564	2,854,452	7,914	3,590	3,962	-	3,300	541	(1,759,798)	1,114,525	14,755	1,129,280

	Share capital	Share premium	Share Contributed surplus	Share options reserve	Investment revaluation reserve	Capital reserve (note)	Warrant reserve	Exchange translation reserve	Accumulated losses	Equity attributable to owners of the Company		Non-controlling interests	Total
										HK\$'000	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	-	-	-	-	(5,751)	-	-	6,129	-	378	-	378	
Profit (loss) for the period	-	-	-	-	-	-	-	-	(122,328)	(122,328)	13	(122,315)	
Total comprehensive income (expenses) for the period	-	-	-	-	(5,751)	-	-	6,129	(122,328)	(121,950)	13	(121,937)	
Issue of new shares	112	46,848	-	-	-	-	-	-	-	46,960	-	46,960	
At 30 September 2011 (unaudited)	676	2,901,300	7,914	3,590	679	-	3,300	12,122	(1,887,211)	1,042,370	17,215	1,059,585	

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.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL RESULTS

### 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 results for the nine months ended 30 September 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 results have been prepared under the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values.

The accounting policies used in preparing these 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 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 results for the period.



### 3. TURNOVER AND OTHER INCOME

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

	Three months ended 30 September		Nine months ended 30 September	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Turnover:				
Computer telephony	2,053	1,949	4,762	6,707
Properties investments	501	-	1,296	-
Securities trading	23,880	4,594	42,941	4,594
Loan financing	10,618	7,808	32,029	17,794
	<b>37,052</b>	14,351	<b>81,028</b>	29,095
Revenue:				
Computer telephony	2,053	1,949	4,762	6,707
Properties investments	501	-	1,296	-
Securities trading	-	-	-	-
Loan financing	10,618	7,808	32,029	17,794
	<b>13,172</b>	9,757	<b>38,087</b>	24,501
Other income:				
Bank interest income	37	11	92	170
Sundry income	982	795	1,021	1,081
	<b>1,019</b>	806	<b>1,113</b>	1,251





#### 4. FINANCE COSTS

	Three months ended 30 September 2011 (Unaudited) HK\$'000		Nine months ended 30 September 2011 (Unaudited) HK\$'000	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Interest on bank borrowings	<b>70</b>	–	<b>186</b>	–

#### 5. (LOSS) PROFIT BEFORE TAX

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

	Three months ended 30 September 2011 (Unaudited) HK\$'000		Nine months ended 30 September 2011 (Unaudited) HK\$'000	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Staff costs including directors' emoluments:				
Salaries and allowances	<b>4,774</b>	3,657	<b>13,423</b>	10,280
Contributions to retirement benefit schemes	<b>136</b>	247	<b>377</b>	288
	<b>4,910</b>	3,904	<b>13,800</b>	10,568
Depreciation of plant and equipment	<b>1,766</b>	573	<b>3,249</b>	1,730
Minimum lease payments under operating leases	<b>1,099</b>	989	<b>3,167</b>	2,946
Net foreign exchange (gain) loss	<b>(793)</b>	34	<b>(392)</b>	37
Cost of inventories recognised as an expense	<b>899</b>	2,029	<b>1,948</b>	3,192



## 6. INCOME TAX EXPENSE

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the three months and nine months ended 30 September 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.

## 7. DIVIDEND

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

## 8. (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 30 September		Nine months ended 30 September	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000 (Restated)	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000 (Restated)
<b>(Loss) profit for the period attributable to owners of the Company</b>	<b>(92,014)</b>	(226,012)	<b>(122,328)</b>	183,337
	'000	'000	'000	'000
<b>Number of shares</b>				
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	<b>675,814</b>	563,814	<b>624,942</b>	563,814

The computation of diluted (loss) earnings per share for the three months and nine months ended 30 September 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.

## 9. 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").

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

	Three months ended 30 September 2011 (Unaudited) HK\$'000		Nine months ended 30 September 2011 (Unaudited) HK\$'000	
	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 and 30 June 2010 respectively and the six months ended 30 June 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 results of the Group for the three months and nine months ended 30 September 2010 have been restated accordingly.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Performance

For the nine months ended 30 September 2011, the Group recorded a turnover of approximately HK\$81,028,000 (nine months ended 30 September 2010: approximately HK\$29,095,000), representing an increase of approximately 178.5% as compared with the last corresponding period. The increased turnover was principally contributed from the securities trading and loan financing business.

During the period, administrative expenses amount to approximately HK\$34,915,000 (nine months ended 30 September 2010: approximately HK\$23,967,000), representing an increase of 45.7% as compared to the same period last year. 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 nine months ended 30 September 2011 aggregated at approximately HK\$122,328,000 (nine months ended 30 September 2010: profit approximately HK\$183,337,000). The basic loss per share for the nine months ended 30 September 2011 was approximately HK19.57 cents (nine months ended 30 September 2010: basic earnings per share HK32.52 cents).

### Business Review and Outlook

During the nine months ended 30 September 2011, the turnover of the computer telephony business declined mainly due to the exceptional high volume of sales orders in the previous corresponding period. The management anticipates that, with the current level of orders, the computer telephony business is expected to generate a steady revenue to the Group in the remaining months of the year.

The loan financing business remained stable and contributed interest income to the Group during the period under review. The management is in the view that the loan financing business is yet the major source of income of the Group.

The Group recorded a rental income of approximately HK\$1,296,000 during the period under review (nine months ended 30 September 2010: nil). The Group held investment properties in Hong Kong and in the PRC with total amount of approximately HK\$127,114,000 as at 30 September 2011 (31 December 2010: approximately HK\$118,887,000). During the period, the Group has acquired and disposed properties in the PRC and in Hong Kong as mentioned in the 2011 interim report. Despite recent general downturn in market sentiment, the Board remains optimistic about the luxury residential properties in the long run.

As a result of the volatility in securities market, the Group recorded a significant loss arising from fair value changes of investments held for trading. As at 30 September 2011, the Group had investments held for trading amounted to approximately HK\$93,621,000 (31 December 2010: approximately HK\$205,989,000). In view of the fluctuation in global stock market, the management will exercise a conservative investment approach.

Facing with uncertainties of the global economy, the Board will remain cautious in its investment strategy and will continue to seek new opportunities aiming to enhance the profitability and the shareholders' value of the Company.



## **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 has used 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 September 2011, the Group had cash and cash equivalents of approximately HK\$139,939,000 (31 December 2010: approximately HK\$113,577,000) and had interest-bearing bank borrowings of approximately HK\$7,808,000 (31 December 2010: nil). The gearing ratio (measured as total liabilities to total assets) was 3.3% as at 30 September 2011 (31 December 2010: 2.4%).

## **Capital Structure**

As at 30 September 2011, the Company's issued share capital was HK\$675,814, divided into 675,814,000 shares of HK\$0.001 each ("Shares"). During the nine months ended 30 September 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.

## **Capital Commitments**

As at 30 September 2011, the Group had capital commitment of approximately HK\$496,000 (31 December 2010: HK\$2,391,000) in respect of acquisition of plant and equipment.

## **Contingent Liabilities**

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

## **Charges on Assets**

As at 30 September 2011, investment properties of the Group with carrying value of HK\$19,700,000 have been pledged to a bank to secure the general banking facilities granted to the Group.



## Material Acquisitions and Disposals

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.

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 amended and supplemented by an extension agreement dated 30 April 2011 and a second extension agreement dated 20 June 2011, respectively) pursuant to which the Purchaser has conditionally 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. As at 30 September 2011, the Group paid RMB21,000,000 as the consideration of this acquisition. The transfer of the title of the property from the Vendor to the Purchaser was completed on 9 November 2011.

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 transaction of the title were set out in the announcement of the Company dated 25 May 2011. The disposal was completed on 12 August 2011.

On 7 September 2011, King Perfection Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Peak Prosper Holdings Limited ("Peak Prosper") in relation to the acquisition of the convertible bonds in the principal amount of HK\$110,040,000 to be issued by Precise Billion Limited (a wholly-owned subsidiary of Peak Prosper) convertible into 70 shares, representing 70% of its enlarged issued share capital for a total consideration of HK\$220,000,000. Details of the transaction were set out in the announcements of the Company dated 12 September 2011, 14 September 2011, 4 October 2011 and 25 October 2011. As at the date hereof, the acquisition is not yet completed.



## Events after the Reporting Period

On 24 October 2011, Magic Perfection Global Limited, a wholly-owned subsidiary of the Company, entered into a conditional subscription agreement with High Step Investment Limited (“High Step”) in relation to the subscription of the convertible loan notes in the principal amount of HK\$30,000,000 to be issued by High Step convertible into 100 shares, representing 50% of the enlarged issued share capital of High Step. The subscription price of HK\$30,000,000 was paid in cash. The subscription was completed on 24 October 2011. Details of the transaction were set out in the announcements of the Company dated 25 October 2011 and 4 November 2011.

On 31 October 2011, Major Premium Limited, a wholly-owned subsidiary of the Company, entered into a subscription agreement with The Incorporation of Financial Technicians Limited (“Financial Technicians”) in relation to the subscription of the convertible bonds in the principal amount of HK\$28,000,000 to be issued by Financial Technicians convertible into 43,076,923 shares, representing approximately 30.11% of the enlarged issued share capital of Financial Technicians. The subscription price of HK\$28,000,000 was paid in cash and the subscription was completed on 31 October 2011. Details of the transaction were set out in the announcement of the Company dated 1 November 2011.

On 11 November 2011, Charm State International Limited, a wholly-owned subsidiary of the Company, entered into a provisional agreement in relation to the acquisition of a property at a consideration of HK\$170,980,000. Details of the transaction were set out in the announcement of the Company dated 11 November 2011.

## DIRECTORS’ AND CHIEF EXECUTIVES’ INTERESTS IN SHARES

As at 30 September 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”), as recorded in the register required to be kept by the Company under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuer as referred to in rule 5.46 of the GEM Listing Rules 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 September 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 nine months ended 30 September 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 nine months ended 30 September 2011.

## SUBSTANTIAL SHAREHOLDERS

As at 30 September 2011, persons (other than a director or chief executive of the Company) 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 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:

- 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:
  - 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
  - 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.
- 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 September 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 nine months ended 30 September 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 nine months ended 30 September 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 nine months ended 30 September 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.

## 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 nine months ended 30 September 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 nine months ended 30 September 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 November 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.*