

# **China Railway Logistics Limited**

## **中國鐵路貨運有限公司\***

*(incorporated in Bermuda with limited liability)*

Stock Code: 8089

### **First Quarterly Report 2012**

*\* 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 that 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 ended 31 March 2012, together with the comparative figures for the corresponding period in year 2011, as follows:

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Three months ended 31 March	
		2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Turnover	3	<b>62,481</b>	11,986
Revenue	3	<b>6,643</b>	11,986
Cost of sales		<b>(1,012)</b>	(620)
Gross profit		<b>5,631</b>	11,366
Other income	3	<b>13</b>	23
Distribution and selling expenses		<b>(3)</b>	(5)
Administrative expenses		<b>(13,092)</b>	(9,425)
Gain (loss) arising from fair value changes of investments held for trading		<b>36,116</b>	(881)
Gain on disposals of investments held for trading		<b>8,511</b>	–
Gain (loss) arising from fair value changes of convertible instruments designated at financial assets at fair value through profit or loss		<b>12,273</b>	(528)
Share of result of a jointly controlled entity		<b>287</b>	(210)
Finance costs	4	<b>(263)</b>	(28)
Profit before tax	5	<b>49,473</b>	312
Income tax expense	6	–	–
Profit for the period		<b>49,473</b>	312

		<b>Three months ended</b>	
		<b>31 March</b>	
		<b>2012</b>	2011
		<b>(Unaudited)</b>	(Unaudited)
Note		<b>HK\$'000</b>	HK\$'000
<b>Other comprehensive income (expense)</b>			
	Fair value gain (loss) on available-for-sale financial assets	<b>3,137</b>	(329)
	Exchange differences on translating foreign operations	<b>285</b>	827
	Other comprehensive income for the period	<b>3,422</b>	498
	Total comprehensive income for the period	<b>52,895</b>	810
	Profit for the period attributable to:		
	– Owners of the Company	<b>49,420</b>	351
	– Non-controlling interests	<b>53</b>	(39)
		<b>49,473</b>	312
	Total comprehensive income attributable to:		
	– Owners of the Company	<b>52,842</b>	849
	– Non-controlling interests	<b>53</b>	(39)
		<b>52,895</b>	810
	Earnings per share		
	– Basic	8 <b>HK 7.31 cents</b>	HK 0.06 cent
	– Diluted	8 <b>HK 7.31 cents</b>	HK 0.06 cent

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2012

	Share capital	Share premium	Share contributed surplus	Share options reserve	Investment revaluation reserve	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
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 (expense) for the period	-	-	-	-	(329)	-	827	-	498	-	498
Profit for the period	-	-	-	-	-	-	-	351	351	(39)	312
Total comprehensive income (expense) for the period	-	-	-	-	(329)	-	827	351	849	(39)	810
At 31 March 2011 (unaudited)	564	2,854,452	7,914	3,590	6,101	3,300	6,820	(1,764,532)	1,118,209	17,163	1,135,372

	Share capital	Share premium	Share contributed surplus	Share options reserve	Share revaluation reserve	Investment revaluation reserve	Warrant reserve	Exchange translation reserve	Accumulated losses	Company interests	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 2012 (audited)	676	2,901,300	7,914	3,590	1,312	3,300	13,840	(2,093,067)	838,865	20,319	859,184	
Other comprehensive income for the period	-	-	-	-	3,137	-	285	-	3,422	-	3,422	
Profit for the period	-	-	-	-	-	-	-	49,420	49,420	53	49,473	
Total comprehensive income for the period	-	-	-	-	3,137	-	285	49,420	52,842	53	52,895	
At 31 March 2012 (unaudited)	676	2,901,300	7,914	3,590	4,449	3,300	14,125	(2,043,647)	891,707	20,372	912,079	

## 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 unaudited condensed consolidated financial results for the three months ended 31 March 2012 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 on 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 2011 (the "2011 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 2011 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 unaudited condensed consolidated financial results for the three months ended 31 March 2012.

### 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 and other income for the period is as follows:

	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2012</b>	2011
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Turnover:		
Computer telephony	<b>2,026</b>	1,632
Properties investments	<b>434</b>	328
Securities trading	<b>55,838</b>	–
Loan financing	<b>4,183</b>	10,026
	<b>62,481</b>	11,986
Revenue:		
Computer telephony	<b>2,026</b>	1,632
Properties investments	<b>434</b>	328
Securities trading	–	–
Loan financing	<b>4,183</b>	10,026
	<b>6,643</b>	11,986
Other income:		
Bank interest income	<b>10</b>	17
Sundry income	<b>3</b>	6
	<b>13</b>	23



#### 4. FINANCIAL COSTS

	Three months ended 31 March	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Interest on bank borrowings	40	28
Effective interest expenses on promissory notes wholly repayable within five years	223	–
	<b>263</b>	28

#### 5. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	Three months ended 31 March	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Staff costs including directors' emoluments:		
Salaries and allowances	5,848	4,097
Contributions to retirement benefit schemes	154	111
	<b>6,002</b>	4,208
Depreciation of plant and equipment	740	1,020
Minimum lease payments under operating leases	1,359	1,080
Net foreign exchange loss	29	15
Cost of inventories recognised as an expense	1,012	620

## 6. INCOME TAX EXPENSE

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the three months ended 31 March 2012 and 2011.

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 three months ended 31 March 2012 and 2011, nor has any dividend been proposed since 31 March 2012 and up to the date of this report.

## 8. EARNINGS PER SHARE

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

	Three months ended 31 March	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
<b>Profit for the period attributable to owners of the Company</b>	<b>49,420</b>	351
	'000	'000
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>675,814</b>	563,814

The computation of diluted earnings per share for the three months ended 31 March 2012 and 2011 does not assume the exercise of the share options or the non-listed warrants of the Company as both of their respective exercise prices were higher than the average market price of the shares of the Company during the aforesaid periods.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Performance

For the three months ended 31 March 2012, the Group recorded a turnover of approximately HK\$62,481,000 (three months ended 31 March 2011: approximately HK\$11,986,000), representing an increase of approximately 421.3% as compared with the last corresponding period. The increased turnover was principally contributed from the securities trading.

Administrative expenses for the three months ended 31 March 2012 was approximately HK\$13,092,000 (three months ended 31 March 2011: approximately HK\$9,425,000), representing an increase of 38.9% as compared with the last corresponding period. The increase in expenses was mainly due to increase in consultancy and professional fees expenses, as well as staff costs.

The profit attributable to the owners of the Company for the three months ended 31 March 2012 aggregated at approximately HK\$49,420,000 (three months ended 31 March 2011: approximately HK\$351,000). The basic earnings per share for the three months ended 31 March 2012 was approximately HK7.31 cents (three months ended 31 March 2011: HK0.06 cent).

### Business Review and Outlook

During the three months ended 31 March 2012, the computer telephony business recorded a turnover of approximately HK\$2,026,000 (31 March 2011: approximately HK\$1,632,000), representing an increase of approximately 24.1% as compared with the last corresponding period. In spite of the increased turnover, computer telephony business recorded a loss of approximately HK\$50,000 for the three months ended 31 March 2012. The management is concerned about the increasing material and labour costs that are affecting both the business volume and the gross profit margin. Because of the unfavourable business environment, the computer telephony business segment was disposed on 30 April 2012. Further details are reported under section "Events After Reporting Period" below.

As at 31 March 2012, the Group held properties in Hong Kong and in the PRC for investment purposes amounted to approximately HK\$148,716,000 (31 December 2011: approximately HK\$148,716,000). Through renting out of the properties, the Group recorded a rental income of approximately HK\$434,000 (three months ended 31 March 2011: approximately HK\$328,000).

During the period under review, the management considered that through the subscription of a private company in respect of the acquisition of a residential property in Hong Kong as an opportunity to expand its investment portfolio in the local property market. In the view of the recent active residential property market in Hong Kong, the management believes that the value of the residential properties will have a steady and strong appreciation in future. Further details of this subscription are reported under the "Material Acquisitions and Disposals" section below.

In line with our strategy to diversifying the business portfolio of the Group, during the period under review, the Group acquired 30% equity interest in Fortune Lead Holdings Limited (“Fortune Lead”). The post-completion arrangements of this acquisition are still ongoing. If the internal restructuring is completed, Fortune Lead would indirectly hold 40% equity interest in 蚌埠海吉星農產品物流有限公司 (Beng Bu Hai Ji Xing Agricultural Product Logistics Company Limited, “Beng Bu”). Beng Bu will be engaged in trading of agricultural products, storage, logistics, rental of and sales of properties and operation facilities, property management, provision of market information of agricultural products, import or export services as well as market development services. The management expects that the rental income that may be generated from Beng Bu would expand the Group’s properties investments in the PRC.

As at 31 March 2012, the Group held investments held for trading amounted to approximately HK\$207,906,000 (31 December 2011: approximately HK\$91,739,000) and convertible instruments designated at financial assets at fair value through profit or loss amounted to approximately HK\$119,871,000 (31 December 2011: approximately HK\$107,599,000). As a result of the upturn in the securities market in the first quarter of 2012, the Group recorded a gain arising from the fair value changes of investments held for trading of approximately HK\$36,116,000 (31 March 2011: loss approximately HK\$881,000) and a gain arising from fair value changes of convertible instruments designated at financial assets at fair value through profit or loss of approximately HK\$12,273,000 (31 March 2011: loss approximately HK\$528,000). The financial market in Hong Kong is expected to continue to be volatile during the year of 2012. The management will remain cautious in its investment strategy.

The loan financing business generated an interest income of approximately HK\$4,183,000 to the Group during the period under review. However, some borrowers indicated that they were affected by the uncertain global market condition in the previous year and were suffering losses in their investments or business. It is noted that the repayment ability of certain borrowers had declined. As such, the management will re-evaluate the development of the loan financing business.

The Group will continue to adopt a positive but prudent approach in managing its financial resources and towards its investment strategy in seeking other investment opportunities and exploring the feasibility of expansion into other business segments. The Group will continue to seek new opportunities aiming to enhance the profitability and the shareholders’ value of the Company.

### **Fund Raising Activities**

On 21 November 2011, the Company entered into a conditional placing agreement with FT Securities Limited (“FT Securities”) in respect of the placing of a maximum of 135,000,000 new shares. On 14 March 2012, the Company and FT Securities entered into a supplemental placing agreement to extend the placing period to ending on 19 April 2012 and amend the placing price from HK\$0.24 per placing share to HK\$0.21 per placing share. On 19 April 2012, the Company and FT Securities entered into a second supplemental placing agreement to further extend the placing period to ending on 18 May 2012. Assuming that the placing shares are fully placed, the gross proceeds and net proceeds will be approximately HK\$28,400,000 and HK\$27,600,000, respectively. The net proceeds are intended to be used towards the general working capital of the Group. As at the date of this report, the placing has not yet been completed. For details, please refer to the announcements of the Company dated 21 November 2011, 14 March 2012 and 19 April 2012, respectively.

## **Liquidity and Financial Resources**

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

As at 31 March 2012, the Group had cash and bank balance of approximately HK\$54,743,000 (31 December 2011: approximately HK\$42,273,000) and had interest-bearing bank borrowings of approximately HK\$7,643,000 (31 December 2011: 7,725,000). As at 31 March 2012, the gearing ratio (measured as total liabilities to total assets) was 12.3% (31 December 2011: 4.2%).

## **Capital Structure**

As at 31 March 2012, the Company's issued share capital was HK\$675,814, divided into 675,814,000 shares of HK\$0.001 each (31 December 2011: HK\$675,814 divided into 675,814,000 shares of HK\$0.001 each).

## **Capital Commitments**

As at 31 March 2012, the Group had capital commitment of approximately HK\$288,000 (31 December 2011: HK\$288,000) in respect of acquisition of plant and equipment.

## **Contingent Liabilities**

As at 31 March 2012, the Group did not have any material contingent liability (31 December 2011: nil).

## **Charges on Assets**

As at 31 March 2012, investment properties of the Group with an aggregate carrying value of HK\$18,600,000 have been pledged to a bank to secure the general banking facilities granted to the Group.

## **Material Acquisitions and Disposals**

On 20 January 2012, Sina Winner Investment Limited ("Sina Winner"), a wholly-owned subsidiary of the Company (as the purchaser), Ng Wai Huen ("Mr. Ng") (as the vendor) and Fortune Lead entered into the sale and purchase agreement (the "Fortune Agreement") in relation to the acquisition of 30% equity interest in Fortune Lead at a consideration of HK\$40,000,000 to be satisfied at completion by the promissory note in the principal amount of HK\$40,000,000 to be issued by Sina Winner to Mr. Ng (collectively, the "Fortune Acquisition"). The promissory note shall not bear any interest and its repayment shall take place on the fifth business day following the satisfaction or fulfillment of the conditions precedent thereto and in any event no later than 10 January 2013. The Fortune Acquisition was completed on 31 January 2012. The post-completion arrangements under the Fortune Agreement are still ongoing and, the completion is subject to, among others, the fulfillment or waiver (as the case may be) of the conditions precedent. Details of this transaction were set out in the announcements of the Company dated 26 January 2012 and 31 January 2012, respectively.

On 12 March 2012, Top Status International Limited (“Top Status”, a wholly-owned subsidiary of the Company, as the vendor), China Eco-Farming Limited (“CEF”, a company listed on GEM board of the Stock Exchange) and FT Securities (as the placing agent) entered into a conditional placing agreement in relation to the placing of a maximum of 280,000,000 CEF shares held by Top Status at HK\$0.068 per CEF share on a best-effort basis (the “Share Placing”). On 12 March 2012, Top Status (as the subscriber) and CEF (as the issuer) entered into a conditional subscription agreement in relation to the subscription by Top Status at a subscription price of HK\$0.068 per CEF share of such number of new CEF shares which shall be the same as that of the CEF shares actually placed under the Share Placing (the “Share Subscription”). Top Status is a substantial shareholder and a connected person (as defined in the GEM Listing Rules) of CEF. The Share Placing was completed on 14 March 2012 with all the 280,000,000 CEF shares fully placed. The Share Subscription was completed on 19 March 2012, pursuant to which 280,000,000 new CEF shares were issued to Top Status on 19 March 2012. Details of the Share Placing and Share Subscription were set out in the announcement of the Company dated 13 March 2012.

On 26 March 2012, Best Marvel Investment Limited (“Best Marvel”, a wholly-owned subsidiary of the Company, as the subscriber), Sun Famous Investment Limited (“Sun Famous”, as the issuer) and the sole legal and beneficial owner of Sun Famous (“Mr Wong”) entered into a conditional subscription agreement with respect to the subscription of 999 new shares in Sun Famous, representing 99.9% of the enlarged issued share capital of Sun Famous for the aggregate consideration of HK\$999 (the “Sun Subscription”). Pursuant to a provisional agreement dated 16 March 2012 entered into by Sun Famous (as the purchaser) in relation to the acquisition of a residential property in Hong Kong (the “Sun Property”) for a consideration of HK\$46,380,000; and if the Sun Subscription is completed, Best Marvel and Mr. Wong, holding 99.9% and 0.1% of the entire issued share capital of Sun Famous then, respectively, shall pay approximately HK\$46,333,620 and approximately HK\$46,380 accordingly. On the same day; that is, 26 March 2012, a loan agreement was entered into by and between Best Marvel (as the lender) and Sun Famous (as the borrower) with respect to a loan in the principal amount of HK\$7,000,000 (the “Loan”) which shall only be applied for the purchase of the Sun Property. The Loan shall bear an interest at the prime rate as quoted by the Hongkong and Shanghai Banking Corporation Limited from time to time. Should the Sun Subscription fail to be completed on its long stop date, the Loan together with all the interest accrued thereon shall be fully repaid and discharged in accordance with the loan agreement. The Company intends to hold the Sun Property for long term investment purpose. Completion of the Sun Subscription is subject to, among others, the shareholders’ approval and also the fulfillment or waiver (as the case may be) of the conditions precedent thereto. Details of this transaction were set out in the announcements of the Company dated 26 March 2012 and 30 April 2012, respectively.

## **Litigations**

Details of the litigations of the Group are set out in pages 11 to 13 of the Company's 2011 Annual Report.

As at the date hereof, these litigations against the defendants are still ongoing.

## **Events after the Reporting Period**

On 19 April 2012, the Company and FT Securities entered into a second supplemental placing agreement to further amend the placing agreement dated 21 November 2011 (as amended). For details, please refer the "Fund Raising Activities" section above.

On 30 April 2012, Top Mega Asia Limited (as assignee), a wholly-owned subsidiary of the Company, and PME Investments (BVI) Co., Ltd. (as assignor), entered into the deed with respect to the assignment and transfer of the promissory note in the principal amount of HK\$30,680,415 issued by Chinese Global Investors Group Limited (a company incorporated in Singapore with limited liability and the issued shares of which are listed on the Catalist of the Singapore Exchange), for a consideration of HK\$26,000,000. The promissory note does not bear any interest and its repayment shall take place on 6 June 2012. For details, please refer to the announcement of the Company dated 2 May 2012.

Also, on 30 April 2012, Rich Best Asia Limited ("Rich Best") (as vendor), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Best Access Investment Holdings Limited (as purchaser), with respect to the disposal of the entire 100% equity interest in CentreWorld Holding Ltd. ("CentreWorld") (a wholly-owned subsidiary of Rich Best) together with the loan in the amount of HK\$43,383,486 due from CentreWorld to Rich Best as at 30 April 2012, for the aggregate consideration of HK\$300,001. CentreWorld, together with its four wholly-owned subsidiaries and its 40% owned associate, are principally engaged in the business of computer telephony. Completion of this disposal is conditional upon the fulfillment or waiver (as the case may be) of the conditions precedent thereto. The net proceeds from this disposal are estimated to be approximately HK\$300,001, and are intended to be applied towards the Group's general working capital. For details, please refer to the announcement of the Company dated 2 May 2012.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES OF THE COMPANY

As at 31 March 2012, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (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	Approximate percentage of the issued share capital
Chan Shui Sheung Ivy	Beneficial owner	60,000	0.009%

Save as disclosed above, as at 31 March 2012, none of the Directors or chief executive 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 section headed "Directors' and Chief Executive's Interests in Shares of the Company" above, at no time during the three months ended 31 March 2012 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 three months ended 31 March 2012.



## SUBSTANTIAL SHAREHOLDERS

As at 31 March 2012, 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 corporations controlled	67,294,000 (Note 1)	9.96%
Sunbright Asia Limited	Beneficial owner	61,500,000 (Note 1)	9.10%
Well Support Limited	Beneficial owner	67,081,466 (Note 2)	9.93%
Liu Yi Dong	Trustee of Liu Yi Dong Family Trust	67,081,466 (Note 2)	9.93%

Notes:

- In accordance the corporate substantial shareholder notices filed by PME Group Limited ("PME") and Sunbright Asia Limited ("Sunbright"), these 67,294,000 shares comprised 61,500,000 shares held by Sunbright and 5,794,000 shares held by Betterment Enterprises Limited ("Betterment"). Sunbright is wholly-owned by CR Investment Group Limited ("CR Investment"). Betterment is owned as to 99.49% by Richcom Group Limited ("Richcom"). Richcom is in turn wholly-owned by CR Investment. CR Investment is in turn wholly-owned by PME. Accordingly, each of Richcom, CR Investment and PME is deemed to be interested in the shares held by Betterment; and each of CR Investment and PME is deemed to be interested in the shares held by Sunbright.
- 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 31 March 2012 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 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 three months ended 31 March 2012.

## **CODE ON CORPORATE GOVERNANCE**

During the three months ended 31 March 2012, 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") 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 three months ended 31 March 2012, the Company does not have a chairman or chief executive officer. The Directors 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 three months ended 31 March 2012.

## AUDIT COMMITTEE

The Company has established an audit committee of the Company (the "Audit Committee") with written terms of reference in compliance with the GEM Listing Rules. 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 and provided comments to the Group's unaudited financial results for the three months ended 31 March 2012 and this report.

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

Hong Kong, 11 May 2012

*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, and Mr. Wang Chin Mong.*