To optimize the logistic chain is always an important issue, specially in times of a “crisis” which we are faced to in the momentary period.
Traditionally, trade between China, Japan, South Korea and Europe is based on sea transportation. Goods are shipped via large container ships to and from a few hub ports on each continent. For example, on this multimodal transportation, transit time between China and Central Europe can take more than 6 weeks with a sea voyage of over 20,000 km.

Less vessel capacities, slow steaming and instable rates requires an alternative way of shipping goods between China and Europe.
New Alternative

Far East Land Bridge Ltd.

Goods directly picked up from the production line, stuffed and fixed by professional hands in containers and forwarded to buyer’s final destination.

....using European, Trans Siberian and Chinese railway network.

CIS part on wide gauge tracks (1520 mm)
China and Europe on standard gauge tracks (1435 mm)

Container transfer from wagon (standard gauge) to wagon (wide gauge) v.v.

at existing special cargo/container terminals at the border station

July 2010
**Routing**

**Westbound**
- 20,000 km
- **Eastbound**
- 20,000 km

- Manzhouli / Zabaykalsk
- Zernovo / Suzemka
- Chop / Dobra
- Chop / Záhony
- Dalian
- Brest / Malaszewicze

**11,000 km**

**Rail**

**20,000 km**

**Sea**

**July 2010**
The Business model

- Electronic multilingual customs forms to minimise delays
- Vostochniy Port is a new port focused on FELB business
- Electronic wagon tracking with twice daily location updates
- Model maximises revenues from eastbound containers

Central Europe

Moscow

Vostochniy Port

S Korea

Far East

Westbound containers

Basic goods; Luxury goods

Electronics

Special bricks; specialty chemicals

Electronics; Special bricks; Minerals; Telephone accessories; Wood products

Electronics; Special bricks; Minerals; Telephone accessories; Wood products

Car parts; specialty chemicals

Eastbound containers

Train

Ship
Main areas served by FELB
Stations 4

Transfer

Container transfer Zabaykalsk (RU) / Manzhouli (CN)
A single way bill

A unique documentation system is based on...
- a single WAY-BILL
- an electronic CARGO-MANIFEST

High level flexibility
- subsequent instruction till the day of reaching the border is possible
• **1st Class European insurance has been arranged**
  Covering 15,000,000 USD per incident
  this on top of the liability and insurance of the rail-operators (CIM / SMGS)

• **Physical Security on the wide gauge route**

• **RFID – Monitoring (min. twice a day)**

• **Fixing/lashing according to the OEM standards**
The table below reports the timeline for a standard Westbound shipment.

### Westbound route

<table>
<thead>
<tr>
<th>Place</th>
<th>Country</th>
<th>Location</th>
<th>Activity</th>
<th>Day</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supplier's Hub</td>
<td>China</td>
<td>Dalian</td>
<td>Loading Train Start Shipment</td>
<td>1-2</td>
</tr>
<tr>
<td>Border</td>
<td>China</td>
<td>Manzhouli</td>
<td>Containers shifting to wide gauge train *</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Russia</td>
<td>Zabaikalsk</td>
<td></td>
<td>4</td>
</tr>
<tr>
<td>Border</td>
<td>Russia</td>
<td>Suzemca</td>
<td>Border Crossing</td>
<td>5-6</td>
</tr>
<tr>
<td></td>
<td>Ukraine</td>
<td>Zemovo</td>
<td></td>
<td>7</td>
</tr>
<tr>
<td>Border</td>
<td>Ukraine</td>
<td>Chop</td>
<td>Containers shifting to standard gauge train *</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td>Hungary</td>
<td>Zahoni</td>
<td></td>
<td>9</td>
</tr>
<tr>
<td>Border</td>
<td>Hungary</td>
<td>Sopron</td>
<td>Border Crossing</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>Austria</td>
<td>Salzburg</td>
<td>Unloading Train End Shipment</td>
<td>11</td>
</tr>
</tbody>
</table>

* Containers are shifted from Standard gauge train to Wide gauge trains, and vice versa, at China/Russia and Ukraine/Hungary borders. The shift is necessary because of the difference of track’s gauge between Russia and other countries.
The table below reports the timeline for a standard Eastbound shipment.

![Timeline Image]

<table>
<thead>
<tr>
<th>Place</th>
<th>Country</th>
<th>Location</th>
<th>Activity</th>
<th>Day</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supplier's Hub</td>
<td>Austria</td>
<td>Salzburg</td>
<td>Loading Train Start Shipment</td>
<td>1</td>
</tr>
<tr>
<td>Border</td>
<td>Austria</td>
<td>Sopron</td>
<td>Border Crossing</td>
<td>2</td>
</tr>
<tr>
<td>Border</td>
<td>Hungary</td>
<td>Zahoni</td>
<td>Containers shifting to wide gauge train *</td>
<td>3</td>
</tr>
<tr>
<td>Border</td>
<td>Ukraine</td>
<td>Zemovo</td>
<td>Border Crossing</td>
<td>4</td>
</tr>
<tr>
<td>Border</td>
<td>Russia</td>
<td>Suzemca</td>
<td></td>
<td>5</td>
</tr>
<tr>
<td>Border</td>
<td>Russia</td>
<td>Zabaikalsk</td>
<td>Containers shifting to standard gauge train *</td>
<td>6</td>
</tr>
<tr>
<td>Receiver's Hub</td>
<td>China</td>
<td>Shenyang</td>
<td>Unloading Train End Shipment</td>
<td>10</td>
</tr>
</tbody>
</table>

* Containers are shifted from Standard gauge train to Wide gauge trains, and vice versa, at China/Russia and Ukraine/Hungary borders. The shift is necessary because of the difference of track’s gauge between Russia and other countries.

January 2010
Environment Report

- whole railway route is electrify, main supply by hydroelectric power stations.
- 20% of the emissions of the deep sea voyage
The rail service is done on the **same climate zone**, not as the sea voyage which is running via 3 climate zones (including tropical area) **producing condensation**, therefore special treatment against rust is saved on both ends.

Using our train transport can be done directly from **main suppliers facilities** and from e.g. **automotive logistic centers**, this will **reduce costs and time** as part of suppliers are located in Germany, Austria, Hungary, Slovakia and other areas in Central Europe.
## Competitive Advantages / Savings

<table>
<thead>
<tr>
<th>Category</th>
<th>Land Bridge</th>
<th>Ship</th>
<th>Air</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time</td>
<td>19-23 days</td>
<td>45-50 days</td>
<td>7 days</td>
</tr>
<tr>
<td>Cost</td>
<td>Comparable to shipping</td>
<td>Set by market demand</td>
<td>Significant premium</td>
</tr>
<tr>
<td>Ability to carry heavy containers</td>
<td>Trains can easily cope with heavy containers</td>
<td>Limited availability and Premium cost</td>
<td>Highly expensive</td>
</tr>
<tr>
<td>Need for specialist packing</td>
<td>Minimal - temperate zones and relatively smooth ride</td>
<td>Movement and corrosion risk require customised packing</td>
<td>Some due to temperature changes and turbulence</td>
</tr>
<tr>
<td>Carbon footprint</td>
<td>Low: short distance; electricity for rail mainly not from fossil fuels</td>
<td>High carbon footprint</td>
<td>High carbon footprint</td>
</tr>
<tr>
<td>Flexibility</td>
<td>Flexible service with dedicated trains possible</td>
<td>Relatively inflexible</td>
<td>Flexible</td>
</tr>
</tbody>
</table>

July 2010
VALUE per Container USD 100,000.-

<table>
<thead>
<tr>
<th>Interest p.a.:</th>
<th>$5,000.00</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest per day:</td>
<td>$13.70</td>
</tr>
<tr>
<td>50 days :</td>
<td>$684.93</td>
</tr>
<tr>
<td>22 days</td>
<td>$301.37</td>
</tr>
<tr>
<td>Difference</td>
<td>$383.56</td>
</tr>
</tbody>
</table>

Transit time

22 days

50 days

USD 684.93

USD 301.37

Difference $383.56
Saving working capital

VALUE per Container USD 100,000.- / 1000 Containers p.a.

<table>
<thead>
<tr>
<th>used service</th>
<th>Train</th>
<th>Vessel</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tranist time in days</td>
<td>22</td>
<td>50</td>
</tr>
<tr>
<td>shipments p.a.</td>
<td>16</td>
<td>7</td>
</tr>
<tr>
<td>working capital</td>
<td>$6.1 Mio</td>
<td>$13.9 Mio</td>
</tr>
</tbody>
</table>

saved working capital USD 7.8 Mio

July 2010
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