

China Railway Logistics Limited

中國鐵路貨運有限公司*

(incorporated in Bermuda with limited liability)

Stock Code: 8089

Third Quarterly Report 2012

** For identification purpose only*

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (“STOCK EXCHANGE”)

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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 nine months ended 30 September 2012, together with the comparative figures for the corresponding periods in year 2011, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Continuing operation					
Turnover	3	27,221	34,999	111,029	76,266
Revenue	3	2,898	11,119	11,584	33,325
Other income	3	1,454	1,019	1,620	1,113
Administrative expenses		(11,011)	(14,035)	(34,927)	(32,392)
Fair value changes in investment properties		980	(1,097)	4,645	27,227
Gain on disposal of an investment property		-	880	-	880
Gain (loss) arising from fair value changes of investments held for trading		8,819	(81,058)	(8,639)	(130,410)
Gain on disposals of investments held for trading		6,892	4,822	19,320	7,832
Loss arising from fair value changes of convertible instruments designated at financial assets at fair value through profit or loss		(10,545)	(11,141)	(13,106)	(24,582)
Loss on disposals of convertible instruments designated at financial assets at fair value through profit or loss		-	(1,869)	-	(1,869)
Fair value changes in promissory note receivable		3,182	-	3,182	-
Gain on disposals of subsidiaries		-	-	33	-
Share of result of a jointly controlled entity		291	115	1,037	131
Finance costs	4	(612)	(70)	(2,048)	(186)
Profit (loss) before tax	5	2,348	(91,315)	(17,299)	(118,931)
Income tax expense	6	-	(1,009)	-	(3,662)
Profit (loss) for the period from continuing operation		2,348	(92,324)	(17,299)	(122,593)
Discontinued operation					
Profit for the period from discontinued operation		-	321	464	278
Profit (loss) for the period		2,348	(92,003)	(16,835)	(122,315)

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Other comprehensive income (expenses)					
Fair value gain (loss) on available-for-sale financial assets		68	(4,243)	1,899	(5,751)
Exchange differences on translating foreign operations		(105)	4,749	(316)	6,129
Other comprehensive income (expenses) for the period		(37)	506	1,583	378
Total comprehensive income (expenses) for the period		2,311	(91,497)	(15,252)	(121,937)
Profit (loss) for the period attributable to:					
– Owners of the Company		2,294	(92,014)	(17,027)	(122,328)
– Non-controlling interests		54	11	192	13
		2,348	(92,003)	(16,835)	(122,315)
Total comprehensive income (expenses) attributable to:					
– Owners of the Company		2,257	(91,508)	(15,444)	(121,950)
– Non-controlling interests		54	11	192	13
		2,311	(91,497)	(15,252)	(121,937)
Earnings (loss) per share from continuing and discontinued operations	8				
– Basic		HK0.34 cent	HK(13.62) cents	HK(2.52) cents	HK(19.57) cents
– Diluted		HK0.34 cent	HK(13.62)cents	HK(2.52) cents	HK(19.57) cents
Earnings (loss) per share from continuing operations	8				
– Basic		HK0.34 cent	HK(13.66) cents	HK(2.59) cents	HK(19.62) cents
– Diluted		HK0.34 cent	HK(13.66) cents	HK(2.59) cents	HK(19.62) cents

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2012

	Share capital HK\$'000	Share premium HK\$'000	Share contributed surplus HK\$'000	Share options reserve HK\$'000	Investment revaluation reserve HK\$'000	Warrant reserve HK\$'000	Convertible bond options 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 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 shares by placing	112	48,048	-	-	-	-	-	-	-	48,160	-	48,160
Replacement cost	-	(1,200)	-	-	-	-	-	-	-	(1,200)	-	(1,200)
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

	Share capital	Share premium	Share contributed surplus	Share options reserve	Investment revaluation reserve	Warrant reserve	Convertible bond options 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 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 (expenses) for the period	-	-	-	-	1,899	-	-	(316)	-	1,583	-	1,583
Profit (loss) for the period	-	-	-	-	-	-	-	-	(17,027)	(17,027)	192	(16,835)
Total comprehensive income (expenses) for the period	-	-	-	-	1,899	-	-	(316)	(17,027)	(15,444)	192	(15,252)
Issue of convertible bond options, (net of expense)	-	-	-	-	-	-	1,215	-	-	1,215	-	1,215
At 30 September 2012 (unaudited)	676	2,901,300	7,914	3,590	3,211	3,300	1,215	13,524	(2,110,094)	824,636	20,511	845,147

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 2/F, SBI Centre, Nos. 54-58 Des Voeux Road Central, 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 nine months ended 30 September 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 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 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 nine months ended 30 September 2012.

3. TURNOVER, REVENUE AND OTHER INCOME

Turnover represents rental income; net proceeds from the disposal of investments held for trading; and interest income from the provision of loan financing. The following is an analysis of the Group's turnover, revenue and other income for the periods:

	Three months ended 30 September		Nine months ended 30 September	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Operating divisions				
Turnover:				
Properties investments	431	501	1,299	1,296
Securities trading	24,323	23,880	99,445	42,941
Loan financing	2,467	10,618	10,285	32,029
	27,221	34,999	111,029	76,266
Revenue:				
Properties investments	431	501	1,299	1,296
Securities trading	-	-	-	-
Loan financing	2,467	10,618	10,285	32,029
	2,898	11,119	11,584	33,325
Other income:				
Bank interest income	7	37	20	92
Other interest income	1,444	-	1,515	-
Dividend income	3	652	85	667
Sundry income	-	330	-	354
	1,454	1,019	1,620	1,113

4. FINANCE COSTS

	Three months ended 30 September		Nine months ended 30 September	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Interest on bank borrowings	153	70	235	186
Interest expenses on bond	150	–	193	–
Effective interest expenses on promissory notes wholly repayable within five years	309	–	1,620	–
	612	70	2,048	186

5. PROFIT (LOSS) BEFORE TAX

Profit (loss) before tax has been arrived at after charging (crediting):

	Three months ended 30 September		Nine months ended 30 September	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Staff costs including directors' emoluments:				
Salaries and allowances	4,175	4,244	13,784	11,648
Contributions to retirement benefit schemes	127	112	402	303
	4,302	4,356	14,186	11,951
Depreciation of plant and equipment	582	1,743	1,935	3,168
Minimum lease payments under operating leases	1,265	994	3,669	2,853
Net foreign exchange (gain) loss	1	(819)	21	(433)

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 2012 and 30 September 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 nine months ended 30 September 2012 and 30 September 2011, nor has any dividend been proposed since 30 September 2012 and up to the date of this report.

8. EARNINGS (LOSS) PER SHARE

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

	Three months ended 30 September		Nine months ended 30 September	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Profit (loss) for the period attributable to owners of the Company				
– From continuing and discontinued operations	2,294	(92,014)	(17,027)	(122,328)
– From continuing operation	2,294	(92,335)	(17,491)	(122,606)
	'000	'000	'000	'000
Number of shares				
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	675,814	675,814	675,814	624,942

The computation of diluted earnings (loss) per share for the three months and nine months ended 30 September 2012 and 30 September 2011 does not assume the exercise of the share options and 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 nine months ended 30 September 2012, the Group recorded a turnover from continuing operation of approximately HK\$111,029,000 (nine months ended 30 September 2011: approximately HK\$76,266,000), representing an increase of approximately 45.6% as compared to the last corresponding period mainly due to the high volume in securities trading.

Administrative expenses for the nine months ended 30 September 2012 was approximately HK\$34,927,000 (nine months ended 30 September 2011: approximately HK\$32,392,000), representing an increase of 7.8% as compared to the last corresponding period.

The loss attributable to the owners of the Company for the nine months ended 30 September 2012 aggregated at approximately HK\$17,027,000 (nine months ended 30 September 2011: approximately HK\$122,328,000). The basic loss per share for the nine months ended 30 September 2012 was approximately HK2.52 cents (nine months ended 30 September 2011: HK19.57 cents).

Business Review and Outlook

Through renting out of the properties, the Group recorded a rental income of approximately HK\$1,299,000 (nine months ended 30 September 2011: approximately HK\$1,296,000). Following the acquisition of two properties in Hong Kong during the period under review, the Group held properties in Hong Kong and in the PRC for investment purposes amounted to approximately HK\$207,095,000 (31 December 2011: approximately HK\$148,716,000). Facing a new round of cooling measures on residential properties imposed by the Government of the Hong Kong Special Administrative Region, the management will adopt a prudent approach towards the properties investment.

During nine months ended 30 September 2012, the Group recorded a gain on disposals of investments held for trading amount to approximately HK\$19,320,000 (nine months ended 30 September 2011: approximately HK\$7,832,000). As a result of the volatility in securities market, the Group recorded a loss arising from the fair value changes of investments held for trading of approximately HK\$8,639,000 (nine months ended 30 September 2011: approximately HK\$130,410,000) and a loss arising from fair value changes of convertible instruments designated at financial assets at fair value through profit or loss of approximately HK\$13,106,000 (nine months ended 30 September 2011: approximately HK\$24,582,000). As at 30 September 2012, the Group held investments held for trading amounted to approximately HK\$191,647,000 (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\$74,493,000 (31 December 2011: approximately HK\$107,599,000). 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\$10,285,000 to the Group during the period under review (nine months ended 30 September 2011: approximately HK\$32,029,000). As stated in the 2012 Interim Report, the management has adopted a conservative approach, thus the loan financing business has dropped as compared to the last corresponding period.

The Group will continue to adopt a positive but prudent approach in managing its financial resources and towards its investment strategy in 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") (as amended by a supplemental placing agreement dated 14 March 2012 and a second supplemental placing agreement dated 19 April 2012, respectively) in respect of the placing of a maximum of 135,000,000 new shares at a revised placing price HK\$0.21 per new placing share with a new long stop date 18 May 2012. Owing to the volatile market sentiment in first half year of 2012, the placing has not been successfully taken place by the long stop date and therefore the placing was lapsed on 18 May 2012. For details, please refer to the announcements of the Company dated 21 November 2011, 14 March 2012, 19 April 2012 and 30 May 2012, respectively.

On 30 May 2012, the Company and FT Securities (as the placing agent) entered into the option placing agreement pursuant to which the Company has conditionally agreed to place and FT Securities has conditionally agreed to procure, on a best effort basis, not less than six independent placees to subscribe for up to 27 options at a premium of HK\$50,000 per option. Upon exercise of each of the option, the optionholder is entitled to subscribe for the zero coupon convertible bonds of the Company in the principal amount of HK\$1,000,000 at the subscription price of HK\$1,000,000. Assuming exercise of all the 27 options, optionholders are entitled to subscribe for, in aggregate, the convertible bonds of the Company in the principal amount of HK\$27,000,000 at subscription price of HK\$27,000,000. The convertible bonds are convertible into not more than 135,000,000 new shares at the conversion price of HK\$0.20 per conversion shares. An aggregate 27 options were fully placed on 21 June 2012 with the total gross and net proceeds amounted to HK\$1,350,000 and approximately HK\$1,215,000 respectively which has been applied as the general working capital of the Group. For details, please refer to the announcements of the Company dated 30 May 2012 and 23 July 2012.

Liquidity and Financial Resources

The Group principally finances its operations through a combination of shareholders equity, internally generated cash flows and interest-bearing bank borrowings.

As at 30 September 2012, the Group had cash and cash equivalent of approximately HK\$39,348,000 (31 December 2011: approximately HK\$42,273,000) and had interest-bearing bank borrowings of approximately HK\$30,519,000 (31 December 2011: HK\$7,725,000). As at 30 September 2012, the gearing ratio (measured as total liabilities to total assets) was 9.8% (31 December 2011: 4.2%).

Capital Structure

As at 30 September 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 30 September 2012, the Group had capital commitment of approximately HK\$796,500 (31 December 2011: HK\$288,000) in respect of acquisition of plant and equipment.

Contingent Liabilities

As at 30 September 2012, the Group did not have any material contingent liability (31 December 2011: nil).

Charges on Assets

As at 30 September 2012, investment properties of the Group with an aggregate carrying value of HK\$68,515,000 and the investments held for trading with carrying value of HK\$15,792,000 have been pledged to banks and financial institutions to secure the credit 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 Holdings Limited ("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 30 April 2012, Rich Best Asia Limited ("Rich Best"), a wholly-owned subsidiary of the Company (as the vendor), entered into a sale and purchase agreement with Best Access Investment Holdings Limited (as the 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, were principally engaged in the business of computer telephony, the trading of telecommunication products and provision of tele-commerce services. Following the disposal on 30 April 2012, this segment was classified as discontinued operation. The net proceeds of HK\$300,001 were applied towards the Group's general working capital. For details, please refer to the announcement of the Company dated 2 May 2012.

On 30 April 2012, Top Mega Asia Limited ("Top Mega", 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 (the "Principal Amount") 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, "CGI Group"), for a consideration of HK\$26,000,000. The promissory note does not bear any interest and its repayment was due on 6 June 2012. For details, please refer to the announcement of the Company dated 2 May 2012. On 21 September 2012, Top Mega and CGI Group entered into an agreement and CGI Group agreed to pay interest and extend the time for the repayment of the Principal Amount together with the accrued interest to 30 September 2013.

Pursuant to the conditional subscription agreement dated 26 March 2012 with respect to the subscription of 999 new shares in Sun Famous Investment Limited ("Sun Famous"), on 13 June 2012, Best Marvel Investment Limited ("Best Marvel"), a wholly-owned subsidiary of the Company successfully subscribed 999 new shares in Sun Famous, thereof, Best Marvel holding 99.9% of the entire issued share capital of Sun Famous, Sun Famous became a non-wholly owned subsidiary of the Company. Further pursuant to an agreement for sale and purchase dated 30 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, the acquisition of Sun Property was completed on 16 July 2012, and eventually the Company holds 99.9% of the Sun Property and the Company intends to hold the Sun Property for long term investment purpose. For details, please refer to the announcements of the Company dated 26 March 2012, 30 April 2012, 15 May 2012 and 13 June 2012 respectively, and the circular of the Company dated 28 May 2012.

Litigations

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

On 20 July 2012, a court judgment in relation to the acquisition of the property from Worldsky Limited, being the vendor, by Charm State International Limited (the "Purchaser"), a wholly-owned subsidiary of the Company, was awarded in favour of the Purchaser. On 1 August 2012, the deposits of HK\$25,647,000 together with the interest of HK\$888,159.12 were received. On 16 August 2012, the cost incurred at the litigation of HK\$360,000 was also received.

Save as disclosed above, other litigations against the defendants are still ongoing.

Event after the Reporting Period

On 30 October 2012, Miracle Stand Limited, a wholly-owned subsidiary of the Company entered into a subscription agreement with Teamedics Enterprise (Holdings) Co., Limited ("Teamedics Enterprise") in relation to the subscription of the convertible bonds in a principal amount of HK\$5,900,000 to be issued by Teamedics Enterprise convertible into 737,500 shares, representing 12.85% of the enlarged issued share capital of Teamedics Enterprise. The subscription price of HK\$5,900,000 shall be fully settled by procuring a bank to grant and provide to Teamedics Enterprise and/or its subsidiary, Teamedics International Company Limited, credit facilities of HK\$5,050,000 and RMB30,000 which will be secured by a deed of mortgage on a property held by Host Luck Limited, a non wholly-owned subsidiary of the Company. For details, please refer to the announcement of the Company dated 31 October 2012.

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

As at 30 September 2012, the interests and short positions of the Directors and chief executives 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	0.01%

Save as disclosed above, as at 30 September 2012, 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 section headed "Directors' and Chief Executive's Interests in Shares of the Company", at no time during the nine months ended 30 September 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 nine months ended 30 September 2012.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 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	Number of underlying shares	Approximate percentage of interests
The Incorporation of Financial Technicians Limited	Interest of corporation controlled	–	110,000,000 <i>(Note 1)</i>	16.27%
FT Investment Management Limited	Beneficial owner	–	110,000,000 <i>(Note 1)</i>	16.27%
PME Group Limited	Interest of corporation controlled	67,294,000 <i>(Note 2)</i>	–	9.96%
Sunbright Asia Limited	Beneficial owner	61,500,000 <i>(Note 2)</i>	–	9.10%
Well Support Limited	Beneficial owner	67,081,466 <i>(Note 3)</i>	–	9.93%
Liu Yi Dong	Trustee of Liu Yi Dong Family Trust	67,081,466 <i>(Note 3)</i>	–	9.93%

Notes:

1. This is an interest in underlying shares held directly by FT Investment Management Limited ("FT Investment") in respect of options to subscribe convertible bonds of the Company in the aggregate principal amount of HK\$22,000,000, which may be converted into a maximum of 110,000,000 shares upon full exercise of the conversion rights thereto at the conversion price of HK\$0.20. FT Investment in turn is wholly-owned by The Incorporation of Financial Technicians Limited ("IFTL"), as such, IFTL is deemed to be interested in this interest.
2. In accordance with 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.
3. 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 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 nine months ended 30 September 2012.

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 2012.

AUDIT COMMITTEE

The Company has established an audit committee (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 nine months ended 30 September 2012 and this report.

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

Hong Kong, 9 November 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, Mr. Wang Chin Mong and Mr. Chow Fu Kit Edward.