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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker, or other licensed securities dealer, bank manager, solicitors, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in China Railway Logistics Limited (the “Company”), you should at once hand this circular and accompanying form of proxy to the purchaser or transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any losses howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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## **China Railway Logistics Limited**

**中國鐵路貨運有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 8089)**

### **MAJOR TRANSACTION DISPOSAL OF PROPERTY**

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A notice convening a special general meeting (the “SGM”) of the Company to be held on Friday, 20 November 2009 at 10:00 a.m. at Units A-B, 16th Floor, China Overseas Building, No. 139 Hennessy Road, Wanchai, Hong Kong is set out on pages 22 and 23 of this circular. A form of proxy for the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are encouraged to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company in Hong Kong, Union Registrars Limited, at 18/F, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong as soon as possible and in any event no later than 48 hours before the time appointed for the holding of the SGM. Completion and return of the enclosed form of proxy will not preclude you from attending and voting in person at such meeting or any adjournment meeting should you so wish.

*This circular will remain on the GEM website at <http://www.hkgem.com> on the “Latest Company Announcements” page for seven days from the date of its publication.*

\* *for identification purpose only*

5 November 2009

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## CHARACTERISTICS OF GEM

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**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 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.**

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## CONTENTS

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	<i>Page</i>
<b>DEFINITIONS</b> .....	1
<b>LETTER FROM THE BOARD</b> .....	3
<b>APPENDIX I - FINANCIAL INFORMATION ON THE GROUP</b> .....	7
<b>APPENDIX II - VALUATION REPORT ON THE PROPERTY</b> .....	9
<b>APPENDIX III - GENERAL INFORMATION</b> .....	14
<b>NOTICE OF SGM</b> .....	22

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following terms shall have the following meanings:*

“Board”	the board of Directors
“Company”	China Railway Logistics Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on GEM
“Director(s)”	director(s) of the Company
“Disposal”	the disposal of the Property by the Vendor to the Purchaser pursuant to the Agreement
“Formal Agreement”	the formal sale and purchase agreement to be entered into between the Purchaser and the Vendor on or before 4 November 2009 in relation to the Disposal
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM
“Group”	the Company and its subsidiaries
“Head Agreement”	the formal sale and purchase agreement dated 16 September 2009 entered into between the Vendor (as purchaser) and Millennium (BVI) No. 2 Limited (as vendor) in relation to the acquisition of the Property
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	means 30 October 2009, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Property”	the property located at Office Unit on the 8th Floor, Low Block, Grand Millennium Plaza, No. 181 Queen’s Road Central, Hong Kong
“Provisional Agreement”	the provisional sale and purchase agreement entered into between the Purchaser and the Vendor on 21 October 2009 in relation to the Disposal

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## DEFINITIONS

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“Purchaser”	Miracle Merchandising & Sourcing Limited, a company incorporated in Hong Kong with limited liability
“SGM”	the special general meeting of the Company to be held at 20 November 2009 for approving the Disposal, a notice of which is set out on pages 22 and 23 of this circular
“Share(s)”	ordinary share(s) of HK\$0.001 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Richmax Corporation Limited, incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“sq. ft.”	square feet
“%”	per cent

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LETTER FROM THE BOARD

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**China Railway Logistics Limited**

**中國鐵路貨運有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 8089)**

*Executive Directors:*

Ms. Yeung Sau Han Agnes

Ms. Chan Shui Sheung Ivy

*Independent non-executive Directors:*

Ms. Yuen Wai Man

Mr. Lam Ka Wai Graham

Mr. Wang Chin Mong

*Registered office:*

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

*Head office and principal place of  
business in Hong Kong:*

Units A-B, 16th Floor

China Overseas Building

No. 139 Hennessy Road

Wanchai, Hong Kong

5 November 2009

*To the Shareholders*

Dear Sir or Madam,

**MAJOR TRANSACTION**

**INTRODUCTION**

Reference is made to the announcement of the Company dated 22 October 2009 in relation to the Provisional Agreement with the Purchaser in relation to the disposal of the Property at a consideration of HK\$134,423,700.

The entering into of the Provisional Agreement constitutes a major transaction on the part of the Company under Chapter 19 of the GEM Listing Rules.

The purpose of this circular is to provide you with further details regarding the Disposal in accordance with the GEM Listing Rules.

**THE PROVISIONAL AGREEMENT**

**Date**

21 October 2009 (after trading hours)

\* *for identification purpose only*

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## LETTER FROM THE BOARD

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### Parties

Vendor : Richmax Corporation Limited, a wholly-owned subsidiary of the Company

Purchaser : Miracle Merchandising & Sourcing Limited

The Purchaser is a company incorporated in Hong Kong with limited liability and is principally engaged in merchandising of garments.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner are third parties independent of and not connected with the Company and its connected persons (as defined in the GEM Listing Rules).

### Property to be disposed

Reference is made to the announcement of the Company dated 21 August 2009 (the "Announcement") whereby it was announced that the Vendor entered into a provisional agreement dated 20 August 2009 to acquire the Property at a consideration of HK\$117,427,600. The completion of the acquisition is expected to take place on or before 30 November 2009.

Pursuant to the Provisional Agreement, the Vendor is selling as confirmor and the Purchaser is purchasing the Property subject to the terms and conditions of the Head Agreement.

The Property is located at Office Unit on the 8th Floor, Low Block, Grand Millennium Plaza, No. 181 Queen's Road Central, Hong Kong with an aggregate gross floor area of approximately 15,451 sq. ft.

The Property is to be disposed together with a tenancy at Office Units Nos. 803-806 on 8th Floor, Low Block, Grand Millennium Plaza, No. 181 Queen's Road Central, Hong Kong for a fixed term of 33 months from 27 March 2008 to 26 December 2010 (both days inclusive). The existing rental income of the tenancy is HK\$293,160 per month, exclusive of rates, management fee and air-conditioning charges.

### Consideration

The consideration for the Disposal is HK\$134,423,700 which was determined after arm's length negotiations between the parties to the Provisional Agreement in normal commercial terms having taken into account the valuation on the Property conducted by an independent valuer. The Property is valued at HK\$127,000,000 on an open market basis by adopting the comparison approach as at 18 August 2009.

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## LETTER FROM THE BOARD

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The consideration for the Disposal has been and will be paid in the following manner:

- HK\$6,721,185 upon signing the Provisional Agreement on 21 October 2009;
- HK\$22,017,675 upon signing the Formal Agreement on or before 4 November 2009;  
and
- HK\$105,684,840 upon completion of the Disposal on or before 2:00 p.m. on 30 November 2009.

### **Completion**

The completion of the Disposal will take place on or before 30 November 2009.

### **REASON FOR AND BENEFITS OF THE DISPOSAL**

The Company is an investment holding company. The Group is principally engaged in investment holding, design, development and sale of value-added telecommunications products, computer telephony products and implementation of structural information integration and analysis systems.

The Disposal represents a good opportunity for the Company to realise its investment in the Property at a net profit of approximately HK\$12,670,000.

Taking into account the favourable consideration of the Disposal as compared with the cost of acquisition of the Property, the Directors consider that the terms of the Provisional Agreement are fair and reasonable and are of commercial interest to the Company and the Shareholders as a whole.

### **FINANCIAL EFFECT OF THE DISPOSAL**

Subject to audit, it is presently estimated that the Group will record a net profit of approximately HK\$12,670,000 arising from the Disposal as calculated by the consideration for the Disposal of HK\$134,423,700 less the purchase cost of the Property of HK\$117,427,600 and all relevant fees and expenses associated with the purchase of the Property and the Disposal and the tax expense. The net profit of approximately HK\$12,670,000 will be charged to the consolidated statement of comprehensive income of the Company. The total assets of the Group are expected to increase by approximately HK\$12,670,000 while the total liabilities of the Group will remain unchanged.

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## LETTER FROM THE BOARD

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### USE OF PROCEEDS

The Directors expect that the proceeds from the Disposal will be used for payment pursuant to the Head Agreement and the balance will be used for general working capital of the Group.

### LISTING RULES IMPLICATION

The Disposal constitutes a major transaction on the part of the Company under Rule 19.06 of the GEM Listing Rules and is subject to notification, announcement and shareholders' approval requirements under the GEM Listing Rules. To the best of the Directors' knowledge, information and belief having made reasonable enquiries, no Shareholder has a material interest in the Disposal and is required to abstain from voting at the SGM.

### THE SGM

A notice convening the SGM to be held on Friday, 20 November 2009 at 10:00 a.m. is set out on pages 22 and 23 in this circular.

According to rule 17.47(4) of the GEM Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Therefore, all the resolutions put to the vote at the SGM will be taken by way of poll and the Company will announce the results of the poll in the manner prescribed under rule 17.47(5) of the GEM Listing Rules.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete and return the enclosed form of proxy in accordance with the instruction printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM (or any adjournment thereof). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM (or any adjournment thereof) should you wish to do so.

### RECOMMENDATION

The Board considers that the Disposal is in the best interests of the Company and the Shareholders as a whole and therefore recommends the Shareholders to vote in favour of the relevant resolution to be proposed at the SGM.

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

**FINANCIAL PROSPECT OF THE GROUP**

The Company is an investment holding company. The Group is principally engaged in investment holding, design, development and sale of value-added telecommunications products, computer telephony products and implementation of structural information integration and analysis systems.

Upon completion of the Disposal, the Group will continue to develop and operate its principal business and seek for suitable investment opportunities including but not limited to property investment.

**1. INDEBTEDNESS****Borrowings**

As at the close of business on 15 September 2009, being latest practicable date for the purpose of ascertaining certain information relating to this indebtedness statement, the Group had outstanding unsecured non-interest-bearing borrowings of HK\$3,000,000.

**Litigation**

As at 15 September 2009, the Group had a litigation amounting to approximately HK\$3,000,000, the details are shown in page 17 of this circular.

**Guarantees**

Pursuant to a debt guarantee agreement dated 28 April 2009 entered into between Gold Wide Holdings Limited (“Gold Wide”, a non wholly-owned subsidiary of the Company), Changsha Xinxing Development Limited (“Changsha Xinxing”, a jointly controlled entity of the Company) and Jintai Hengye Company Limited (“Jintai Hengye”, a former shareholder of Changsha Xinxing), if the former shareholder, namely Changsha Ruixiang Trade Company Limited, had breached the guarantee to undertake all existing obligations and contingent liabilities for Changsha Xinxing, Gold Wide and Jintai Hengye agreed to undertake any unsettled obligations and liabilities of Changsha Xinxing which existed on or before 31 March 2009. As at 15 September 2009, the debt guarantee related to the above amounted to approximately HK\$6,293,000.

**Disclaimer**

Save as aforesaid or as other disclosed herein, and apart from intra-group liabilities and normal trade payables in the normal course of business, as at the close of business on 15 September 2009, the Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loan or other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent

liabilities. Foreign currency amounts, for the purposes of this indebtedness statement, have been translated into Hong Kong dollars at the applicable rates of exchange ruling at the close of business on 15 September 2009.

The Directors confirmed that there has been no material change in the indebtedness and contingent liabilities of the Group since 15 September 2009.

## **2. WORKING CAPITAL**

After due and careful consideration, the Directors are of the opinion that upon completion of the Disposal and after taking into account the present internal resource and the expected proceeds from the Disposal, the Group will have sufficient working capital for its present requirements for at least the next twelve months from the date of this circular in the absence of unforeseen circumstance.

## **3. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group as at 31 December 2008, the date to which the latest published audited financial statements of the Group were made up.

## **4. FINANCIAL AND TRADING PROSPECTS**

With the recovery of China's economy during the first nine months of 2009, the global and local economic situations continue to improve and found their pathways out of the global financial crisis. The Board believes that a long term strategy with active risks control will help to generate positive returns for the Shareholders. The Board continues to be cautiously optimistic about the prospect of the Group and will continue its prudent approach to its future business development.

The Group currently maintains a strong cash position and the Board will carefully explore suitable business opportunities with a view to enhancing the shareholders' value in the long run.

*Set out below is the text of a letter, a summary of value and a valuation certificate received from Malcolm & Associates Appraisal Limited, an independent property valuer, prepared for the purpose of incorporation in this circular, in connection with its valuation as at 18 August 2009 of the Property to be disposed of by the Group.*



The Directors

**China Railway Logistics Limited**

Units A-B, 16th Floor

China Overseas Building

No. 139 Hennessy Road

Wanchai, Hong Kong

5 November 2009

Dear Sirs,

**Re: Office Unit on 8th Floor, Low Block, Grand Millennium Plaza, No. 181 Queen's Road Central, Central, Hong Kong (the "Property")**

**1. INSTRUCTIONS**

In accordance with your instructions for us to value the Property to be disposed of by China Railway Logistics Limited (the "Company") and/or its subsidiaries (hereinafter together referred to as the "Group") located in Hong Kong, we confirm that we have performed an inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Property as at 18 August 2009 (the "date of valuation").

**2. BASIS OF VALUATION**

Our valuation of the Property is our opinion of the Market Value which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

### **3. VALUATION METHODOLOGIES**

We have valued the Property on an open market basis by the Comparison Approach on the assumption that the Property can be sold in its existing state with the benefit of vacant possession and by making reference to sales evidence of comparables as available in the relevant market. Appropriate adjustments have then been made to account for the differences between the Property and the comparables in terms of age, time, location, floor level and other relevant factors.

We have also adopted the Investment Approach where appropriate by taking into account the current passing rents of the Property being held under existing tenancies and the reversionary potential of the tenancies if they have been or would be let to tenants.

### **4. TITLE INVESTIGATION**

We have caused land search for the Property to be made at the Land Registry and have been advised by the Company that no further relevant documents have been produced. However, we have neither examined the original documents to verify ownership nor to ascertain the existence of any amendments, which do not appear on the copies handed to us. All documents have been used for reference only.

### **5. VALUATION ASSUMPTIONS**

Our valuation has been made on the assumption that the Property is sold in the open market without the benefit of deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which would serve to affect the value of the Property.

In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the Property and no forced sale situation in any manner is assumed in our valuation.

### **6. VALUATION CONSIDERATIONS**

We have inspected the exterior and wherever possible, the interior of the Property. However, no structural survey has been made nor have any tests been carried out on any of the services provided in the Property. In the course of our inspection, we did not note any serious defects. We are not, therefore, able to report that the Property is free from rot, infestation or any other structural defects.

In the course of our valuation, we have relied to a considerable extent on the information provided by the Group and have accepted advice given to us by the Group in such matters as approvals or statutory notices, easements, tenure, particulars of occupancy, floor areas, identification of the Property and other relevant information.

Except otherwise stated, all dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us by the Group and are therefore approximations.

Unless otherwise stated, we have not been able to carry out detailed on-site measurements to verify the correctness of the floor areas in respect of the Property but have assumed that the floor areas shown on the documents handed to us are correct.

We have no reason to doubt the truth and accuracy of the information provided to us by the Group and the Group has also advised us that no material facts have been omitted from the information so supplied. We consider that we have been provided with sufficient information for us to reach an informed view.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the Property nor for any expenses or taxation, which may be incurred in effecting a sale or purchase.

Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its value.

Our valuation is prepared in accordance with the HKIS Valuation Standards on Properties (First Edition 2005) published by The Hong Kong Institute of Surveyors and in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

## 7. REMARKS

We hereby certify that we neither have any present nor any prospective interest in the Group or the appraised Property or the value reported.

Unless otherwise stated, all monetary amounts stated herein are in Hong Kong Dollars (HK\$).

Our Summary of Value and the Valuation Certificate are attached herewith.

Yours faithfully,  
For and on behalf of  
**Malcolm & Associates Appraisal Limited**  
**Li Wing Kang**  
*BSc.(Est. Man.), MRICS, MHKIS, RPS(GP)*  
**Associate Director**

*Note:*

*Mr. Li Wing Kang MHKIS, MRICS, RPS(GP) has been a qualified valuer and has over 27 years' experience in valuations of properties in Hong Kong and over 11 years' experience in valuations of properties in the People's Republic of China.*

## SUMMARY OF VALUE

## Property to be disposed of by the Group in Hong Kong

<b>Property</b>	<b>Market Value in existing state as at 18 August 2009 HK\$</b>
Office Unit on 8th Floor, Low Block, Grand Millennium Plaza, No. 181 Queen's Road Central, Central, Hong Kong	127,000,000
<b>Total:</b>	<u><u>127,000,000</u></u>

## VALUATION CERTIFICATE

## Property to be disposed of by the Group in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 18 August 2009 HK\$
Office Unit on 8th Floor, Low Block, Grand Millennium Plaza, No. 181 Queen's Road Central, Central, Hong Kong	The Property comprises the whole floor on 8th Floor of a high-rise office/commercial building completed in 1998.	As advised by the Group, a portion of the Property was subject to a tenancy agreement and the remaining portion of the Property was vacant as at the date of valuation.	127,000,000
1,103/116,009th equal and undivided shares of and in the Remaining Portion of Inland Lot No. 8911	As per information provided by the Group, the gross floor area of the Property is approximately 15,451 sq.ft. (or about 1,435.43 sq.m.).  The Property is held under Conditions of Exchange No. UB12479 for a term commencing on 25 June 1997 and expiring on 30 June 2047.		

*Notes:*

1. The registered owner of the Property is Millennium (BVI) No. 2 Limited vide Memorial No. 06060201690120 dated 23 May 2006.
2. The Property is subject to the following material encumbrances:
  - a. Deed of Mutual Covenant and Management Agreement in favour of Urban Property Management Limited "The Manager" vide Memorial No. UB7369240 dated 19 November 1997;
  - b. Occupation Permit (H18/98) vide Memorial No. UB7486509 dated 26 March 1998;
  - c. Legal Charge and Debenture in favour of Standard Chartered Bank (Hong Kong) Limited on its own behalf and as agent and trustee for the finance parties vide Memorial No. 07082901690090 dated 23 August 2007;
  - d. Tenancy Agreement (Re Office Unit Nos. 803-806) in favour of The Hongkong and Shanghai Banking Corporation Limited at the rent of HK\$293,160 per month vide Memorial No. 08011502610011 dated 11 January 2008;
  - e. Provisional Agreement for Sale and Purchase in favour of Richmax Corporation Limited at a consideration of HK\$117,427,600 vide Memorial No. 09090300860040 dated 20 August 2009; and
  - f. Agreement for Sale and Purchase in favour of Richmax Corporation Limited at a consideration of HK\$117,427,600 vide Memorial No. 09100601060041 dated 16 September 2009. (Pending Registration)

**1. RESPONSIBILITY STATEMENT**

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the 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:

- (1) the information contained in this circular is accurate and complete in all material respects and not misleading;
- (2) there are no other matters the omission of which would make any statement in this circular misleading; and
- (3) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

**2. DISCLOSURE OF INTERESTS****(a) Director's interests and short positions in the securities of the Company and its associated corporations**

As at the Latest Practicable Date, the following Director and chief executives had or was deemed to have interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were, pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange:

<b>Name of Director</b>	<b>Nature of interest</b>	<b>Number of Shares held</b>	<b>Approximate percentage of issued share capital of the Company</b>
Ms. Chan Shui Sheung Ivy	Beneficial owner	60,000(L)	0.011%

*L: Long Position*

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were, pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange.

**(b) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial Shareholders**

So far as is known to the Directors, as at the Latest Practicable Date, the following person (not being Directors or chief executive of the Company) had, or was deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

<b>Name of Shareholder</b>	<b>Nature of interest</b>	<b>Number of Shares held</b>	<b>Approximate percentage of issued share capital of the Company</b>
PME Group Limited	Interest of corporation controlled	80,254,000(L) (Note 1)	14.23%
Sunbright Asia Limited	Beneficial owner	71,000,000(L) (Note 1)	12.59%
Well Support Limited	Beneficial owner	52,415,466(L) (Note 2)	9.30%
Liu Yi Dong	Trustee of Liu Yi Dong Family Trust	52,415,466(L) (Note 2)	9.30%

*L: Long Position*

*Notes:*

1. PME Group Limited through its various controlled corporations is interested in an aggregate of 80,254,000 Shares.
  - (i) 71,000,000 Shares are directly held by Sunbright Asia Limited, by virtue of CR Investment Group Limited's 100% interest in Sunbright Asia Limited and PME Group Limited's 100% interests in CR Investment Group Limited; and
  - (ii) 9,254,000 Shares are directly held by Betterment Enterprises Limited, by virtue of Richcom Group Limited's 99.49% interest in Betterment Enterprises Limited, CR Investment Group Limited's 100% interest in Richcom Group Limited and PME Group Limited's 100% interest in CR Investment Group Limited.
2. 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.

**3. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, the Directors have entered into the following service contract with the Company:

Ms. Yeung Sau Han Agnes has entered into a service contract with the Company for an initial fixed term of two years commenced from 8 May 2008, which will continue thereafter until terminate by either party giving not less than three-month prior notice.

Ms. Chan Shui Sheung Ivy has not entered into any service contract or appointment letter with the Company.

Ms. Yuen Wai Man has entered into an appointment letter with the Company for an initial term of two years commenced from 4 July 2008, which continues thereafter until terminated by either party serving on the other not less than three months' notice after expiration of the said initial fixed term.

Mr. Lam Ka Wai Graham has entered into an appointment letter with the Company for a term of two years commenced from 22 December 2008.

Mr. Wang Chin Mong has entered into an appointment letter with the Company for a term of one year commenced from 10 August 2009.

**4. COMPETING INTERESTS**

As at the Latest Practicable Date, none of the Directors or the management Shareholders (as defined in the GEM Listing Rules) or substantial Shareholder or any of their respective associates has any interest in business which competes with or may compete with the business of the Group or has any other conflict of interests which any person has or may have with the Group.

## 5. LITIGATION

Linefan Technology Holdings Limited (“Linefan”), a non wholly-owned subsidiary of the Company, has received a writ of summons on 11 August 2009 served against Linefan by Mr. Dai Fan (“Mr. Dai”) and Ms. Lu Wenbin (“Ms. Lu”) in respect of alleged loan payments totaling HK\$3,000,000 by Mr. Dai and Ms. Lu. (the “Claim”). Linefan, having consulted with its legal representatives, has filed a defence and counterclaim against Mr. Dai and Ms. Lu in respect of the Claim on 16 October 2009.

Save for the above, as at the Latest Practicable Date, no members of the Group was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

## 6. INTERESTS IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, no contract or arrangement of significance in relation to the Group’s business to which the Company or any of its subsidiaries was a party and in which any of the Directors had a material interest, whether directly or indirectly, subsisted as at the Latest Practicable Date.

None of the Directors nor expert referred to in paragraph 8 has any direct or indirect interests in any assets which had been acquired or disposed of by or leased to, or which are proposed to be acquired or disposed of by or leased to, the Company or any of its subsidiaries during the period since 31 December 2008, the date to which the latest published audited financial statements of the Group were made up, up to and including the Latest Practicable Date.

## 7. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years immediately preceding the Latest Practicable Date which are or may be material:

- (1) the conditional sale and purchaser agreement dated 11 June 2008 (as amended by the supplemental agreement dated 12 July 2008) entered into by, among others, Oasis Choice Holdings Limited (a wholly-owned subsidiary of the Company), in relation to the acquisition of up to 494,180,000 shares in the issued share capital of Peaktop International Holdings Limited for a consideration of up to HK\$150,724,900;
- (2) the placing agreement dated 21 July 2008 between the Company and Kingston Securities Limited as placing agent in relation to the placing of 50,000,000 Shares at a placing price of HK\$1.40 per Share;
- (3) the conditional sale and purchase agreement dated 3 August 2008 (as amended by supplemental agreements respectively dated 13 and 19 August 2008 respectively) entered into between DaHua International (Group) Limited, Top Status International Limited, Mr. Dai Fan and the Company at a consideration of HK\$26,830,642.50 in relation to acquisition of approximately 69.53% of the then issued shares of Linefan;

- (4) the legally binded framework agreement dated 10 October 2008 (as superseded by the supplemental agreement dated 30 October 2008) entered into between Easy Champ Corporation Limited (“Easy Champ”) and Top Fast Holdings Limited in relation to the possible establishment of a joint venture company in the PRC. Subject to a formal joint venture agreement may be entered into, Easy Champ may contribute HK\$150,000,000 to the joint venture company;
- (5) the conditional agreement dated 13 October 2008 between Dragon Billion Limited and Portstar Enterprises Limited in relation to the disposal of the entire shareholding interest in Eternity Profit Investments Limited at a consideration of HK\$6,095,000 and the disposal of outstanding debts of HK\$151,980,000 advanced by Dragon Billion Limited to Eternity Profit Investments Limited to Portstar Enterprises Limited at a consideration of HK\$135,000,000;
- (6) the placing agreement dated 15 December 2008 and the supplemental placing agreement dated 22 December 2008 between the Company and Fortune (HK) Securities Limited as placing agent in relation to a private sale of 150,000,000 convertible preference shares (“CP Shares”) of Linefan Technology Holdings Limited at a placing price of HK\$0.53 per CP Shares;
- (7) the legally binded memorandum dated 22 January 2009 and a supplemental memorandum dated 11 May 2009 entered into between Sino Smart Asia Limited, Mr. Chang Wa Tat and Ms. Cheung Tao in relation to the acquisition of a property in Shanghai at a consideration of HK\$18,000,000;
- (8) the agreement dated 23 January 2009 entered into between Ultra Million Limited and Wisdom First Limited in relation to the acquisition of 25% issued share capital of Great Hill Trading Limited and the loan of HK\$15,196,239 owned by Great Hill Trading Limited to Wisdom First Limited at a consideration of HK\$13,600,000;
- (9) the formal agreement dated 10 March 2009 entered into among Asiaciti Management Limited, Gold Wide Holdings Limited (“Gold Wide”) and Mr. Hui Kam Wing in relation to the sale and purchase of 14% registered share capital of Changsha Xinxing Development Limited (“Changsha Xinxing”) and the subscription of 75% interests in Gold Wide at a total consideration of RMB72,600,000;
- (10) the agreement dated 22 April 2009 entered into between Ultra Million Limited and Richy Spring International Limited in relation to the acquisition of remaining 75% issued share capital of Great Hill Trading Limited and the loan of HK\$51,427,296 owned by Great Hill Trading Limited to Richy Spring International Limited at a cash consideration of HK\$34,000,000;

- (11) the provisional sale and purchase agreement dated 25 June 2009 entered into between Oasis Choice Holdings Limited and Rapid Move Group Limited in relation to the sale and purchase of the property located at Flat B on 22nd Floor, The Mayfair, No. 1 May Road, Hong Kong at a consideration of HK\$47,000,000;
- (12) the sale and purchase agreement dated 29 June 2009 entered into between Centre World Holding Limited (“Centre World”) and Best Access Investment Holdings Limited in relation to the sale and purchase of the entire interests of Proactive International Limited (“Proactive”) and a loan of HK\$3,616,117 owed by Proactive to Centre World at a total consideration of HK\$1,000,000;
- (13) the loan agreements entered into between Mr. Ng Wai Huen and China Smart Asia Limited (“China Smart”) dated 12 June 2009, 3 August 2009 and 28 August 2009 respectively in relation to an advance in aggregate of RMB42,359,525 for the purpose of an acquisition of the a property in Shenzhen, the PRC (“the Shenzhen Property”);
- (14) the sale and purchase agreement dated 27 September 2009 entered into between 深圳市盛世富強科技有限公司 and Mr. Xian Jin Cong in relation to the sale and purchase of the Shenzhen Property at a consideration of RMB40,002,273;
- (15) the warrant placing agreement dated 10 June 2009 entered into between Fortune (HK) Securities Limited as placing agent and the Company and the letter of amendment of the terms of the respective warrant placing agreement dated 8 September 2009 in relation to a placing of non-listing warrants up to 110,000,000 warrants of the Company at a placing price of HK\$0.03 per unit of warrant;
- (16) the Head Agreement; and
- (17) the Provisional Agreement.

Save for the aforementioned, no contract, not being contracts in the ordinary course of business carried on by the Company or any of its subsidiaries, has been entered into by members of the Group within the two years immediately preceding the date of this circular.

## 8. EXPERTS

The following is the qualification of the expert who has given an opinion or advice contained in this circular:

<b>Name</b>	<b>Qualification</b>
Malcolm & Associates Appraisal Limited (“Malcolm”)	Independent Valuer

As at the Latest Practicable Date, Malcolm did not have any interests, either direct or indirect, in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2008, the date to which the latest published audited consolidated financial statements of the Group were made up.

As at the Latest Practicable Date, Malcolm was not interested beneficially or non-beneficially in any Shares in the Company or any of its subsidiaries or any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Malcolm has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its respective letter and/or report and/or reference to its name in the form and context in which it respectively appears.

## **9. AUDIT COMMITTEE**

The audit committee of the Company comprises Ms. Yuen Wai Man, Mr. Lam Ka Wai Graham and Mr. Wang Chin Mong, all being independent non-executive Directors. The audit committee reviews and provides supervision over the financial reporting process and internal control of the Group.

Ms. Yuen Wai Man, aged 37, graduated from the University of Hong Kong with a degree in Business Administration in 1994. She is the fellow member of The Association of Chartered Certified Accountants, member of The Hong Kong Institute of Certified Public Accountants and The Chinese Institute of Certified Public Accountants. Prior to joining the Company, Ms. Yuen worked in accounting and auditing area for over 14 years.

Mr. Lam Ka Wai Graham, aged 42, graduated from the University of Southampton, England with a Bachelor of Science degree in Accounting and Statistics. He is a member of Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants. Mr. Lam is currently a managing director and head of corporate finance of an investment bank and has around 15 years experience in investment banking as well as around 4 years experience in accounting and auditing. He is also an independent non-executive director of Cheuk Nang (Holdings) Limited (Stock Code: 131), China Fortune Group Limited (Stock Code: 290), Applied Development Holdings Limited (Stock Code: 519), China Sonangol Resources Enterprise Limited (Stock Code: 1229), ZZNode Technologies Company Limited (Stock Code: 2371), Pearl Oriental Innovation Limited (Stock Code: 632) and Finet Group Limited (Stock Code: 8317), all of which are companies listed on the Stock Exchange.

Mr. Wang Chin Mong, aged 38, is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Wang has more than 13 years of experience in the fields of auditing, accounting and finance. He was an independent non-executive director of Heng Xin China Holdings Limited (Stock Code: 8046), a company listed on the Stock Exchange, during the period from April 2008 to March 2009.

**10. MISCELLANEOUS**

- (a) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
- (b) The head office and principal place of business of the Company is at Units A-B, 16th Floor, China Overseas Building, No, 139 Hennessy Road, Wanchai, Hong Kong.
- (c) The principal share registrar and transfer office of the Company is Butterfield Fulcrum Group (Bermuda) Limited at Rosebank Centre, 11 Bermudiana Road, Pembroke HM08, Bermuda.
- (d) The Hong Kong branch share registrar and transfer agent office of the Company is Union Registrars Limited, 18th Floor, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong.
- (e) The company secretary of the Company is Mr. Li Chak Hung, who is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants in the United Kingdom.
- (f) The compliance officer of the Company is Ms. Yeung Sau Han Agnes.
- (g) The English text of this circular shall prevail over the Chinese text in case of any inconsistency.

**11. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours from 9:00 a.m. to 5:00 p.m. on any weekday except Saturdays, Sundays and public holidays at the head office and principal place of business of the Company at Units A-B, 16th Floor, China Overseas Building, No. 139 Hennessy Road, Wanchai, Hong Kong for a period of 14 business days from the date of this circular:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for the two years ended 31 December 2007 and 2008;
- (c) the letter of consent from Malcolm referred to under “Experts” in Appendix III to this circular;
- (d) the material contracts referred to under “Material Contracts” in Appendix III to this circular;
- (e) the circular of the Company dated 19 January 2009 in respect of placing of convertible preference shares of Linefan Technology Holdings Limited;
- (f) the circular of the Company dated 3 June 2009 in respect of the acquisition of 14% registered share capital of Changsha Xinxing Development Limited and subscription of 75% interest in Gold Wide Holdings Limited;
- (g) this circular.

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## NOTICE OF SGM

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# China Railway Logistics Limited

中國鐵路貨運有限公司\*

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 8089)**

**NOTICE IS HEREBY GIVEN** that a special general meeting (the “**Meeting**”) of China Railway Logistics Limited (the “**Company**”) will be held at 10:00 a.m. on Friday, 20 November 2009 at Units A-B, 16th Floor, China Overseas Building, No. 139 Hennessy Road, Wanchai, Hong Kong for the purpose of considering and, if thought fit, passing the following resolutions with or without amendments as ordinary resolutions of the Company:

### ORDINARY RESOLUTIONS

“**THAT**

- (a) the provisional sale and purchase agreement (the “**Provisional Agreement**”) dated 21 October 2009 entered into between Miracle Merchandising & Sourcing Limited as purchaser and Richmax Corporation Limited, a wholly owned subsidiary of the Company as vendor in relation to, among other matters, the sale and purchase of the property located at Office Unit on the 8th Floor, Low Block, Grand Millennium Plaza, No. 181 Queen’s Road Central, Hong Kong (a copy of which is marked “A” and produced to the Meeting and signed by the chairman of the Meeting for identification purpose) and the transactions contemplated thereunder be and are hereby ratified, confirmed and approved; and
- (b) any one director of the Company be and is hereby authorised to do all such acts and things and execute all such documents which he or she considers necessary, desirable or expedient for the implementation of and giving effect to the Provisional Agreement and the transactions contemplated thereunder.”

By Order of the Board  
**China Railway Logistics Limited**  
**Chan Shui Sheung Ivy**  
*Executive Director*

Hong Kong, 5 November 2009

\* *for identification purpose only*

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## NOTICE OF SGM

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*Registered office:*

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Head office and principal place of  
business in Hong Kong:*

Units A-B, 16th Floor  
China Overseas Building  
No. 139 Hennessy Road  
Wanchai, Hong Kong

*Notes:*

1. Any shareholder entitled to attend and vote at the Meeting convened by the above notice is entitled to appoint one or more proxies to attend and, in the event of a poll, vote in his/her stead. A proxy needs not be a shareholder of the Company.
2. In order to be valid, the form of proxy must be duly lodged at the Company's branch registrar in Hong Kong, Union Registrars Limited, at 18th Floor, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong together with a power of attorney or other authority, if any, under which it is duly signed or a notarially certified copy of that power of attorney or authority, not less than 48 hours before the time for holding the Meeting or any adjourned meeting.
3. Completion and return of a form of proxy will not preclude a shareholder from attending in person and voting at the Meeting or any adjournment thereof, should he so wish, and in such event, the form of proxy shall be deemed to be revoked.